



CITY OF ENCINITAS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2023



ENCINITASCA.GOV

City of Encinitas

Encinitas, California

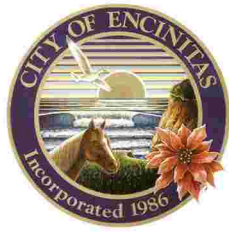
Annual Comprehensive Financial Report and Independent Auditor's Reports

For the Year Ended June 30, 2023

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
Jenarae Benavente	Accountant
Catherine Wong	Accountant
Annemarie Clisby	Finance Analyst
Jules Ramos	Finance Analyst
Julie Pickard	Senior Payroll Specialist
Shannon Swiatkowski	Payroll Specialist
Wendy Morgan	Finance Technician
Curtis Mueller	Finance Technician

INTRODUCTORY SECTION



This page intentionally left blank.

City of Encinitas
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

Table of Contents

	<u>Page</u>
 <u>INTRODUCTORY SECTION (Unaudited)</u>	
Table of Contents	i
Transmittal Letter	xiii
List of City Officials	xiv
Organization Chart	xv
Certificate of Achievement for Excellence in Financial Reporting – GFOA	xv
 <u>FINANCIAL SECTION</u>	
Independent Auditor’s Report on Financial Statements	1
Management’s Discussion and Analysis (Required Supplementary Information – Unaudited)	5
 Basic Financial Statements:	
 Government-wide Financial Statements:	
Statement of Net Position	27
Statement of Activities and Changes in Net Position	28
 Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	35
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position	36
Statement of Revenues, Expenditures, and Changes in Fund Balances	37
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	38
Proprietary Fund Financial Statements:	
Statement of Net Position	40
Statement of Revenues, Expenses, and Changes in Net Position	42
Statement of Cash Flows	44
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	51
Statement of Changes in Fiduciary Net Position	52
 Notes to the Basic Financial Statements	 55

City of Encinitas
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

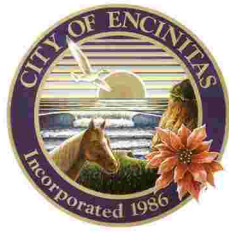
Table of Contents (Continued)

	<u>Page</u>
<u>FINANCIAL SECTION (Continued):</u>	
Required Supplementary Information (Unaudited):	
Budgetary Information	125
Budgetary Comparison Schedule:	
General Fund.....	126
Infrastructure Improvements Special Revenue Fund	128
Schedule of Changes in the Net Pension Liability and Related Ratios	130
Schedule of the City's Proportionate Share of the Net Pension Liability	132
Schedule of Contributions - Pension.....	136
Schedule of Changes in the Net OPEB Liability and Related Ratios.....	142
Schedule of Contributions - OPEB.....	144
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	150
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	152
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Grants and Housing Special Revenue Fund	154
Development Impact Special Revenue Fund	155
Lighting and Landscaping Special Revenue Fund.....	156
Internal Service Funds:	
Combining Statement of Net Position	158
Combining Statement of Revenues, Expenses, and Changes in Net Position	159
Combining Statement of Cash Flows	160
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position	162
Combining Statement of Changes in Fiduciary Net Position	163
<u>STATISTICAL SECTION (Unaudited)</u>	
Index	165
Financial Trends:	
Net Position by Components – Last Ten Fiscal Years	166
Changes in Net Position – Last Ten Fiscal Years	168
Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	172
Changes in Fund Balances of Governmental Fund – Last Ten Fiscal Years.....	174
Revenue Capacity:	
Assessed Value of Taxable Property – Last Ten Fiscal Years	176
Principal Property Taxpayers – Current year and Nine Years Ago.....	177
Property Tax Levies and Collections – Last Ten Fiscal Years.....	179
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years.....	180

City of Encinitas
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

Table of Contents (Continued)

	<u>Page</u>
<u>STATISTICAL SECTION (Continued):</u>	
Debt Capacity:	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	184
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	186
Schedule of Direct and Overlapping Bonded Debt.....	187
Legal Debt Margin Information – Last Ten Fiscal Years.....	188
Historical Debt Service Coverage – Last Ten Fiscal Years	190
Demographic and Economic Information:	
Demographic and Economic Statistics – Last Ten Fiscal Years.....	192
General Governmental Tax Revenue by Source.....	194
Taxable Sales by Business Type – Last Ten Fiscal Years.....	195
Principal Employers – Current Fiscal Year and Nine Years Ago	196
Operating Information:	
Full-Time and Part-Time Employees by Function – Last Ten Fiscal Years	197
Operating Indicators by Function – Last Ten Fiscal Years	198
Capital Asset Statistics by Function – Last Ten Fiscal Years	200
Cardiff Sanitary Division:	
Rate Schedule for Annual Sewer Charges.....	204
Historical Service Charges Billed	205
Ten Largest Customers	206
Historical Service Connections	206
San Dieguito Water District:	
Schedule of Water Rates.....	208
Bi-Monthly Meter Service Availability Charges.....	208
Historic Potable Water System Revenues – Last Ten Fiscal Years	209
Historic Recycled Water System Revenues – Last Ten Fiscal Years.....	209
Summary of Water Production by Source – Last Ten Fiscal Years	210
Summary of Water Deliveries by Source – Last Ten Fiscal Years	210
Sales by Customer Class	211
Total Service Connections by Category – Last Ten Fiscal Years	211



This page intentionally left blank.

TRANSMITTAL LETTER • INTRODUCTORY SECTION



December 15, 2023

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

It is a pleasure to present the Fiscal Year 2022-23 *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, 2023, and includes financial information for the City of Encinitas (“City”), the San Dieguito Water District (SDWD), 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, 2023, 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 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 61,085 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.

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 (SDWD), the Encinitas Housing Authority, and the Encinitas Public Financing Authority.

MUNICIPAL SERVICES

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

Fire suppression, prevention and Emergency Medical Services	Law enforcement (contract)
Marine safety (lifeguard services)	Parks, beaches and trails
Planning and development services	Recreation and arts programs
Street and sidewalk maintenance and repair	Traffic control and mobility
Wastewater collection	Potable and recycled water (SDWD)
Solid waste and recycling (contract)	Stormwater management
Urban forest, park and landscape maintenance (contract)	Code enforcement
Code enforcement	Animal services (contract)
Facilities maintenance (contract)	Affordable housing programs
Building permit and inspection services (contract)	Open space
Engineering 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 21 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 based at the San Elijo Water Reclamation Facility located in Cardiff. The former Pacific View Elementary School site purchased by the City is located at 608 Third Street and is undergoing renovation for future use as a community cultural arts center.

BUDGETING OVERVIEW

The City develops and adopts both an operating and a capital budget. The operating budget includes the proposed revenue and expenditure plan for each department over the next fiscal year. The five-year financial plan and Capital Improvement Program (CIP) is a long-term plan developed to demonstrate fiscal sustainability and to plan for the construction and replacement of infrastructure and other capital assets. The Fiscal Year 2023-24 budget returns to an annual budget cycle, replacing

TRANSMITTAL LETTER • INTRODUCTORY SECTION

the biennial operating and budget revise cycle initiated in FY 2001-02. The change is intended to streamline the budget process and facilitate the transition from print to online budget books.

Any changes to the operating or capital budgets must be approved by the City Council. Each year, the City Council reviews priorities for the year at its annual Council Retreat. A Council priority is defined as a topic that will receive significant attention and budget consideration during the year. Typically, priorities have a one to three-year time limit, although some may continue beyond that time.

Detailed City financial information is available on the City's website at: <https://www.encinitasca.gov/government/departments/finance/city-financial-reports>.

The City's award-winning budget book and related budget information can be at: <https://www.encinitasca.gov/government/departments/finance/city-budgets>.

FACTORS AFFECTING FINANCIAL CONDITION OF THE CITY

Local Economy – The outlook for the local economy continues to be positive. The City's strong fiscal health continues as is evident in a balanced budget, full contingency reserves, a debt ratio that meets City Council policy, and a AAA credit rating from Standard & Poors. Encinitas enjoys a strong and well-diversified tax base that has performed well in good economic times and has been able to weather the impacts of slower economic times. Over the years, 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.

The City's property tax and sales tax revenue has remained strong and increased from the previous fiscal year. The net taxable assessed value of property in the City has grown 79 percent since Fiscal Year 2012-13 (ten years ago). For Fiscal Years 2021-22 and 2022-23 taxable values increased 4.9 percent and 9 percent, respectively. Assessed property values have not experienced a decline over the last seventeen years, even as values hit their lowest point during the Great Recession in Fiscal Year 2010-11. The housing market in Encinitas continues to remain resilient, despite higher interest rates, with the median sales price for a single-family home at \$1,625,000, nearly twice the San Diego County average of \$820,000. Assessed values will continue to increase with the construction of new residential housing at sites identified in the City's Housing Element within the next decade, including the Fox Point Farms and Sunshine Gardens projects.

Also, Encinitas has over 3,300 businesses reporting retail sales within the City. The top 100 sales tax producers include a wide variety of businesses such as car dealerships, home improvement stores, big box retail, gas stations, grocery stores and restaurants. Due to the loss of one of the City's automobile dealerships in the spring, sales tax revenue fell below the previous year's total. However, another dealership will be occupying the space vacated by the departing dealership in 2024. While inflation remains a general concern, spending at local restaurants and hotels continues to be robust.

Revenues for both hotel and short-term vacation rentals continue to increase year over year. Visitor spending in the San Diego region has eclipsed pre-pandemic levels, contributing to an increase in hotel and short-term vacation rental occupancies. Transient Occupancy Tax (TOT) is collected for both hotel and short-term vacation rentals at a rate of ten percent of the rent charged by the operator. Eight percent goes to the General Fund, and two percent is restricted to beach sand replenishment and stabilization projects in the Coastal Zone Management Fund (212). Encinitas' location along the

TRANSMITTAL LETTER • INTRODUCTORY SECTION

coast and many visitor amenities (including its beaches, proximity to theme parks and resort hotel) make it an attractive tourist destination.

Residential and commercial development activity has steadily increased in Encinitas, despite an increase in borrowing costs (tied to the federal funds rate). As a result, development related revenues (collected from planning, building, and engineering fees) have increased over the prior year. It is anticipated that this trend will continue as a number of large residential development projects providing affordable housing have been approved and are expected to proceed in the near future, as part of the City's Housing Element.

Modest revenue growth is expected in future years from FY 2023-24 through FY 2028-29. While escalating property values result in additional property tax when homes are sold, less inventory exists and there remains a need for affordable housing and homeless resources. Inflation, wage growth and increasing commodity prices are resulting in greater operating and capital costs.

Given the forecast of modest growth in revenues due to economic uncertainties and rising costs due to wage and inflationary pressures, the City's long term fiscal health must be addressed through more sustainable approaches to address the community's service needs and, more concerning due to aging and increasing costs to repair, the City's CIP priorities into the future. In light of these developments, Council authorized the creation of a Infrastructure Task Force consisting of seven community members to study the City's aging infrastructure and funding opportunities in the future.

General Fund Revenue - Property tax, sales and use tax, TOT and other tax revenue represent approximately 84 percent of the City's total General Fund revenue. Property tax revenue in FY 2022-2023 totaled \$61.5 million which was an increase of \$5.0 million, or 8.9 percent, compared to FY 2021-22. Sales and use tax revenue in FY 2022-23 decreased by approximately \$372,000 or 2.1 percent, to \$17.1 million compared to FY 2021-22. TOT totaled approximately \$4.8 million, an increase of approximately \$384,000, or 8.6 percent compared to FY 2021-22. Total General Fund revenues for FY 2022-23 of \$100.2 million increased by approximately \$7.9 million, or 8.6 percent compared to revenues in FY 2021-22 of \$92.3 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. 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:

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

The City had approximately \$61.1 million of general fund bonded debt, financed purchases, subscription and lease liabilities outstanding at June 30, 2023, with scheduled payments of principal and interest of \$4.5 million in FY 2022-23. This debt service as a percentage of the General Fund budget is 5.0 percent, which is well below the City's debt service policy which states that debt service

TRANSMITTAL LETTER • INTRODUCTORY SECTION

paid each year shall not exceed 15 percent of the General Fund budget. The 2008 Roof Lease was paid off in February 2023, removing \$0.18 million of annual debt service from future budgets.

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, 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. 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 \$20.0 million and funding available for capital improvements was \$18.3 million as of June 30, 2023.

ACCOMPLISHMENTS

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

Grand Opening of El Portal Undercrossing. Construction of the City's second rail undercrossing project at El Portal Street was completed in 2022 and created a new pedestrian and cyclist crossing under the railway to provide a safe connection between the neighborhoods, school, residences and businesses in the area.

Completed groundbreaking and met the construction timeline for the Pacific View Site Project. This project encompasses the renovation of the former Pacific View Elementary School campus into a new arts and cultural center. Improvements will include replacing the existing roofing, electrical panels, wiring, restrooms, light fixtures, ceilings, glass, doors, frames, finishes, and other upgrades.

Homelessness Programs. Implemented a streamlined reporting process of unhoused individuals through the MyEncinitas application ("app"). Also, the Homeless Outreach Program for Empowerment (HOPE) began in 2020 as a partnership between the City, County, Sheriff's Department and the Community Resource Center to provide outreach to individuals that are living on our streets. Another program of note is the Safe Parking Program run by Jewish Family Services that provides individuals living in their vehicles a safe place to park at night where they can receive services.

The City continues to make progress on its Homeless Action Plan (HAP). The hiring of a Homeless Solutions Manager has amplified the City's presence on the street and in the region and has already resulted in 60 individuals being housed since February 2023. To date, staff has held two public meetings regarding the HAP in April and August 2023 and the City received a \$665,000 grant to provide shelter and wrap-around services to unhoused individuals at a shared location with the City of Vista.

Staff also provided emergency one-night vouchers paid for by the City during the August 2023 Hurricane Hilary heavy rainstorm event, providing needed shelter to 17 unhoused individuals at an area motel.

Completed Cycletrack Phase II. The Phase II project included slurry sealing of South Coast Highway 101 from Chesterfield Drive to K Street and added a two-way cycle track on the west side

TRANSMITTAL LETTER • INTRODUCTORY SECTION

of South Coast Highway 101 as well as bike lanes in each direction to improve mobility. It also implemented additional traffic calming measures and increased parking capacity.

Completed Citywide Sewer Master Plan. The plan identifies recommended pipeline rehabilitation projects, pipeline capacity improvements, pump station operational and capacity improvements, and several miscellaneous projects. Projects have been prioritized based on capacity and rehabilitation needs.

Completed Lake Drive emergency repair. In January 2023, a sinkhole occurred on Lake Drive because of excessive rain that prompted state and federal emergency declarations. The sinkhole was in the vicinity of the steep section of 48-inch corrugated metal pipe that conveys runoff from the road down to the bottom of a canyon. A 10- foot section of existing sidewalk on the west side of Lake Drive was hanging above a 15-foot-deep void. Due to the proximity of the sinkhole to the sidewalk and roadway, it was determined that immediate repairs should be completed to minimize public safety hazards and stabilize the area to prevent further damage to the sidewalk and roadway. Emergency repairs removed the steep section of old corrugated metal pipe, replacing it with the reinforced concrete pipe, as well as repairs to the sidewalk and road.

Financing for Leucadia Streetscape Project, Segment C. The City applied and received approval of a \$20 million loan from the California Infrastructure and Economic Development Bank (I Bank) to finance the Leucadia Streetscape, Segment C Westside Improvements Project. The project is a major streetscape project which will improve mobility, accessibility, and parking conditions in addition to installing traffic calming measures along the North Coast Highway 101. The City closed on the loan ahead of schedule to preserve a lower interest rate ahead of interest rates being raised, saving the city over \$500,000. The loan will be repaid at a rate of 3.3 percent over 15 years.

Customer Service Improvements. Permit applicants are now able to utilize the features of the City's Customer Self Service (CSS) portal. All documents associated with a discretionary permit application are now available for the public to view through CSS including project drawings, technical studies, staff comment letters, and public correspondence. Applicants are now able to request inspections through CSS instead of calling and waiting for confirmation from the City. Information Technology support is available to applicants for issues related to uploading documents. This has been well received and appreciated by applicants. In addition, staff implemented a weekly update of building permits online for easier access by the public. Also, all payment platforms now accept credit card payments and those made by electronic check (e-Check).

New Accounting Standards. City staff implemented three new Governmental Accounting Standards Board (GASB) Statement reporting requirements including GASB No. 87 (Leases), GASB No. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements), and GASB No. 96 (Subscription-Based Information Technology Agreements).

Funding for Parks and Trails Improvements. City staff secured four grants totaling \$1.65 million to upgrade Cardiff Sports Park lighting, replace playground equipment at Wiro and Orpheus Parks, and improve beach access and make trails improvements in Olivenhain.

Mobility improvements. Completed the installation of a decomposed granite (DG) path from the La Costa Avenue bridge to Vulcan Avenue; ADA ramps on Rancho Santa Fe Drive; Pedestrian improvements on Manchester Avenue; Pedestrian crossings on Diana Street and North Court and North Coast Highway 101; and bike lane revisions on North Coast Highway 101.

TRANSMITTAL LETTER • INTRODUCTORY SECTION

Annual Street Resurfacing Program. Improving pavement condition citywide is an ongoing goal of the City of Encinitas. Each year an annual list of streets to resurface is prepared based on existing condition, need and available funding. This past year, resurfacing was completed on 29 streets including, but not limited to: Birmingham Drive, Lake Drive, Montgomery Avenue, South Coast Highway 101 and West E Street.

Open Space Preservation. The City acquired 1.43 acres located at the northeast corner of North Coast Highway 101 and La Costa Avenue. The property is situated on the border of Encinitas and Carlsbad with views of the Pacific Ocean and the Batiquitos Lagoon. The parcels are currently vacant land.

San Diego County Coastal Storm Damage Reduction Project. Encinitas is part of a collaborative coastal storm damage reduction project with the U.S. Army Corps of Engineers and the City of Solana Beach. Its goal is to reduce storm and sea level rise related to coastal damage and erosion by adding sand along 7,800 feet of coastline. Funding is comprised of local, state and federal sources, and the project is currently in the pre-construction, engineering and design phase. The Cities of Encinitas and Solana Beach were awarded a state grant from California State Parks Division of Boating and Waterways in the amount of \$11.5 million to be applied to the Non-Federal Sponsor's share of the cost for the initial nourishment. A Project Partnership Agreement (PPA) and Right-of-Entry Permit (ROE) to allow construction of the project was executed in December 2022. Initial construction is expected to begin in 2024.

Agreements for Crossing Guard Programs. The City worked with San Dieguito Union High School District and Encinitas Union High School District to develop Memorandum of Understanding (MOU) Agreements for Crossing Guard Programs in each District for the 2023-24 school year.

Community Safety. Encinitas earned the rank of 28th safest City in California according to the most recent Safewise Safest Cities Report. San Diego Sheriff's North Coastal staff have participated in numerous community events, including Coffee with the Community, town hall meetings, National Night Out, Taste of Encinitas, and other special events. The North Coastal deputies have greatly increased their Deputy Initiated Activities in areas of concern identified by Crime Analysts.

The Fire Department implemented "Determinant Dispatching" to reduce the number of emergency vehicles driving "Code 3" (lights and sirens) to emergencies. The City also adopted an updated Hazard Mitigation Plan in June 2023. The intent of the plan is to articulate needs for mitigation, resulting in faster allocation of funding and more effective risk reduction projects. The 2023 update reflects public feedback regarding hazard concerns, and updated hazard mitigation goals, objectives, actions/priority actions for the County of San Diego and cities within the region to align with current and existing countywide plans, procedures, and priorities. The update ensures the City's plan remains relevant and current.

Encinitas Boulevard and I-5 Undercrossing Mosaic Installation. As part of the North Coast Corridor Program, the two Interstate 5 under crossings located in Encinitas at Santa Fe Drive and Encinitas Boulevard were redesigned. The City of Encinitas had the opportunity to work with Caltrans on adding artistic elements that would reflect the culture of the city to the side walls of the under crossings. Installation of the mosaic tiles on the Encinitas Boulevard and I-5 undercrossing was completed on or about December 2022

Citizens Academy. The City's inaugural academy concluded in Spring 2023.

Public Health and Safety Commission. This newly created citizens commission acts in an advisory capacity and is responsible for communicating and cooperating with City departments and the City's law enforcement services provider (San Diego Sheriff's Department), individual citizens, mental and social services providers and community groups in identifying public health and safety concerns and recommending solutions to the City Council for consideration. The Committee also promotes cooperation and encourages coordination between the Commission, the Fire Department, and the City's law enforcement services provider, and other entities, public and private, who are involved with community safety activities and efforts.

Stonesteps Beach Access Stairway Repairs. Repairs to the stairway to Stonesteps Beach were completed in summer 2023, which included repair and replacement of the beams, brackets, and hardware.

Infrastructure Task Force. In November 2022, the City Council authorized the creation of a Infrastructure Task Force consisting of community members to evaluate the City's infrastructure backlog, prioritization process, and anticipated financial needs and opportunities for funding for future infrastructure.

Approval of the Modal Alternatives Project Implementation Plan (MAP Encinitas). The City Council approved the MAP Encinitas in February 2023. MAP Encinitas provides the City of Encinitas with a prioritized list of bicycle and pedestrian projects that reflects the community's desires and values, including conceptual plans and cost estimates for the top 35 projects. Public outreach, including an online survey and two community workshops, was integral to the development of the MAP Encinitas prioritization criteria and methodology.

MAJOR INITIATIVES AND PROJECTS

On Tuesday, February 14, 2023, the City Council selected the following elements to include as the categories for its highest priorities:

- Mobility and Alternate Modes
- Engagement and Education
- Housing and Affordability
- Fiscal Stewardship and Effective City Services
- Evolving and Preserving Community Character
- Environmental Health and Leadership

Highlighted below are the projects that align with the above-mentioned focus areas:

Mobility. The Mobility Element is a section of the City's General Plan that identifies a multimodal transportation network to serve the community's needs. The last comprehensive update to the Mobility Element was in 1989, when the population was lower and transportation options were very different. Since then, Encinitas has grown to nearly 61,085 residents and transportation options continue to expand. In Spring 2021, the City began a project to update its Mobility Element—previously known as the Circulation Element—and create a framework to implement Senate Bill 743 (SB 743), a new state law governing transportation analysis. The City has held two community workshops to discuss the Element's proposed goals and street network. The project is expected to be completed in FY 2023–2024.

TRANSMITTAL LETTER • INTRODUCTORY SECTION

The City recently created a Mobility Manager position to better coordinate planning and engineering efforts (Vision Zero, Circulation Element, traffic control, infrastructure improvements and CIP projects), and work with the community to identify and implement practical solutions for mobility. The Mobility Manager is currently engaging with stakeholder groups, schools and City staff for more program enhancements, including more bicycle safety training for the public.

In April 2023, staff presented the Safe Routes to School design plans and specifications to City Council for approval and authorization to advertise for construction bids. The Safe Routes to School Projects are designed to provide safe pedestrian crossings in the vicinity of Diegueno Middle School, Oak Crest Middle School, Capri Elementary School, and Ada W. Harris Elementary School. The project was advertised to solicit construction bids in June 2023 and the work will begin in late October/early November 2023.

Leucadia At-Grade Rail Crossings. Conceptual plans for two new at-grade railroad crossings for pedestrians and cyclists at Grandview Street and Phoebe Street were prepared in January 2023 and shared at a public neighborhood meeting to gather comments from residents. In March 2023, staff requested funding for the next phase of the project, which includes 30 percent design and a California Public Utilities Commission (CPUC) application. In June 2023, Staff finalized the Site Project Study Report. The project is moving into Phase 2 which involves preparing the full CPUC application and performing preliminary 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. Design began on the next segment of Leucadia Streetscape at the north end of the corridor between Jupiter Street and La Costa Avenue. This segment will include new wider sidewalks, green separate bike lanes, enhanced crosswalks, roundabouts at Grandview and Jupiter, more parking and new trees. This project focuses on the west side of the 101 and retains the existing medians.

Construction of the Segment C and North Highway 101 drainage work is moving forward for a Fall 2023 groundbreaking. This work should take 18-24 months and is expected to finish in 2025. Staff is also pursuing an MOU with North County Transit District (NCTD) to share costs for bus shelters along the Streetscape corridor. If this is successful, it is likely that these shelters could be constructed with the drainage and Segment C base bid work moving forward.

In February 2023, Council approved, and staff submitted for a FY23 Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Grant for Leucadia Streetscape Segment A1. This section of the corridor runs from A Street to Marchetta Street.

Staff also completed construction on Streetscape Segment B striping from Basil Street to Jupiter Street in May 2023. These improvements included striping bike lanes and improving parking along this section North Coast Highway 101 through Leucadia.

Santa Fe Drive Corridor Improvements. The project will focus on connection to schools and will improve mobility for pedestrians, bicyclists, and vehicular traffic, while also improving safety and connectivity. Improvements include the construction of new bike ways (separated where possible), new sidewalks, and the addition of a signalized pedestrian crossing near San Dieguito Academy (SDA) High School. The project will also construct new curb, gutter, asphalt concrete berm and driveways. The project has been split into an east and west phase. The City recently received a \$3 million grant from the State of California for the project. Construction is anticipated to begin

TRANSMITTAL LETTER • INTRODUCTORY SECTION

December 2023 on the western phase (Gardena Road to Evergreen Drive). Construction of the east phase (Evergreen Drive to El Camino Real) is targeted for fall 2023, pending funding availability. Benefits of the project include:

- Improved mobility and safety throughout the entire corridor, including access to schools, through new bikeways, sidewalks and intersection improvements.
- Added storm water management measures through new landscaping and trees.
- New proposed protected intersection at Mackinnon Avenue and Nardo Road.
- New proposed protected intersection at Windsor Road and Bonita Drive.
- Separated bikeways where possible, buffered bike lanes in other locations.

Rancho Santa Fe (Trail 82) Design and Construction. This project will incorporate existing trail elements along the east side of Rancho Santa Fe Road and provide a multiuse trail that connects Encinitas Boulevard to Camino Del Norte. Trail 82 consists of a Decomposed Granite trail that runs 4,900 feet long. It will have a composite fence that runs the length of it on the traffic adjacent side. The initial project design was delayed due to numerous challenges with easements, utilities, and new private developments affecting trail alignment. The project is currently in design and expected to be at 100% design by December 2023.

Housing in Encinitas. On July 13, 2021, the State of California’s Department of Housing and Community Development approved the City’s Sixth Cycle Housing Element (2021–2029). As part of the Housing Element, the City has identified programs and activities to implement over the next four years to identify and address constraints on development as well as affirmatively furthering fair housing opportunities and promoting housing throughout the community for all persons. The Housing Element also identified 14 sites for future housing that would be available to lower income households.

In March 2023, the City Council directed staff to bring back a proposal for a 100% affordable housing project on one of the sites located at 634 Quail Gardens Drive (otherwise known as the L-7 property).

The City’s award-winning Permit Ready Accessory Dwelling Unit (PRADU) program was launched in April 2019. These units, perhaps better known as granny-fats, continue to be an integral part of Encinitas’ housing conversation.

Citywide Quiet Zone. In March 2023, Council approved a Memorandum of Understanding (MOU) with North County Transit District (NCTD) for the design of Quiet Zone improvements and staff submitted funding requests through Senator Padilla and Senator Feinstein’s office for \$5 million in Congressionally directed spending for Quiet Zone construction. The schedule going forward is to solicit proposals from engineering firms to prepare design plans and studies for the project. Staff intends to award a design contract in October 2023 and complete the design by Summer 2024. The limits of the proposed quiet zone will include E Street, D Street, Encinitas Station, and Leucadia Boulevard.

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.

The City’s CAP set a goal of transitioning the municipal fleet to “zero emission” vehicles (ZEV) by 2030. Since the development of the City’s ZEV Fleet Conversion Plan in 2018, more than 23 fleet

TRANSMITTAL LETTER • INTRODUCTORY SECTION

vehicles have been converted to alternative fueled vehicles. In 2023, the City's fleet included 9 battery-electric vehicles, 13 hybrid vehicles, and 1 plug-in hybrid for a total of 23 alternative fuel vehicles, 44 percent of the light duty fleet.

Encinitas Habitat Stewardship Program. The Encinitas Habitat Stewardship Program (EHSP) was created by the City in 2020 to help with the upkeep of City-owned properties that contain sensitive habitat. The first site was at Cottonwood Creek, where the program was launched in partnership with the San Diego Botanic Garden. To date, Garden staff and volunteers have removed over three acres of invasive ice plant and replanted the area with native species. Establishment and plantings continued into 2023. Efforts focus on invasive removal, slope stabilization and planting native species. The budget for the EHSP was increased to \$200,000 for FY 2023-24. In October 2022, the City Council directed staff to continue working with a subcommittee to create a native plant ordinance for the City.

Detailed information regarding these city projects and others can be found on the City's website at <https://www.encinitasca.gov/government/city-projects>.

AWARDS AND ACKNOWLEDGEMENTS

During 2021, the City was awarded a Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for its FY 2021–2022 and 2022–2023 budget. The City meets the program criteria of publishing a budget document as a policy document, as a financial plan, as an operations guide and as a communications device. This award is the highest form of recognition in governmental budgeting.

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, 2022. The City believes that the FY 2022-23 Annual Comprehensive Financial Report continues to meet the GFOA criteria for the award.

CONCLUSION

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, Catherine Wong and Jenarae Benavente 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



This page intentionally left blank.

LIST OF CITY OFFICIALS As of June 30, 2023

CITY COUNCIL

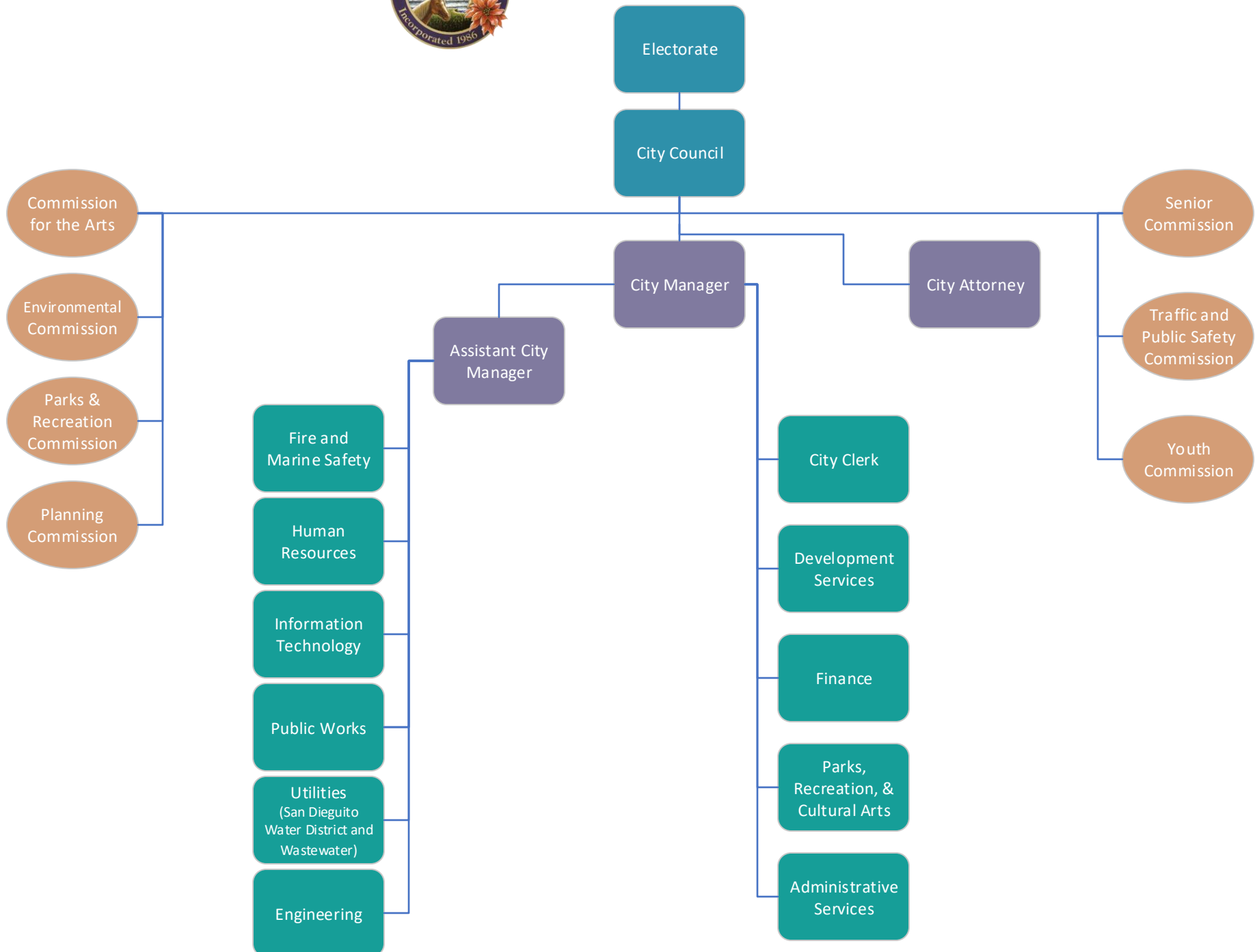
Mayor	Tony Kranz	
Deputy Mayor	Joy Lyndes	District 3
Council Member	Bruce Ehlers	District 4
Council Member	Kellie Shay Hinze	District 2
Council Member	Allison Blackwell	District 1

EXECUTIVE TEAM MEMBERS

City Manager	Pamela Antil
Assistant City Manager	Jennifer Campbell
Director of Administrative Services	Jace Schwarm
Director of Legislative Services/City Clerk	Kathy Hollywood
Director of Development Services	Roy Sapa'u
Director of Engineering	Jill Bankston
Director of Finance/City Treasurer	Teresa S. McBroome
Director of Human Resources/Worker's Compensation	Tom Bokosky
Director of Information and Technology	Jessica Contreras
Director of Parks, Recreation & Cultural Arts	Travis Karlen
Fire Chief	Josh Gordon



City of Encinitas Organization Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

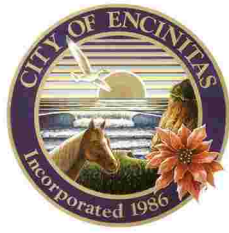
**City of Encinitas
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



This page intentionally left blank.

FINANCIAL SECTION



This page intentionally left blank.

Independent Auditor's Report

City Council
City of Encinitas
Encinitas, California

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements 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	12.35%	17.06%	3.53%
Each Major Enterprise Fund:			
Cardiff Sanitary District	52.72%	63.31%	42.48%
San Dieguito Water District	33.40%	39.76%	12.47%
Encinitas Sanitary Division	21.47%	21.51%	26.82%

Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for R.E. Badger Joint Powers Authority, R.E. Badger Financing Authority, San Elijo Joint Powers Authority, and Encina Wastewater Authority, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described further in Note 9 and Note 19 to the financial statements, during the year ended June 30, 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No.96, Subscription-Based Information, which resulted in a restatement of beginning net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The *combining and individual nonmajor fund financial statements and budget to actual schedules* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining and individual nonmajor fund financial statements and budget to actual schedules* are 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 *combining and individual nonmajor fund financial statements and budget to actual schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

DavisFarr LLP

Irvine, California
December 15, 2023



City of Encinitas

Management's Discussion and Analysis

For the Year Ended June 30, 2023

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, 2023. 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

- The City's total assets increased overall by \$39.4 million. This is due to a \$40.0 million increase in governmental activities and a \$0.6 million decrease in business-type activities.
- The City's total net position increased overall by \$19.7 million compared to the previous year. The governmental activities increased \$17.0 million and business-type activities increased \$2.7 million. Total assets increased \$39.4 million, total liabilities increased \$64.6 million, deferred outflows increased \$19.8 million, and deferred inflows decreased \$25.1 million.
- The City's total revenues increased \$14.1 million from 2022.
 - Governmental activities revenues increased \$12.6 million
 - Business-type activities revenues increased \$1.5 million
- The City's total expenses increased \$13.2 million from 2022.
 - Governmental activities expenses increased \$13.7 million
 - Business-type activities expenses decreased \$0.5 million
- The City's total net pension liability increased \$37.8 million from 2022.
 - Governmental liability increased \$34.3 million
 - Business-type liability increased \$3.5 million
- The City's total OPEB liability increased \$1.9 million from 2022.
 - Governmental liability increased \$1.8 million
 - Business-type liability increased \$0.1 million

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, 2023

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, 2023

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.

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:

- General Fund
- Capital Improvements Capital Projects Fund
- Infrastructure Improvements Special Revenue Fund
- 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

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



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2023

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, 2023 is compared to the results for 2022 in **Table 1**.



City of Encinitas **Management's Discussion and Analysis (Continued)** **For the Year Ended June 30, 2023**

Table 1

Statement of Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Changes
	2023	2022	2023	2022	2023	2022	%
Current assets	\$ 121.7	\$ 90.8	\$ 47.1	\$ 47.3	\$ 168.8	\$ 138.1	22.2%
Capital assets (net)	247.2	237.7	61.3	59.9	308.5	\$ 297.6	3.7%
Other non-current assets	2.4	2.8	70.3	72.1	72.7	\$ 74.9	-2.9%
Total assets	371.3	331.3	178.7	179.3	550.0	510.6	7.7%
Deferred outflows	32.6	14.8	3.7	1.7	36.3	16.5	120.0%
Current liabilities	27.5	20.5	4.2	3.7	31.7	24.2	31.0%
Long-term liabilities	59.9	40.7	12.2	14.0	72.1	54.7	31.8%
Pension liability	61.8	27.5	7.7	4.2	69.5	31.7	119.2%
OPEB liability	6.0	4.2	0.2	0.1	6.2	4.3	44.2%
Total liabilities	155.2	92.9	24.3	22.0	179.5	114.9	56.2%
Deferred inflows	5.2	26.7	3.6	7.2	8.8	33.9	-74.0%
Net investment in capital assets	203.2	196.8	46.8	43.8	250.0	240.6	3.9%
Restricted	47.6	20.4	0.4	0.4	48.0	20.8	130.8%
Unrestricted	(7.3)	9.3	107.3	107.6	100.0	116.9	-14.5%
Total net position	\$ 243.5	\$ 226.5	\$ 154.5	\$ 151.8	\$ 398.0	\$ 378.3	5.2%

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. The Net position for Fiscal Year 2021-22 was restated to reflect the implementation of GASB 96, the effects of which are included in this analysis. Net position for the City as a whole increased 5.2 percent from \$378.3 million on June 30, 2022, to \$398 million at June 30, 2023.

The overall increase in total assets is \$39.4 million when compared to the previous year. The governmental activities total assets increased \$40.0 million compared to the previous year with an increase in cash and investments and capital assets offset by a slight decrease in lease receivables. The business-type activities total assets decreased \$0.6 million compared to the previous year with primary decreases in inventory and prepaid items, investment in joint ventures, and lease receivables offset by increases in cash and investments and capital assets.

The overall increase in total liabilities is \$64.6 million when compared to the previous year. This is primarily attributable to substantial increases in long-term liabilities, net pension, and other postemployment benefit (OPEB) liabilities.

The increase in total assets of \$39.4 million, increase in total liabilities of \$64.6 million, offset by the decrease in deferred inflows of \$25.1 million and increase in deferred outflows of \$19.8 million results in an increase in the City's total net position of \$19.7 million, or approximately 5.2 percent, compared to 2022. See **Table 1**.



City of Encinitas

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2023

Table 2

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	CY 2023	PY 2022	CY 2023	PY 2022	CY 2023	PY 2022
Program revenues:						
Charges for services	\$ 12.0	\$ 12.4	\$ 26.1	\$ 26.1	\$ 38.1	\$ 38.5
Operating grants	8.7	8.8	1.5	1.4	10.2	10.2
Capital grants	8.6	5.4	0.4	0.2	9.0	5.6
General revenues:						
Property taxes	62.8	57.7	1.4	1.3	64.2	59.0
Sales and use taxes	17.1	17.5	-	-	17.1	17.5
Other taxes	9.5	8.8	-	-	9.5	8.8
Intergovernmental	0.3	0.1	-	-	0.3	0.1
Other general revenue	2.3	(2.0)	0.8	(0.3)	3.1	(2.3)
Total revenues	121.3	108.7	30.2	28.7	151.5	137.4
Program expenses:						
General government	13.8	12.0	-	-	13.8	12.0
Public safety	42.5	36.3	-	-	42.5	36.3
Public works	7.7	12.3	-	-	7.7	12.3
Planning services	25.7	16.2	-	-	25.7	16.2
Engineering services	1.1	2.4	-	-	1.1	2.4
Parks and recreation	11.6	10.2	-	-	11.6	10.2
Interest on long-term debt	1.9	1.2	-	-	1.9	1.2
Cardiff Sanitary Division	-	-	5.9	4.8	5.9	4.8
San Dieguito Water District	-	-	16.8	18.7	16.8	18.7
Encinitas Sanitary Division	-	-	2.9	2.7	2.9	2.7
Affordable housing	-	-	1.9	1.8	1.9	1.8
Total expenses	104.3	90.6	27.5	28.0	131.8	118.6
Change in net position	17.0	18.1	2.7	0.7	19.7	18.8
Net position - beginning, as restated	226.5	208.4	151.8	151.1	378.3	359.5
Net position - ending	\$ 243.5	\$ 226.5	\$ 154.5	\$ 151.8	\$ 398.0	\$ 378.3

Governmental Activities

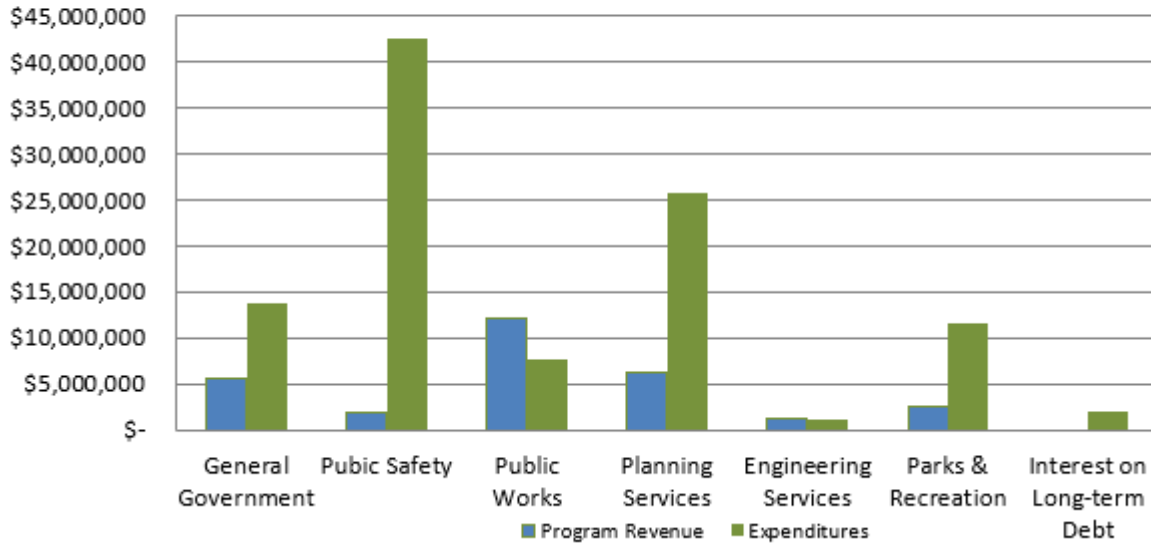
Chart 1 reflects the financial impact of the various City programs or the extent to which these programs generate revenue from fees and grants. The City's programs include General Government, Public Safety (Fire and Law Enforcement), Public Works, Planning Services, Engineering Services, and Parks, Recreation 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, 2023

Chart 1

Expenditures vs. Program Revenue (Governmental Activities)

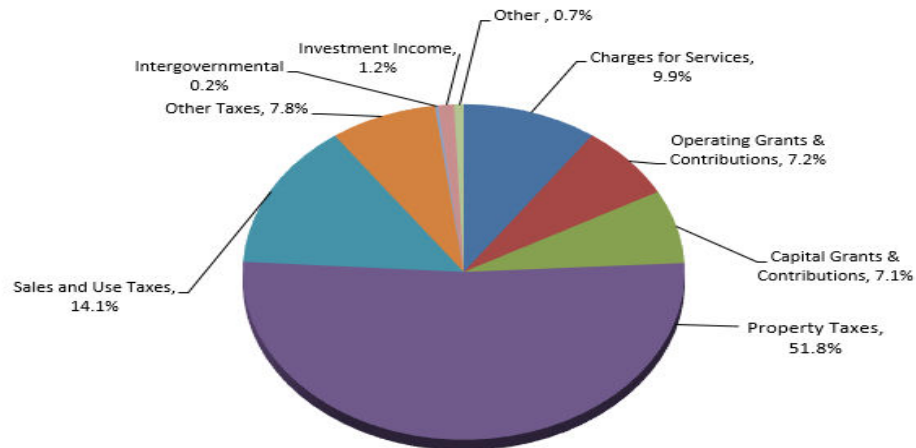


Note: Program revenues only include charges for services, operating grants and contributions, capital grants and contributions and do not include general revenues.

Chart 2 Property taxes, sales and use taxes, charges for services, operating grants and contributions and other taxes are the top five categories of total revenue and comprise 90.8 percent of funding for governmental activities. The remaining categories include, capital grants and contributions, investment income, intergovernmental and other.

Chart 2

Governmental Revenues





City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2023

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 \$2.7 million from the last fiscal year. The program revenues and general revenues totaled \$30.2 million, exceeding total expenses of \$27.5 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 \$0.3 million in program revenues and an increase of \$1.2 million in general revenues from the previous year. The primary reason for the increase in operating revenue during Fiscal Year 2022-23 was attributable to an increase in usage of sewer services offset by a decrease in water usage due to the statewide drought. The operating revenues in SDWD decreased 1.3 percent over prior year. The operating revenues in Cardiff Sanitary Division (CSD) increased 8.5 percent and the Encinitas Sanitary Division (ESD) increased 9.6 percent compared to the previous year also due to an increase in usage. The operating revenues in Affordable Housing (AH) increased 5.9 percent due to an increase in grants over prior year.

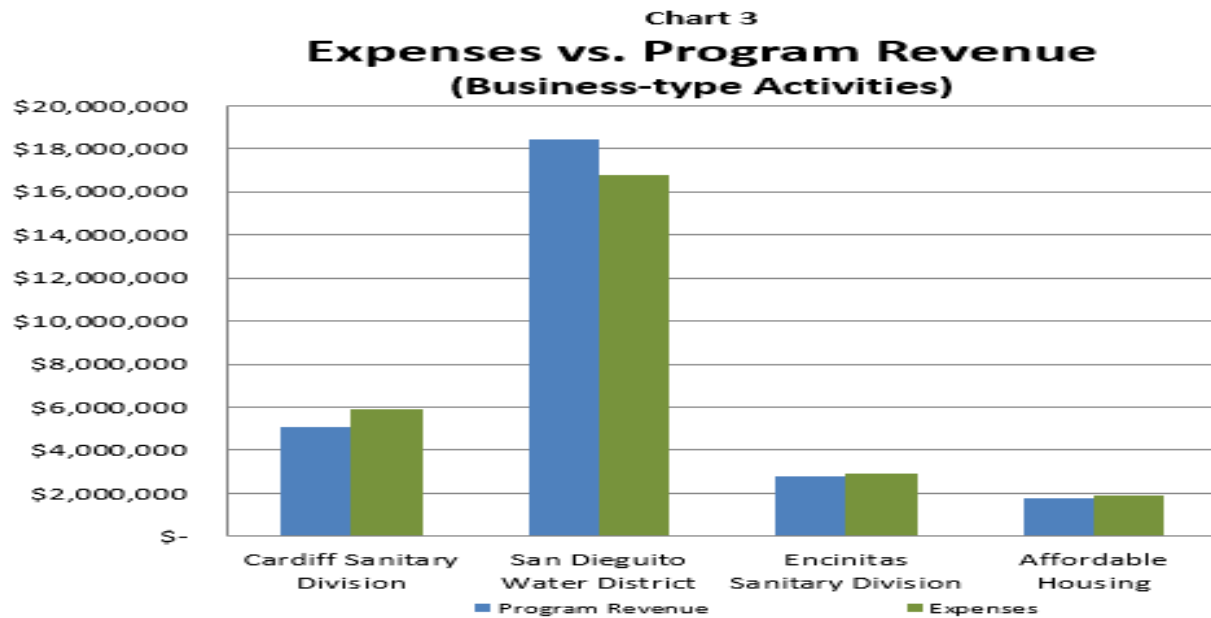
Operating expenses for business-type activities decreased \$0.5 million over prior year. Operating expense for SDWD decreased \$1.9 million compared to the previous year which is consistent with the decrease in water usage which lowered the cost of water treatment. CSD operating expense increased \$1.2 million, ESD operating expense increased \$0.2 million, and AH operating expense increased \$0.1 million due to inflationary costs in personnel, utilities, and chemicals. The net effect of the overall increase in revenue and decrease in expenses resulted in a \$2.0 million increase in net income over prior year.

Overall, program revenues and general revenues exceeded program expenses during Fiscal Year 2022-23 resulting in a total net increase in net position of \$2.7 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.



City of Encinitas **Management's Discussion and Analysis (Continued)** **For the Year Ended June 30, 2023**



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

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Revenues

\$3.8 million above projections

General Fund actual revenues of \$100.2 million were \$7.9 million, or 8.5 percent, higher than the original adopted budget and \$3.8 million, or 3.9 percent, higher than the final amended budget. Actual revenues were higher by \$7.9 million, or 8.6 percent, when compared to Fiscal Year 2021-22.

For budgeting purposes, the City's revenue projections have historically been conservative. **Table 3** compares revenue projections to actual revenue received, by revenue source:

Table 3

Description	FY 2021-22 Actual	FY 2022-23 Adopted Budget	FY 2022-23 Amended Budget	FY 2022-23 Actual	FY 2022-23 \$ Variance	FY 2022-23 % Variance
Property Tax	\$55,505,022	\$58,107,960	\$59,110,000	\$60,802,331	\$1,692,331	2.9%
Documentary Transfer Tax	978,331	600,000	600,000	676,729	76,729	12.8%
Sales Tax	17,510,658	16,190,000	17,640,000	17,138,284	(501,716)	-2.8%
Transient Occupancy Tax	4,422,672	3,424,136	3,922,096	4,836,738	914,642	23.3%
Franchise Tax	2,903,674	2,891,977	2,391,977	2,581,664	189,687	7.9%
Licenses, Fees and Permits	319,910	236,000	236,000	379,267	143,267	60.7%
Intergovernmental Revenue	852,008	713,726	911,794	1,026,194	114,400	12.5%
Charges for Services	9,804,091	8,249,850	9,304,850	9,510,414	205,564	2.2%
Fines and Penalties	382,537	210,253	310,253	485,215	174,962	56.4%
Use of Money and Property	(1,606,088)	1,094,777	1,094,777	1,192,301	97,524	8.9%
Other Revenue	1,192,845	611,793	891,458	1,542,803	651,345	73.1%
Total	\$92,265,660	\$92,330,472	\$96,413,205	\$100,171,940	\$3,758,735	3.9%



City of Encinitas **Management's Discussion and Analysis (Continued)** **For the Year Ended June 30, 2023**

Actual operating revenue in Fiscal Year 2022-23 (excluding transfers in) exceeded projections by approximately \$3.8 million. Significant variances can be attributed to:

- Property taxes are the City's largest revenue source, making up 61 percent of General Fund revenue. The City experienced a net taxable value increase of 8.9 percent for the 2022-23 tax roll, which was modestly more than the increase experienced countywide at 8.4 percent. The increase in assessed value primarily resulted from transfers of ownership and the Proposition 13 allowable maximum inflationary adjustment of two percent. Sales price increases in 2021 were reflected on the Fiscal Year 2022-23 tax rolls. The increase in assessed values reflect continued strength in the local and regional housing market. Many cities saw median price increases due to low interest rates, high demand, and limited properties. The largest assessed value increase for the City was reported on a commercial parcel owned by Encinitas Beach Hotel Venture LLC. Total property tax revenue collected in Fiscal Year 2022-23 exceeded budget projections by \$1.8 million, which was the result of higher than anticipated receipts from secured supplemental billings and documentary transfer tax (associated with transfers of ownership); additional unsecured property tax from increased or new assessments for Scripps and the Encinitas Beach Hotel; and a lower-than-expected delinquency rate.
- Sales and use taxes are the City's second largest revenue source, accounting for 17.1 percent of the City's revenues. The largest economic segments in the city are general consumer goods, state, and county pools (mainly the City's share from on-line sales transactions), restaurants, hotels, and automobile dealers. Actual revenue received was approximately \$0.5 million below the projection for Fiscal Year 2022-23 due to the relocation of a luxury car dealership in spring 2023.
- Revenue recorded in the Franchise Fees category exceeded projections by approximately \$0.2 million primarily due to an increase in the fee collected from San Diego Gas and Electric, which was the result of an increase in the price of electricity and natural gas. The City experienced slight reductions in revenue collected from cable and satellite television providers as the number of subscribers continued to decline due to competition from streaming services.
- The City collects a Transient Occupancy Tax (TOT) of 10 percent of the rent amount collected on all occupancies less than 30 days (transient) in duration. General Fund revenue exceeded projections by approximately \$0.9 million, mostly due to continued demand for short-term vacation rentals and increased reporting and compliance from owners. Revenue collected from TOT is apportioned 80 percent to the General Fund and 20 percent to the Coastal Zone Management Fund for sand replenishment and shore stabilization.
- In the Licenses, Fees and Permits category, revenue from permit fees collected for short-term vacation rentals were slightly higher than expected primarily due to a \$0.1 million increase in short-term vacation rental permit fees resulting from increased code enforcement of unpermitted hosts.
- Intergovernmental revenue was 12.5 percent higher than projected. The cities of Solana Beach and Del Mar contributed more for their share of costs under the cooperative agreement for fire management services with the City.



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2023

- The variance in the fines, forfeitures, and penalties is primarily due to a \$0.1 million increase in parking citations resulting from increased code enforcement by the Sheriff and parking contractor.
- The Use of Money and Property category was 8.9 percent above projections which includes a \$0.6 million decrease in the change in fair value of investments offset by interest earnings on cell tower leases. The City is required to recognize unrealized gains and losses related to fair values. The implementation of GASB 87 requires that leases recognize interest based on an incremental borrowing rate.
- The Other revenue category was 73.1 percent above projections. This reflects \$0.5 million in one-time Encinitas Ranch Golf Authority surplus net revenue payment to City.

General Fund Expenditures

\$10.0 million under budget

Operating expenditures for the fiscal year (excluding transfers out) were approximately \$10.0 million under budget. **Table 4** compares the expenditure budget to actual expenditures for the fiscal year by type:

Table 4

Description	FY 2021-22 Actual	FY 2022-23 Adopted Budget	FY 2022-23 Amended Budget	FY 2022-23 Actual	FY 2022-23 \$ Variance	FY 2022-23 % Variance
Personnel	\$38,452,100	\$42,780,750	\$43,741,642	\$40,805,147	\$ (2,936,495)	93.3%
Materials & Supplies	1,343,339	1,553,042	1,978,988	1,716,639	(262,349)	86.7%
Contracts & Services	30,491,909	37,867,047	39,607,108	32,120,756	(7,486,352)	81.1%
Internal Cost Allocation	370,194	428,187	557,966	365,950	(192,016)	65.6%
Capital Outlay	37,907	36,100	46,100	522,393	476,293	1133.2%
Debt/Finance	181,593	127,026	127,026	506,996	379,970	399.1%
Expenditures Total	\$70,877,042	\$82,792,152	\$86,058,830	\$76,037,881	(\$10,020,949)	88.4%

- The overall variance in the Personnel category of \$2.9 million was the result of vacancies across City departments and new hires entering positions at lower grades or steps than originally budgeted.
- Expenditures on Materials and Supplies in Fiscal Year 2022-23 were approximately \$0.3 million under budget partially due to a delay in furniture and fixtures delivery and installation (which has been included in FY 2023-24 as a continuing appropriation to pay for the furniture and fixtures). Additionally, expenditures on computer hardware and software were lower than anticipated and there were savings in postage due to greater use of other mediums of communication, such as e-mail, the City's website, and social media. The purchase of park, beach, trail, and recreation supplies and fixtures was delayed due to supply chain issues that increased lead times.



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2023

- The Contracts and Services category was approximately \$7.5 million under budget, which was primarily a result of variances in the following:
 - Law enforcement services- expenditures for law enforcement services were \$4.2 million lower than anticipated due to the receipt of the second tranche of ARPA funds. \$8.2 million of ARPA funding was authorized for sheriff contract services late in Fiscal Year 2021-22. However, only \$4.1 million of funding was received. The remaining amount was received in Fiscal Year 2022-23.
 - Park, beach and trail maintenance-contract expenditures and utilities costs were \$0.5 million under budget.
 - Information technology-service contracts were under budget by approximately \$0.4 million as the demand and cost of services was lower than anticipated.
 - Street and storm water system maintenance- \$0.3 million under budget.
 - Facility operations and maintenance-costs (including utilities) were approximately \$0.3 million lower than anticipated.
 - Engineering and inspection services-\$0.3 million lower than anticipated.
 - Expenditures for community center, senior and recreation programs were \$0.2 million lower than anticipated.

Excess of Revenues over Expenditures

\$13.8 million above projections

Actual revenues over expenditures were approximately \$24.1 million, compared to a budget of \$10.3 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. Refer to Note 2 in the Required Supplementary Information of the ACFR.

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. Actual transfers in for operating expenditures were \$1.1 million. Transfer in for returns on remaining capital projects were \$1.5 million. A \$20.0 million loan from the California Infrastructure and Economic Development Bank (IBank) for the Leucadia Streetscape project was initially budgeted in the General Fund but was recorded in the Capital Projects funds due to the restrictions on use of the funds.

Transfers out of the General Fund operating category were \$145,890 more than projected. 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 \$31.8 million which included \$20 million of expenditures to be funded from the IBank loan proceeds. Excluding the loan proceeds appropriations for capital projects from General fund sources totaled \$11.8 million compared to \$11.7 million in 2022.

Transfers out for debt service totaled \$4.1 million which increased by \$0.5 million as compared to 2022 due to the new IBank Loan debt service payments.



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2023

Analysis of Fund Balance and Changes in Fund Balance

Fund balance was projected to be \$20.4 million as of June 30, 2023, a scheduled decrease of about \$8.8 million. Actual fund balance was \$34.8 million, or \$14.4 million higher than projected; as mentioned above, revenues were \$3.8 million above projected, and expenditures were \$10.0 million under projected. Net transfers out were lower by \$0.6 million.

There was an excess of revenues over expenditures of \$24.1 million. Factoring net transfers for operating expenditures, debt service payments, and capital expenditures of \$18.6 million, the net result is an increase in total fund balance of \$ 5.5 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, 2023 had a deficit fund balance of \$13.9 million due to expected grant funding and commitments that are funded on a reimbursement basis. The Capital Improvements Capital Projects Fund had a total fund balance of \$64.3 million at the end of Fiscal Year 2022-23 primarily due to the City's unspent loan proceeds from the IBank loan in the amount of \$20.0 million to be used in the City's Streetscape project.

CAPITAL ASSETS AND THE CAPITAL IMPROVEMENT PROGRAM

As of June 30, 2023, the City had approximately \$308.5 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, \$247.2 million is classified as capital assets under the category of governmental activities, and \$61.3 million is classified as capital assets of business-type activities. For more detailed information on capital assets activity refer to Note 8. In addition, there are \$67.9 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: \$247.2 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



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2023

expenditure. Eligible project costs are additions to construction in progress (CIP) at fiscal year-end. Costs for completed projects are recorded as additions to the appropriate capital asset category at year end.

The City spent approximately \$24.0 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, City Hall Renovations, separated bike lanes, and ongoing pavement overlay projects as well as the repair and reconstruction of various streets and drainage from storm damage.

Business-type Activities

Capital Assets: \$61.3 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 \$61.3 million increased compared to the prior year's amount of \$59.9 million. During the year, CSD and ESD capitalized sewer line rehabilitation improvements.

The City's Affordable Housing Fund carries an investment of about \$2.1million 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: \$67.9 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.



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2023

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 decreased \$1.0 million and the joint venture in the San Dieguito Water District decreased \$0.7 million.

DEBT ISSUANCE AND ADMINISTRATION

The City has a total of \$83.7 million of long-term obligations for both governmental and business-type activities as shown in Note 9 of the basic financial statements. The governmental activities debt totaling \$61.1 million includes \$2.5 million in leased financing, \$1.4 million in subscription and lease liabilities, and \$57.2 million in bonded debt. Besides \$61.1 million in debt, the long-term obligations in governmental activities also includes \$8.6 million in claims payable and compensated absences. The financed purchases consist of borrowings for fire apparatus vehicles. Subscription and lease liabilities consist of equipment leases and subscription-based information technology agreements with an obligation of greater than one year. The business-type activities long-term obligation totals \$14.1 million and includes \$13.8 million in bonded debt and \$0.3 million in compensated absences. Of the \$74.9 million total debt that is due, \$5.9 million is due within one year.

Governmental Activities

\$61.1 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 Pacific View property. In addition, the City acquired a loan from IBank to fund the Leucadia Streetscape Capital Improvement Project. Debt payments for all of these bonds and the loan 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 \$4.5 million represents approximately four and a half 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 in which the City made its final payment in the amount of \$183,556 during Fiscal Year 2022-23. Additionally, the City currently leases four fire engine vehicles. The annual lease payments in Fiscal Year 2022-23 were \$213,593.



City of Encinitas Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2023

Business-type Activities

\$13.8 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 \$10,147,500. 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) during 2021. The City's credit rating affirmed by S&P issued a credit rating of AA+ on the City's 2021 Lease Revenue bonds which is the highest rating available for these types of 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.

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 a one-year budget before the fiscal year begins on July 1. The City returned to an annual budget cycle in FY 2023-24 to help streamline the budget process and transition to an online budget book, instead of adopting two-year budget and appropriating one year at a time. The operating and capital budgets for Fiscal Year 2023-24 were appropriated by the City Council in June 2023.

The Fiscal Year 2022-23 actual results, when compared to the adopted projections and appropriations, showed revenues above forecasts and expenditures under budget. Fiscal Year 2023-24 revenues are expected to increase \$2.1 million over the Fiscal Year 2022-23 budget. Property Tax is the City's largest revenue source, representing 61 percent of total General Fund revenue. Projections reflect continued growth, although at a more modest pace due to lower sales activity, that will affect the assessed value increases from transfers of ownership. Sales Tax revenue estimates are conservative as experts vary on whether and to what extent a recession will occur, and recent quarters have shown mixed results. Staff estimates new excise tax revenue totaling \$0.25 million for retail cannabis sales, which was not included in the FY 2022-23 budget.



City of Encinitas

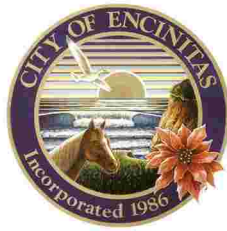
Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2023

Expenditures are budgeted to increase by \$3.8 million over the Fiscal Year 2022-23 budget, and Fiscal Year 2023-24 Capital Improvement Program appropriations total \$14.2 million. Personnel is the largest expenditure category, accounting for approximately 52 percent of the General Fund budget. Next year's budget includes negotiated adjustments with the Service Employees' International Union for a new Memorandum of Understanding effective July 1, 2023, along with additional funding for the City Manager to make market adjustments necessary for recruitment and retention of unrepresented employees and managers due to the increasing turnover in this group. Despite a reduction in consumer spending due to inflationary price increases and slowdown in home sales, it is anticipated that the City will continue to provide services, maintain a balanced budget, and fully fund its reserves.

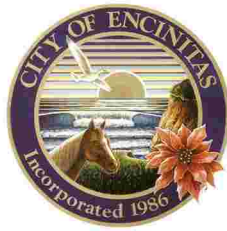
CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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.



This page intentionally left blank.

BASIC FINANCIAL STATEMENTS



This page intentionally left blank.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**



This page intentionally left blank.

City of Encinitas
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments (Note 3)	\$ 91,446,838	\$ 42,580,683	\$ 134,027,521
Restricted cash and investments with fiscal agent (Note 3)	20,587,399	273,583	20,860,982
Receivables (Note 4)	8,817,451	2,661,110	11,478,561
Interest receivable	410,080	192,708	602,788
Lease receivable - due within one year (Note 7)	204,668	70,856	275,524
Inventory and prepaid items	292,940	1,327,681	1,620,621
Total current assets	121,759,376	47,106,621	168,865,997
Noncurrent assets:			
Internal balances	101,301	(101,301)	-
Investments in joint ventures (Note 5)	-	67,919,042	67,919,042
Lease receivable (Note 7)	1,562,663	2,448,418	4,011,081
Long-term receivable (Note 6)	707,043	-	707,043
Capital assets (Note 8):			
Non-depreciable	80,158,465	10,552,472	90,710,937
Depreciable, net	167,012,742	50,790,546	217,803,288
Total capital assets, net	247,171,207	61,343,018	308,514,225
Total noncurrent assets	249,542,214	131,609,177	381,151,391
Total assets	371,301,590	178,715,798	550,017,388
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	1,103,334	-	1,103,334
Pension related (Note 14)	28,845,429	3,611,806	32,457,235
OPEB related (Note 15)	2,665,792	149,985	2,815,777
Total deferred outflows of resources	32,614,555	3,761,791	36,376,346
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	10,513,735	1,828,339	12,342,074
Interest payable	565,150	164,643	729,793
Unearned revenue	1,144,404	-	1,144,404
Deposits and other liabilities	5,523,630	412,320	5,935,950
Long-term liabilities - due within one year (Note 9)	9,750,836	1,826,011	11,576,847
Total current liabilities	27,497,755	4,231,313	31,729,068
Noncurrent liabilities:			
Long-term liabilities - due in more than one year (Note 9)	59,883,437	12,223,623	72,107,060
Net pension liability (Note 14)	61,759,761	7,685,985	69,445,746
Net OPEB liability (Note 15)	6,014,129	196,781	6,210,910
Total noncurrent liabilities	127,657,327	20,106,389	147,763,716
Total liabilities	155,155,082	24,337,702	179,492,784
DEFERRED INFLOWS OF RESOURCES			
Lease related (Note 7)	1,683,197	2,397,043	4,080,240
Pension related (Note 14)	2,573,763	1,180,000	3,753,763
OPEB related (Note 15)	984,279	47,029	1,031,308
Total deferred inflows of resources	5,241,239	3,624,072	8,865,311
NET POSITION			
Net investment in capital assets	203,180,585	46,836,006	250,016,591
Restricted:			
Community development	1,474,224	-	1,474,224
Debt service	3,200	2,163	5,363
Flexible saving	199,164	-	199,164
Housing	-	368,663	368,663
Capital projects	46,023,481	-	46,023,481
Unrestricted	(7,360,830)	107,308,983	99,948,153
Total net position	\$ 243,519,824	\$ 154,515,815	\$ 398,035,639

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, 2023

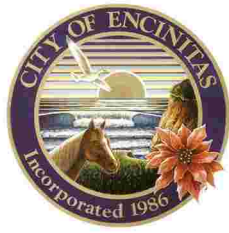
Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Primary government:					
Governmental activities:					
General government	\$ 13,761,807	\$ 1,434,649	\$ 4,079,336	\$ -	\$ 5,513,985
Public safety	42,537,995	1,792,386	165,274	-	1,957,660
Public works	7,682,427	2,128	4,067,099	7,974,705	12,043,932
Planning services	25,727,636	5,856,993	343,132	-	6,200,125
Engineering services	1,162,517	1,129,643	-	-	1,129,643
Parks and recreation	11,574,782	1,746,481	83,765	624,252	2,454,498
Interest on long-term debt	1,897,361	-	-	-	-
Total governmental activities	104,344,525	11,962,280	8,738,606	8,598,957	29,299,843
Business-type activities:					
Cardiff Sanitary Division	5,929,362	5,040,457	-	11,960	5,052,417
San Dieguito Water District	16,801,104	18,171,433	-	261,862	18,433,295
Encinitas Sanitary Division	2,920,816	2,625,808	-	161,336	2,787,144
Affordable Housing	1,889,985	300,741	1,493,447	-	1,794,188
Total business-type activities	27,541,267	26,138,439	1,493,447	435,158	28,067,044
Total primary government	\$ 131,885,792	\$ 38,100,719	\$ 10,232,053	\$ 9,034,115	\$ 57,366,887

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, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (8,247,822)	\$ -	\$ (8,247,822)
Public safety	(40,580,335)	-	(40,580,335)
Public works	4,361,505	-	4,361,505
Planning services	(19,527,511)	-	(19,527,511)
Engineering services	(32,874)	-	(32,874)
Parks and recreation	(9,120,284)	-	(9,120,284)
Interest on long-term debt	(1,897,361)	-	(1,897,361)
Total governmental activities	(75,044,682)	-	(75,044,682)
Business-type activities:			
Cardiff Sanitary Division	-	(876,945)	(876,945)
San Dieguito Water District	-	1,632,191	1,632,191
Encinitas Sanitary Division	-	(133,672)	(133,672)
Affordable Housing	-	(95,797)	(95,797)
Total business-type activities	-	525,777	525,777
	(75,044,682)	525,777	(74,518,905)
General revenues:			
Taxes:			
Property taxes and documentary transfer taxes	62,792,706	1,433,426	64,226,132
Sales and use taxes	17,138,284	-	17,138,284
Transient occupancy taxes	6,019,200	-	6,019,200
Franchise taxes	3,513,674	-	3,513,674
Total taxes	89,463,864	1,433,426	90,897,290
Intergovernmental - unrestricted	279,083	-	279,083
Investment income (loss)	1,418,190	441,813	1,860,003
Rental income	-	270,571	270,571
Other	878,385	180,065	1,058,450
Transfers	52,964	(52,964)	-
Total general revenues and transfers	92,092,486	2,272,911	94,365,397
Changes in net position	17,047,804	2,798,688	19,846,492
Net position:			
Beginning of year, as restated (Note 19)	226,472,020	151,717,127	378,189,147
End of year	\$ 243,519,824	\$ 154,515,815	\$ 398,035,639

See accompanying Notes to the Basic Financial Statements.



This page intentionally left blank.

FUND FINANCIAL STATEMENTS



This page intentionally left blank.

**GOVERNMENTAL FUND
FINANCIAL STATEMENTS**



This page intentionally left blank.

City of Encinitas
Balance Sheet
Governmental Funds
June 30, 2023

	Major Funds				
	General Fund	Capital Improvements Capital Projects Fund	Infrastructure Improvements Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 39,733,530	\$ 32,008,100	\$ 1,243,510	\$ 10,159,851	\$ 83,144,991
Receivables	5,664,426	-	2,655,121	497,409	8,816,956
Interest receivable	332,753	-	11,703	65,624	410,080
Due from other funds (Note 10)	640,475	15,784,131	-	-	16,424,606
Inventory and prepaid items	292,940	-	-	-	292,940
Long-term receivable (Note 6)	17,680	-	-	689,363	707,043
Lease receivable (Note 7)	1,767,331	-	-	-	1,767,331
Restricted cash and investments	299	20,583,900	-	3,200	20,587,399
Total assets	\$ 48,449,434	\$ 68,376,131	\$ 3,910,334	\$ 11,415,447	\$ 132,151,346
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 5,526,070	\$ 4,026,859	\$ 16,397	\$ 564,169	\$ 10,133,495
Unearned revenue	897,217	-	247,187	-	1,144,404
Due to other funds (Note 10)	-	-	15,710,539	482,331	16,192,870
Deposits and other liabilities	5,498,621	-	-	25,009	5,523,630
Total liabilities	11,921,908	4,026,859	15,974,123	1,071,509	32,994,399
Deferred Inflows of Resources:					
Lease related (Note 7)	1,683,197	-	-	-	1,683,197
Unavailable revenue	-	-	1,842,122	668,269	2,510,391
Total deferred inflows of resources	1,683,197	-	1,842,122	668,269	4,193,588
Fund Balances (Note 11):					
Nonspendable	310,620	-	-	-	310,620
Restricted	199,164	46,023,481	-	9,675,669	55,898,314
Committed	20,041,586	18,325,791	-	-	38,367,377
Unassigned	14,292,959	-	(13,905,911)	-	387,048
Total fund balances	34,844,329	64,349,272	(13,905,911)	9,675,669	94,963,359
Total liabilities, deferred inflows of resources, and fund balances	\$ 48,449,434	\$ 68,376,131	\$ 3,910,334	\$ 11,415,447	\$ 132,151,346

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, 2023

Total Fund Balances - Total Governmental Funds	\$ 94,963,359
---	----------------------

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 \$4,190,272 reported in internal service funds).

Land	61,862,474
Land easements	2,443,333
Construction in progress	13,911,402
SBITA assets in progress	15,900
Public facilities	122,794,228
Vehicles, equipment and machinery	3,358,054
Right to use assets	1,823,966
Infrastructure	158,754,072
Less: Accumulated depreciation	<u>(122,842,090)</u>
Total capital assets adjustment	<u>242,121,339</u>

Deferred loss on refunding in the governmental activities were not financial resources and, therefore, were not reported in governmental funds.

1,103,334

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.

(565,150)

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 \$2,510,673 reported in internal service funds):

Amount reported in Government-wide Statement of Net Position:

2013 Community Park Bonds, net of unamortized premium of \$43,800	(4,503,800)
2014 Moonlight Beach Tower Series A Bonds, net of unamortized discount of \$22,817	(2,517,183)
2015 Library Refunding Bonds, net of unamortized premium of \$514,809	(12,259,809)
2017 Park Refunding Bonds, net of unamortized premium of \$777,305	(8,577,305)
2021 Pacific View Series A Bonds, net of unamortized discount of \$18,110	(9,301,890)
California Infrastructure and Economic Development Bank Loan	(20,000,000)
Leases payable	(199,677)
Subscription-Based Information Technology Arrangements	(1,183,607)
Claims payable	(5,552,465)
Compensated absences	<u>(3,027,864)</u>
Total long-term liabilities	<u>(67,123,600)</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.

(60,983,706)

Actuarially determined pension deferred outflows of resources are reported in the government-wide statements but are not reported in the governmental funds.

28,495,849

Actuarially determined pension deferred inflows of resources are reported in the government-wide statements but are not reported in the governmental funds.

(2,567,950)

Net OPEB liability is not due and payable in the current period and, therefore, is not required to be reported in the governmental funds.

(5,853,705)

Actuarially determined OPEB deferred outflows of resources are reported in the government-wide statements but are not reported in the governmental funds.

2,594,682

Actuarially determined OPEB deferred inflows of resources are reported in the government-wide statements but are not reported in the governmental funds.

(958,024)

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.

2,510,391

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.

9,783,005

Net position of governmental activities

\$ 243,519,824

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Major Funds				
	General Fund	Capital Improvements Capital Projects Fund	Infrastructure Improvements Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes and assessments	\$ 86,035,746	\$ -	\$ 1,182,462	\$ 3,379,155	\$ 90,597,363
Licenses and permits	379,267	-	-	-	379,267
Intergovernmental	1,026,194	-	13,860,746	1,036,636	15,923,576
Development impact fees	-	-	-	1,036,487	1,036,487
Charges for services	9,510,414	-	-	-	9,510,414
Fines, forfeitures and penalties	485,215	-	-	-	485,215
Use of money and property (loss)	1,192,301	-	87,529	266,171	1,546,001
Other	1,542,803	583,900	-	307,086	2,433,789
Total revenues	100,171,940	583,900	15,130,737	6,025,535	121,912,112
EXPENDITURES:					
Current:					
General government	14,414,592	-	349,179	106,173	14,869,944
Public safety	32,895,069	-	4,217,541	299,003	37,411,613
Public works	6,799,391	-	-	1,529,198	8,328,589
Planning services	9,683,400	-	-	305,481	9,988,881
Engineering services	3,325,698	-	-	657,129	3,982,827
Parks and recreation	8,017,368	-	-	1,314,192	9,331,560
Capital outlay	522,393	23,418,543	-	28,393	23,969,329
Debt service:					
Principal	358,461	-	-	2,388,599	2,747,060
Interest and fiscal charges	21,509	-	-	1,733,349	1,754,858
Total expenditures	76,037,881	23,418,543	4,566,720	8,361,517	112,384,661
REVENUES OVER (UNDER) EXPENDITURES	24,134,059	(22,834,643)	10,564,017	(2,335,982)	9,527,451
OTHER FINANCING SOURCES (USES):					
Issuance of lease and SBITAs	489,210	-	-	-	489,210
Issuance of debt	-	20,000,000	-	-	20,000,000
Transfers in (note 10)	2,598,226	29,074,522	2,221	5,262,392	36,937,361
Transfers out (note 10)	(21,705,226)	(1,842,194)	(16,257,409)	(950,895)	(40,755,724)
Total other financing sources (uses)	(18,617,790)	47,232,328	(16,255,188)	4,311,497	16,670,847
NET CHANGE IN FUND BALANCES	5,516,269	24,397,685	(5,691,171)	1,975,515	26,198,298
FUND BALANCES (DEFICIT):					
Beginning of year	29,328,060	39,951,587	(8,214,740)	7,700,154	68,765,061
End of year	\$ 34,844,329	\$ 64,349,272	\$ (13,905,911)	\$ 9,675,669	\$ 94,963,359

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 Statement of Activities For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 26,198,298
---	----------------------

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.	14,544,991
--	------------

The net effect of various miscellaneous transaction involving capital assets (i.e. sales, disposals, trade-ins)	
Loss on disposal of capital assets	(147,940)

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 \$671,490 recorded in internal service funds).	(7,728,882)
--	-------------

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	2,750,240
Issuance of long-term debt	(20,000,000)
Proceeds from new leases	(237,900)
Proceeds from SBITAs	(251,310)

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	140,835
Deferred amounts on refund	(59,840)

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	(255,401)
Changes in claims payable	(986,518)
Changes in the net pension liability	(33,766,299)
Changes in the net OPEB liability	(1,728,383)

The net effect of various miscellaneous transactions involving pension plans (i.e. deferred outflow/inflow amortization, contributions after the measurement date) increased Net Position.	35,860,195
--	------------

The net effect of various miscellaneous transactions involving OPEB plans (i.e. deferred outflow/inflow amortization, contributions after the measurement date) increased Net Position.	2,378,516
---	-----------

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.	(191,989)
--	-----------

A portion of deferred grant revenues are not available to pay for current period expenditures and, therefore, are not recognized in the funds.	246,216
--	---------

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.	282,975
--	---------

Change in net position of governmental activities	\$ 17,047,804
--	----------------------

See accompanying Notes to the Basic Financial Statements.

**PROPRIETARY FUND
FINANCIAL STATEMENTS**

City of Encinitas
Statement of Net Position
Proprietary Funds
June 30, 2023

	Major Enterprise Funds		
	Cardiff Sanitary Division	San Dieguito Water District	Encinitas Sanitary Division
ASSETS			
Current assets:			
Cash and investments (Note 3)	\$ 8,912,218	\$ 23,192,232	\$ 10,381,640
Restricted cash and investments with fiscal agent (Note 3)	-	2,163	-
Accounts and taxes receivable	121,878	2,487,491	29,046
Interest receivable	39,495	105,233	47,667
Lease receivable - due in one year (Note 7)	-	70,856	-
Inventory and prepaid items	-	796,163	415,555
Total current assets	<u>9,073,591</u>	<u>26,654,138</u>	<u>10,873,908</u>
Noncurrent assets:			
Lease receivable (Note 7)	-	2,448,418	-
Investment in joint ventures (Note 5)	35,573,192	25,196,685	7,149,165
Capital assets (Note 8):			
Land	-	3,450,544	-
Public works facility right-of-use	-	3,378,700	-
Construction in progress	1,723,892	394,980	1,604,356
Capacity rights, net	-	145,974	-
Utility, plant, vehicles, and equipment, net	<u>21,108,568</u>	<u>13,767,876</u>	<u>13,665,212</u>
Total capital assets, net	22,832,460	21,138,074	15,269,568
Total noncurrent assets	<u>58,405,652</u>	<u>48,783,177</u>	<u>22,418,733</u>
Total assets	<u>67,479,243</u>	<u>75,437,315</u>	<u>33,292,641</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related (Note 14)	-	3,611,806	-
OPEB related (Note 15)	-	149,985	-
Total deferred outflows of resources	<u>-</u>	<u>3,761,791</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	155,294	1,610,428	58,634
Due to other funds (Note 10)	-	-	-
Accrued interest payable	141,363	23,280	-
Deposits	1,250	393,811	-
Compensated absences - due in one year (Note 9)	-	136,115	-
Current portion of long-term debt (Note 9)	<u>245,000</u>	<u>1,350,000</u>	<u>-</u>
Total current liabilities	<u>542,907</u>	<u>3,513,634</u>	<u>58,634</u>
Noncurrent liabilities:			
Leases payable	-	-	-
Revenue bonds payable - due in more than one year (Note 9)	-	74,372	-
Notes and mortgages payable - due in more than one year (Note 9)	10,745,188	620,000	-
Compensated absences - due in more than one year (Note 9)	-	113,137	-
Net pension liability (Note 14)	-	7,685,985	-
Net OPEB liability (Note 15)	-	196,781	-
Total noncurrent liabilities	<u>10,745,188</u>	<u>8,690,275</u>	<u>-</u>
Total liabilities	<u>11,288,095</u>	<u>12,203,909</u>	<u>58,634</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related (Note 14)	-	1,180,000	-
OPEB related (Note 15)	-	47,029	-
Lease related (Note 7)	-	2,397,043	-
Total deferred inflows of resources	<u>-</u>	<u>3,624,072</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	11,700,924	18,541,537	15,242,673
Restricted:			
Debt service	-	2,163	-
Housing	-	-	-
Unrestricted	<u>44,490,224</u>	<u>44,827,425</u>	<u>17,991,334</u>
Total net position	<u>\$ 56,191,148</u>	<u>\$ 63,371,125</u>	<u>\$ 33,234,007</u>

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2023

	Non-major Enterprise Fund		Governmental Activities
	Affordable Housing	Total	Internal Service Funds
ASSETS			
Current assets:			
Cash and investments (Note 3)	\$ 94,593	\$ 42,580,683	\$ 8,301,847
Restricted cash and investments with fiscal agent (Note 3)	271,420	273,583	-
Accounts and taxes receivable	22,695	2,661,110	495
Interest receivable	313	192,708	-
Lease receivable - due in one year (Note 7)	-	70,856	-
Inventory and prepaid items	115,963	1,327,681	-
Total current assets	<u>504,984</u>	<u>47,106,621</u>	<u>8,302,342</u>
Noncurrent assets:			
Lease receivable (Note 7)	-	2,448,418	-
Investment in joint ventures (Note 5)	-	67,919,042	-
Capital assets (Note 8):			
Land	-	3,450,544	-
Public works facility right-of-use	-	3,378,700	-
Construction in progress	-	3,723,228	1,925,356
Capacity rights, net	-	145,974	-
Utility, plant, vehicles, and equipment, net	2,102,916	50,644,572	3,124,512
Total capital assets, net	2,102,916	61,343,018	5,049,868
Total noncurrent assets	<u>2,102,916</u>	<u>131,710,478</u>	<u>5,049,868</u>
Total assets	<u>2,607,900</u>	<u>178,817,099</u>	<u>13,352,210</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related (Note 14)	-	3,611,806	349,580
OPEB related (Note 15)	-	149,985	71,110
Total deferred outflows	<u>-</u>	<u>3,761,791</u>	<u>420,690</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	3,983	1,828,339	380,240
Due to other funds (Note 10)	101,301	101,301	130,435
Accrued interest payable	-	164,643	-
Deposits	17,259	412,320	-
Compensated absences - due in one year (Note 9)	6,346	142,461	-
Current portion of long-term debt (Note 9)	88,550	1,683,550	437,092
Total current liabilities	<u>217,439</u>	<u>4,332,614</u>	<u>947,767</u>
Noncurrent liabilities:			
Leases payable	-	-	2,073,581
Revenue bonds payable - due in more than one year (Note 9)	-	74,372	-
Notes and mortgages payable - due in more than one year (Note 9)	663,494	12,028,682	-
Compensated absences - due in more than one year (Note 9)	7,432	120,569	-
Net pension liability (Note 14)	-	7,685,985	776,055
Net OPEB liability (Note 15)	-	196,781	160,424
Total noncurrent liabilities	<u>670,926</u>	<u>20,106,389</u>	<u>3,010,060</u>
Total liabilities	<u>888,365</u>	<u>24,439,003</u>	<u>3,957,827</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related (Note 14)	-	1,180,000	5,813
OPEB related (Note 15)	-	47,029	26,255
Lease related	-	2,397,043	-
Total deferred inflows	<u>-</u>	<u>3,624,072</u>	<u>32,068</u>
NET POSITION			
Net investment in capital assets	1,350,872	46,836,006	2,441,833
Restricted:			
Debt service	-	2,163	-
Housing	368,663	368,663	-
Unrestricted	<u>-</u>	<u>107,308,983</u>	<u>7,341,172</u>
Total net position	<u>\$ 1,719,535</u>	<u>\$ 154,515,815</u>	<u>\$ 9,783,005</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, 2023

	Major Enterprise Funds		
	Cardiff Sanitary Division	San Dieguito Water District	Encinitas Sanitary Division
OPERATING REVENUES:			
Charges for services	\$ 5,040,457	\$ 18,022,341	\$ 2,625,808
Rental income	-	-	-
Interfund revenues	-	149,092	-
Intergovernmental	-	-	-
Other revenues	-	32,170	-
Total operating revenues	<u>5,040,457</u>	<u>18,203,603</u>	<u>2,625,808</u>
OPERATING EXPENSES:			
Housing assistance payments	-	-	-
Source of supply	-	7,892,257	-
General operations and maintenance	1,250,119	5,024,173	863,153
Facility operations and maintenance	1,937,323	1,960,299	754,291
General and administrative	227,157	-	135,510
Depreciation	600,944	634,863	432,823
Insurance and claims	115,641	115,323	104,013
Total operating expenses	<u>4,131,184</u>	<u>15,626,915</u>	<u>2,289,790</u>
OPERATING INCOME (LOSS)	<u>909,273</u>	<u>2,576,688</u>	<u>336,018</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income (loss)	80,138	249,922	108,573
Property taxes	-	1,433,426	-
Operating grants	-	-	-
Rental income	-	146,449	-
Net change from joint ventures	(1,369,339)	(1,077,761)	(631,026)
Gain (loss) on disposal of capital assets	-	-	-
Other nonoperating revenue	-	38,011	-
Amortization of bond premium	35,112	74,372	-
Interest expense	(428,839)	(96,428)	-
Total nonoperating revenues (expenses)	<u>(1,682,928)</u>	<u>767,991</u>	<u>(522,453)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(773,655)</u>	<u>3,344,679</u>	<u>(186,435)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	11,960	261,862	161,336
Transfers in (Note 10)	-	-	-
Transfers out (Note 10)	-	-	-
Total capital contributions and transfers	<u>11,960</u>	<u>261,862</u>	<u>161,336</u>
CHANGES IN NET POSITION	<u>(761,695)</u>	<u>3,606,541</u>	<u>(25,099)</u>
NET POSITION:			
Beginning of year	<u>56,952,843</u>	<u>59,764,584</u>	<u>33,259,106</u>
End of year	<u>\$ 56,191,148</u>	<u>\$ 63,371,125</u>	<u>\$ 33,234,007</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, 2023

	Non-major Enterprise Fund		Governmental
	Affordable Housing	Total	Activities Internal Service Funds
OPERATING REVENUES:			
Charges for services	\$ -	\$ 25,688,606	\$ -
Rental income	124,122	124,122	-
Interfund revenues	116,662	265,754	3,058,423
Intergovernmental	184,079	184,079	-
Other revenues	400	32,570	333,341
Total operating revenues	<u>425,263</u>	<u>26,295,131</u>	<u>3,391,764</u>
OPERATING EXPENSES:			
Housing assistance payments	1,522,144	1,522,144	-
Source of supply	-	7,892,257	-
General operations and maintenance	142,865	7,280,310	1,616,998
Facility operations and maintenance	-	4,651,913	-
General and administrative	111,745	474,412	1,697,409
Depreciation	100,538	1,769,168	671,490
Insurance and claims	-	334,977	2,815,213
Total operating expenses	<u>1,877,292</u>	<u>23,925,181</u>	<u>6,801,110</u>
OPERATING INCOME (LOSS)	<u>(1,452,029)</u>	<u>2,369,950</u>	<u>(3,409,346)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income (loss)	3,180	441,813	-
Property taxes	-	1,433,426	-
Operating grants	1,493,447	1,493,447	-
Rental income	-	146,449	-
Net change from joint ventures	-	(3,078,126)	-
Gain (loss) on disposal of capital assets	-	-	(147,497)
Other nonoperating revenue	-	38,011	-
Amortization of bond premium	-	109,484	-
Interest expense	(12,693)	(537,960)	(31,509)
Total nonoperating revenues (expenses)	<u>1,483,934</u>	<u>46,544</u>	<u>(179,006)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>31,905</u>	<u>2,416,494</u>	<u>(3,588,352)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	-	435,158	-
Transfers in (Note 10)	-	-	4,018,327
Transfers out (Note 10)	(52,964)	(52,964)	(147,000)
Total capital contributions and transfers	<u>(52,964)</u>	<u>382,194</u>	<u>3,871,327</u>
CHANGES IN NET POSITION	<u>(21,059)</u>	<u>2,798,688</u>	<u>282,975</u>
NET POSITION:			
Beginning of year	<u>1,740,594</u>	<u>151,717,127</u>	<u>9,500,030</u>
End of year	<u>\$ 1,719,535</u>	<u>\$ 154,515,815</u>	<u>\$ 9,783,005</u>

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Major Enterprise Funds		
	Cardiff Sanitary Division	San Dieguito Water District	Encinitas Sanitary Division
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from users	\$ 4,958,678	\$ 18,379,017	\$ 2,628,859
Cash received from other funds	-	149,092	-
Payments to employees	(3,079)	(3,897,196)	-
Payments to suppliers for goods and services	(3,695,940)	(11,573,255)	(2,498,392)
Other operating revenues	-	32,170	-
Net cash provided by (used in) operating activities	<u>1,259,659</u>	<u>3,089,828</u>	<u>130,467</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(1,205,109)	(394,980)	(1,615,442)
Capital contributions received - connection/capacity fees	11,960	261,862	161,336
Principal payments on long-term debt	(237,500)	(1,295,000)	-
Interest payments on long-term debt	(431,213)	(110,743)	-
Capital related payments to other agencies	(481,854)	(418,748)	(482,010)
Proceeds from lease revenues	-	138,653	-
Net cash (used in) capital and related financing activities	<u>(2,343,716)</u>	<u>(1,818,956)</u>	<u>(1,936,116)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Proceeds from operating grants	-	38,011	-
Proceeds from property taxes	-	1,433,426	-
Cash received from other funds	-	-	-
Cash paid to other funds	-	-	-
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>1,471,437</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income (loss)	<u>67,450</u>	<u>155,502</u>	<u>93,518</u>
Net cash provided by investing activities	<u>67,450</u>	<u>155,502</u>	<u>93,518</u>
Net increase (decrease) in cash and cash equivalents	(1,016,607)	2,897,811	(1,712,131)
CASH AND CASH EQUIVALENTS:			
Beginning of year	<u>9,928,825</u>	<u>20,296,584</u>	<u>12,093,771</u>
End of year	<u>\$ 8,912,218</u>	<u>\$ 23,194,395</u>	<u>\$ 10,381,640</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:			
Cash and investments	\$ 8,912,218	\$ 23,192,232	\$ 10,381,640
Restricted cash and investments with fiscal agent	-	2,163	-
Total cash and cash equivalents	<u>\$ 8,912,218</u>	<u>\$ 23,194,395</u>	<u>\$ 10,381,640</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, 2023

	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)	\$ 909,273	\$ 2,576,688	\$ 336,018
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	600,944	634,863	432,823
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Changes in assets – (increase) decrease:			
Accounts and taxes receivable	(82,780)	319,057	3,051
Lease receivable - due in one year	-	-	-
Inventory and prepaid items	-	608,974	(415,555)
Change in deferred outflows of resources – (increase) decrease:			
OPEB-related deferred outflows	-	(68,561)	-
Pension-related deferred outflows	-	(2,037,521)	-
Changes in liabilities – increase (decrease):			
Accounts payable and accrued liabilities	(168,778)	773,164	(225,870)
Due to other funds	-	-	-
Deposits	1,000	37,619	-
Compensated absences	-	35,169	-
Net OPEB liability	-	106,912	-
Net pension liability	-	3,527,978	-
Change in deferred inflows of resources – increase (decrease):			
OPEB-related deferred inflows	-	(66,101)	-
Pension-related deferred inflows	-	(3,358,413)	-
Total adjustments	350,386	513,140	(205,551)
Net cash provided by (used in) operating activities	\$ 1,259,659	\$ 3,089,828	\$ 130,467
NON-CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Amortization of original issue premium	\$ 35,112	\$ 74,371	\$ -
Total non-cash capital and related financing activities	\$ 35,112	\$ 74,371	\$ -

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2023

	Non-major Enterprise Fund		Governmental Activities Internal Service Funds
	Affordable Housing	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from users	\$ 287,122	\$ 26,253,676	\$ 3,059,092
Cash received from other funds	116,662	265,754	-
Payments to employees	(103,742)	(4,004,017)	(1,735,157)
Payments to suppliers for goods and services	(1,678,518)	(19,446,105)	(4,314,859)
Other operating revenues	-	32,170	333,341
Net cash provided by (used in) operating activities	(1,378,476)	3,101,478	(2,657,583)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(3,215,531)	(2,395,037)
Capital contributions received - connection/capacity fees	-	435,158	-
Principal payments on long-term debt	(87,186)	(1,619,686)	(195,921)
Interest payments on long-term debt	(12,693)	(554,649)	(18,032)
Capital related payments to other agencies	-	(1,382,612)	-
Proceeds from lease revenues	-	138,653	1,925,356
Net cash (used in) capital and related financing activities	(99,879)	(6,198,667)	(683,634)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Proceeds from operating grants	1,493,447	1,531,458	-
Proceeds from property taxes	-	1,433,426	-
Cash received from other funds	5,881	5,881	4,018,327
Cash paid to other funds	(52,964)	(52,964)	(147,000)
Net cash provided by (used in) noncapital financing activities	1,446,364	2,917,801	3,871,327
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income (loss)	3,292	319,762	-
Net cash provided by investing activities	3,292	319,762	-
Net increase (decrease) in cash and cash equivalents	(28,699)	140,374	530,110
CASH AND CASH EQUIVALENTS:			
Beginning of year	394,712	42,713,892	7,771,737
End of year	<u>\$ 366,013</u>	<u>\$ 42,854,266</u>	<u>\$ 8,301,847</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:			
Cash and investments	\$ 94,593	\$ 42,580,683	\$ 8,301,847
Restricted cash and investments with fiscal agent	271,420	273,583	-
Total cash and cash equivalents	\$ 366,013	\$ 42,854,266	\$ 8,301,847

See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2023

	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)	\$ (1,452,029)	\$ 2,369,950	\$ (3,409,346)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	100,538	1,769,168	671,490
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Changes in assets – (increase) decrease:			
Accounts and taxes receivable	(20,525)	218,803	669
Lease receivable - due in one year	-	-	-
Inventory and prepaid items	(679)	192,740	-
Change in deferred outflows of resources – (increase) decrease:			
OPEB-related deferred outflows	-	(68,561)	(43,627)
Pension-related deferred outflows	-	(2,037,521)	(221,625)
Changes in liabilities – increase (decrease):			
Accounts payable and accrued liabilities	(5,838)	372,678	9,634
Due to other funds	-	-	65,522
Deposits	(1,200)	37,419	-
Compensated absences	1,257	36,426	-
Net OPEB liability	-	106,912	82,109
Net pension liability	-	3,527,978	488,321
Change in deferred inflows of resources – increase (decrease):			
OPEB-related deferred inflows	-	(66,101)	(15,313)
Pension-related deferred inflows	-	(3,358,413)	(285,417)
Total adjustments	73,553	731,528	751,763
Net cash provided by (used in) operating activities	\$ (1,378,476)	\$ 3,101,478	\$ (2,657,583)
NON-CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Amortization of original issue premium	\$ -	\$ 109,483	\$ -
	<u>\$ -</u>	<u>\$ 109,483</u>	<u>\$ -</u>

See accompanying Notes to the Basic Financial Statements.



This page intentionally left blank.

**FIDUCIARY FUND
FINANCIAL STATEMENTS**



This page intentionally left blank.

City of Encinitas
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	<u>Custodial Funds</u>
Assets:	
Cash and investments (Note 3)	\$ 5,118,182
Restricted cash and investments with fiscal agent (Note 3)	1,779,232
Interest receivable	24,962
Current assessments receivable	<u>7,336</u>
Total assets	<u>6,929,712</u>
Liabilities:	
Accounts payable	<u>100</u>
Total liabilities	<u>100</u>
Net Position:	
Restricted for:	
Golf course	2,790,470
Bondholders	<u>4,139,142</u>
Total net position	<u><u>\$ 6,929,612</u></u>

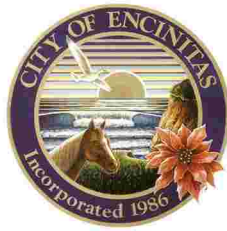
See accompanying Notes to the Basic Financial Statements.

City of Encinitas
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	<u>Custodial Funds</u>
Additions:	
Special tax assessments	\$ 1,432,022
Excess golf revenue	2,735,972
Interest income (loss)	<u>88,552</u>
Total additions	<u>4,256,546</u>
Deductions:	
Administrative fees	40,533
Contributions to the CFD No. 1	901,525
Surplus net revenue payment to the City	522,966
Bond principal	2,595,000
Bond interest	<u>328,581</u>
Total deductions	<u>4,388,605</u>
Change in net position	(132,059)
NET POSITION:	
Beginning of year	<u>7,061,671</u>
End of year	<u><u>\$ 6,929,612</u></u>

See accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS



This page intentionally left blank.

City of Encinitas
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

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, 2023

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 assets) 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 assets) that apply to future periods and, therefore, are not recognized as revenue until that time. The City has four types of items that qualify for reporting in this category. The first three items are deferred inflows related to pensions, OPEB, and leases. The fourth 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, 2023

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, 2023

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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Proprietary Fund Financial Statements (Continued)

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.

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 6,500 customers in the southern portion of the City.

The **San Dieguito Water District ("SDWD") Enterprise Fund** provides potable and reclaimed water services to approximately 12,305 customers in Encinitas.

The **Encinitas Sanitary Division ("ESD") Enterprise Fund** provides wastewater collection and treatment services to approximately 4,100 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 an Investment Custodial fund.

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

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

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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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.

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, specific State statutes or applicable City ordinance, resolution, or the Investment Policy of the California Infrastructure and Development Bank (IBank). Fiscal agents acting on behalf of the City hold investment funds arising from the proceeds of long-term debt issuances or the IBank loan proceeds. The funds may be used for specific capital outlays or for the payment of certain bonds and have been invested only as permitted.

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:

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Fair Value Measurement (Continued)

- 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.

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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

I. Leases

The City accounts for leases in accordance with GASB Statement No. 87, Leases, based on the principle that leases are financing of the right to use asset. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures in Note 7 Leases Receivable and Note 9 Long-Term Obligations.

At the commencement of the lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

The City used the estimated incremental borrowing rate as the discount rate for leases. The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

J. 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
Right to use lease asset	The estimated life of the lease asset or the contract term whichever is shorter

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, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

J. 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.

K. 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, 2023, 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.

L. Subscription-Based Information Technology (IT) Arrangements

The City is a participant in subscription-based IT arrangements as detailed in Note 9 – Long-Term Obligations. The City recognizes a subscription-based IT payable and right to use IT assets in the financial statements.

At the commencement of the arrangement, the City initially measures the payable at the present value of payments expected to be paid during the arrangement term. Subsequently, the payable is reduced by the principal portion of payments made. The right to use assets are initially measured at the initial amount of the subscription-based IT payable. Subsequently, the right to use assets are amortized over the life of the arrangement term.

M. 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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Unearned Revenue (Continued)

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.

N. 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.

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.

O. 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, 2023.

P. 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.

Q. Compensated Absences

The City's policy permits its non-fire employees to accumulate up to a maximum of 500 hours vacation with accrued vacation paid out on separation of employment. Non-fire employees may elect to receive cash in lieu of vacation up to 80 hours annually. Non-fire represented employees participate in the City's short-term disability income protection plan (IPP) program, which provides employees with protection against loss of income due to illness or injury. Employees may accrue up to 5 IPP units and do not accrue any sick leave. IPP units have no cash value. Non-fire unrepresented employees participate in traditional sick leave program instead of IPP. They accrue 96 hours of sick leave per year with no cap on accrual. Currently, unrepresented sick leave has no cash value and is not reportable to CalPERS as service credit.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

Q. Compensated Absences (Continued)

Fire employees can accrue up to a maximum of 552 hours of vacation, depending on the length of employment with the City and their classification, with accrued vacation paid out on separation of employment. Fire employees may accrue from 96 to 180 hours of sick leave per year depending on their work schedule with no limit on accrual. Upon retirement, employees can opt to cash out accumulated sick hours up to a maximum of three months salary (728 hours). The remaining hours are reported to CalPERS for service credit. If a Fire employee chooses to not cash out any sick leave, then all sick hours are reported to CalPERS for service credit. Fire employees may elect to receive cash in lieu of sick leave up to a maximum of 36 hours annually depending on their classification.

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 year 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.

R. 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 14). 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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

S. 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 15).

The following timeframes are used for OPEB reporting:

Valuation date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

T. 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.

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.

U. 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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

U. Fund Balances (Continued)

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.

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.

V. 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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

V. Property Taxes (Continued)

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 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.

W. 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.

X. Accounting Changes

Current Year Accounting Standards Implementation

The City has evaluated and implemented the following accounting standards effective for the fiscal year ending June 30, 2023

GASB Statement No. 96 – “Subscription-Based Information Technology Arrangements,” effective for reporting periods beginning after June 30, 2022. For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

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. 100 - “Accounting Changes and Error Corrections”, effective for reporting periods beginning after June 15, 2023.
- GASB Statement No. 101 - “Compensated Absences”, effective for reporting periods beginning after December 15, 2023.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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	\$ 91,446,838	\$ 42,580,683	\$ 5,118,182	\$ 139,145,703
Restricted cash and investments with fiscal agent	20,587,399	273,583	1,779,232	22,640,214
Total cash and investments	<u>\$ 112,034,237</u>	<u>\$ 42,854,266</u>	<u>\$ 6,897,414</u>	<u>\$ 161,785,917</u>

Cash and investments at June 30, 2023, consisted of the following:

Cash on hand	\$ 3,219
Deposits with financial institutions	3,935,849
Restricted cash	22,640,214
Investments	135,206,635
Total cash and investments	<u>\$ 161,785,917</u>

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

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

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Cash and Investments (Continued)

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, 2023:

	Fair Value Hierarchy	Percentage of Investments	Measurement Input
Investments:			
Negotiable Certificates of Deposit	\$ 14,374,721	10.63%	Level 2
U.S. Treasury Securities	61,139,057	45.22%	Level 1
U.S. Government Sponsored Enterprise Securities	16,373,620	12.11%	Level 2
	<u>\$ 91,887,398</u>		
Local Agency Investment Fund (LAIF) ⁽¹⁾	\$ 33,019,319	24.42%	Uncategorized
California Asset Management Program (CAMP) ⁽²⁾	1,111,790	0.82%	Uncategorized
Money Market Mutual Funds	7,940,792	5.87%	Uncategorized
San Diego County Investment Pool ⁽³⁾	1,247,336	0.92%	Uncategorized
	<u>\$ 43,319,237</u>		
Total Investments	<u><u>\$135,206,635</u></u>		

⁽¹⁾ The State Treasurer's pooled investment program values participant's shares on amortized cost. This has been adjusted to fair value using the fair value factor.

⁽²⁾ CAMP follows GASB 79 which allows it to measure participants' investment at amortized cost.

⁽³⁾ San Diego County Investment Pool has been converted to fair value based on fair value of the pool and the City's share of the pool.

The City's level one investments are from prices derived from such sources as the NYSE, NASDAQ, and the Chicago Board of Trade, and the City's level two investments are valued based on a pricing service that uses matrix pricing.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Cash and Investments (Continued)

A. Demand Deposits

The carrying amounts of the City's demand deposits were \$3,935,849 at June 30, 2023. Bank balances were \$5,229,029 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 fair 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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Cash and Investments (Continued)

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.

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	30%	5%
Negotiable Certificates of Deposit	Yes	5 years	30%	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*.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures

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:

Investment Type	Total	Remaining Maturity (in Months)		
		Less than 12 Months	12 to 36 Months	36-60 Months
Investments:				
Local Agency Investment Fund (LAIF)	\$ 33,019,319	\$ 33,019,319	\$ -	\$ -
California Asset Management Program	1,111,790	1,111,790	-	-
Money Market Mutual Funds	7,940,792	7,940,792	-	-
Negotiable Certificates of Deposit	14,374,721	3,398,984	5,338,540	5,637,197
U.S. Treasury Securities	61,139,057	11,754,420	30,598,390	18,786,247
U.S. Government Sponsored Enterprise Securities	16,373,620	4,965,420	2,705,760	8,702,440
San Diego County Investment Pool	1,247,336	1,247,336	-	-
Total Investments	\$ 135,206,635	\$ 63,438,061	\$ 38,642,690	\$ 33,125,884

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. CAMP follows GASB 79 liquidity, maturity quality and diversification requirements to help protect the portfolio and its shareholders during adverse market conditions. CAMP has a Standard & Poors rating AAAM.

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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End	
			AAA/AA+	Not Rated
Investments:				
Local Agency Investment Fund (LAIF)	\$ 33,019,319	N/A	\$ -	\$ 33,019,319
California Asset Management Program	1,111,790	N/A	1,111,790	-
Money Market Mutual Funds	7,940,792	AAA	7,940,792	-
Negotiable Certificates of Deposit	14,374,721	N/A	-	14,374,721
U.S. Treasury Securities*	61,139,057	N/A	-	61,139,057
U.S. Government Sponsored Enterprise Securities	16,373,620	N/A	16,373,620	-
San Diego County Investment Pool	1,247,336	N/A	1,247,336	-
Total Investments	\$135,206,635		\$ 26,673,538	\$108,533,097

*Exempt from rating disclosure

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. The City had no 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.

Custodial Credit Risk - Investments

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 City uses a third-party bank for its custody and safekeeping service for its investment securities. All City investments held in custody and safekeeping are held in the name of the City and are segregated from securities owned by the bank. Investments are settled on Delivery vs. Payment (DVP) in accordance with the third-party custodial agreement. This is included in the City's Investment Policy.

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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 3 – Cash and Investments (Continued)

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.

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, 2023, receivables consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts receivable	\$ 3,260,768	\$ 2,462,711	\$ 5,723,479
Taxes and assessments receivable	640,998	127,273	768,271
Accrued revenues	<u>4,915,685</u>	<u>71,126</u>	<u>4,986,811</u>
Total	<u>\$ 8,817,451</u>	<u>\$ 2,661,110</u>	<u>\$11,478,561</u>

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Investment in Joint Ventures

Investment in joint ventures consists of the following as of June 30, 2023:

<u>Proprietary Fund</u>	<u>Investment in Joint Ventures</u>	
Cardiff Sanitary Division	San Elijo Joint Facilities	\$ 35,573,192
San Dieguito Water District	R.E. Badger Joint Facilities	24,533,426
San Dieguito Water District	R.E. Badger Financing Authority	663,259
		<u>25,196,685</u>
Encinitas Sanitary Division	Encina Joint Facilities	<u>7,149,165</u>
Total Investment in Joint Ventures		<u>\$ 67,919,042</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”).

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, 2023, CSD's share of those costs was \$1,937,323, 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, 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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Investment in Joint Ventures (Continued)

B. San Dieguito Water District (Continued)

SDWD	Santa Fe	Facilities
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, 2023, SDWD's share of those was \$1,960,299, 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.

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 (ESD)

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 4.25 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, 2023, ESD's share of those costs was \$754,291, which is shown as "facility operations and maintenance" in the accompanying financial statements.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023, loans receivable are shown in the next table.

Iris Apartments	\$ 446,403
Leucadia property loans	242,960
Employee computer loans	<u>17,680</u>
Total	<u>\$ 707,043</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, 2023 was \$446,403.

Leucadia Property Loans

On April 22, 2022, the City entered into two promissory note agreements for a total of \$ 235,000 for two properties secured by a Deed of Trust on the project. The payments under the notes are deferred and will bear no interest. In the event of default, payment of principal will be due in full, including interest at the rate of ten percent per annum from the date of recordation of the Deed of Trust. The outstanding principal receivable on the two notes at June 30, 2023 was \$142,960 and \$100,000.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 7 – Lease Receivable

Governmental Activities

As of June 30, 2023, the City has six cell tower leases for easements located throughout Encinitas. The interest rate for each lease is 2.05 percent. The Initial lease agreement term ranges from 7-15 years with the option to extend for four additional terms of five years. The total amount of lease revenue recognized in the current reporting period from leases is \$477,642 and the total amount of interest received related to the lease was \$41,451. The balance of the lease receivable at June 30, 2023 is \$1,767,331. The City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. The balance of the deferred inflow of resources at June 30, 2023 is \$1,683,197.

Business-type Activities

As of June 30, 2023, the San Dieguito Water District has three cell tower leases for easements located throughout Encinitas. The interest rate for each lease is 2.05 percent. The Initial lease agreement term ranges from 5-10 years with the option to extend for four additional terms of five years. The total amount of lease revenue recognized in the current reporting period from leases is \$152,961 and the total amount of interest received related to the lease was \$52,643. The balance of the lease receivable at June 30, 2023 is \$2,519,274. The District has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. The balance of the deferred inflow of resources at June 30, 2023 is \$2,397,043.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Capital Assets

A. Governmental Activities

The summary of changes in governmental activities capital assets for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
Capital assets, not being depreciated:					
Land	\$ 61,862,474	\$ -	\$ -	\$ -	\$ 61,862,474
Land easements	2,443,333	-	-	-	2,443,333
Construction in progress	7,937,215	15,306,338	-	(7,406,795)	15,836,758
SBITA assets in progress*	-	15,900	-	-	15,900
Total capital assets, not being depreciated	72,243,022	15,322,238	-	(7,406,795)	80,158,465
Capital assets, being depreciated:					
Public facilities	121,292,606	245,156	-	1,256,466	122,794,228
Vehicles, equipment and machinery	12,445,182	735,927	(899,570)	94,566	12,376,105
Right to use assets-building	47,765	237,900	(47,765)	-	237,900
Right to use assets-equipment	11,321	-	-	-	11,321
Right to use assets-SBITA assets*	1,323,435	251,310	-	-	1,574,745
Infrastructure	152,698,309	-	-	6,055,763	158,754,072
Total capital assets, being depreciated	287,818,618	1,470,293	(947,335)	7,406,795	295,748,371
Less accumulated depreciation					
Public facilities	(50,929,431)	(3,949,117)	-	-	(54,878,548)
Vehicles, equipment and machinery	(7,757,297)	(987,196)	751,630	-	(7,992,863)
Right to use assets-building	(44,090)	(47,289)	47,765	-	(43,614)
Right to use assets-equipment	(4,600)	(4,600)	-	-	(9,200)
Right to use assets-subscriptions	-	(305,280)	-	-	(305,280)
Infrastructure	(62,399,234)	(3,106,890)	-	-	(65,506,124)
Total accumulated depreciation	(121,134,652)	(8,400,372)	799,395	-	(128,735,629)
Total capital assets being depreciated, net	166,683,966	(6,930,079)	(147,940)	7,406,795	167,012,742
Governmental activities capital assets, net	\$ 238,926,988	\$ 8,392,159	\$ (147,940)	\$ -	\$ 247,171,207

* Beginning balance restated due to implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. See note 19.

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

General government	\$ 1,862,266
Public safety	567,064
Public works	3,354,893
Parks and recreation	1,944,659
Internal service funds	671,490
Total depreciation expense	\$ 8,400,372

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Capital Assets (Continued)

B. Business-type Activities

The summary of changes in business-type activities capital assets for the year ended June 30, 2023 is as follows:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</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	544,296	3,178,932	-	-	3,723,228
Total capital assets, not being depreciated	<u>7,373,540</u>	<u>3,178,932</u>	<u>-</u>	<u>-</u>	<u>10,552,472</u>
Capital assets, being depreciated:					
Structures and improvements	30,465,967	35,159	-	-	30,501,126
Collection and distribution	64,285,621	1,442	-	-	64,287,063
Machinery and equipment	2,789,762	-	-	-	2,789,762
Capacity rights	323,191	-	-	-	323,191
Total capital assets, being depreciated	<u>97,864,541</u>	<u>36,601</u>	<u>-</u>	<u>-</u>	<u>97,901,142</u>
Less accumulated depreciation					
Structures and improvements	(8,651,007)	(646,501)	-	-	(9,297,508)
Collection and distribution	(34,005,155)	(1,049,836)	-	-	(35,054,991)
Machinery and equipment	(2,514,513)	(66,367)	-	-	(2,580,880)
Capacity rights	(170,753)	(6,464)	-	-	(177,217)
Total accumulated depreciation	<u>(45,341,428)</u>	<u>(1,769,168)</u>	<u>-</u>	<u>-</u>	<u>(47,110,596)</u>
Total capital assets being depreciated, net	<u>52,523,113</u>	<u>(1,732,567)</u>	<u>-</u>	<u>-</u>	<u>50,790,546</u>
Business-type activities capital assets, net	<u>\$ 59,896,653</u>	<u>\$ 1,446,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,343,018</u>

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

Cardiff Sanitary Division	\$ 600,944
San Dieguito Water District	634,863
Encinitas Sanitary Division	432,823
Non-major Affordable Housing	100,538
Total	<u><u>\$ 1,769,168</u></u>

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Long-Term Obligations

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due in More Than One Year
Governmental Activities:						
Financed Purchases:						
2008 Civic Center Roof Replacement	\$ 178,599	\$ -	\$ (178,599)	\$ -	\$ -	\$ -
2017 Fire Apparatus	191,268	-	(94,446)	96,822	96,822	-
2020 Fire Apparatus	589,970	-	(101,475)	488,495	103,977	384,518
2023 Fire Apparatus - PNC	-	1,065,760	-	1,065,760	130,688	935,072
2023 Fire Apparatus - Pinnacle	-	859,596	-	859,596	105,605	753,991
Equipment Lease Liability	6,349	-	(5,066)	1,283	1,283	-
Building Lease Liability	3,716	237,900	(43,222)	198,394	44,808	153,586
Subscription-Based IT Payable*	1,245,650	251,310	(313,353)	1,183,607	307,149	876,458
Bonded Debt:						
2013 Community Park Bonds	4,835,000	-	(375,000)	4,460,000	390,000	4,070,000
add: original issue premium	52,560	-	(8,760)	43,800	-	43,800
2014 Moonlight Beach Tower (Series A)	2,615,000	-	(75,000)	2,540,000	80,000	2,460,000
less: original issue discount	(23,854)	-	1,037	(22,817)	-	(22,817)
2014 Pacific View (Series B)	230,000	-	(230,000)	-	-	-
2015 Library Refunding Bonds	12,385,000	-	(640,000)	11,745,000	675,000	11,070,000
add: original issue premium	551,581	-	(36,772)	514,809	-	514,809
2017 Park Refunding Bonds	8,585,000	-	(785,000)	7,800,000	825,000	6,975,000
add: original issue premium	874,468	-	(97,163)	777,305	-	777,305
2021 Pacific View (Series A)	9,425,000	-	(105,000)	9,320,000	345,000	8,975,000
add: original issue discount	(18,933)	-	823	(18,110)	-	(18,110)
California Infrastructure and Economic Development Bank Loan	-	20,000,000	-	20,000,000	1,075,332	18,924,668
Claims payable	4,565,947	2,975,829	(1,989,311)	5,552,465	3,886,726	1,665,739
Compensated absences	2,772,463	5,600,613	(5,345,212)	3,027,864	1,683,446	1,344,418
Total governmental activities	49,064,784	30,991,008	(10,421,519)	69,634,273	9,750,836	59,883,437
Business-type Activities:						
2017 CSD Note Payable to SEJPA	10,385,000	-	(237,500)	10,147,500	245,000	9,902,500
add: original issue premium	877,799	-	(35,111)	842,688	-	842,688
2007 SDWD Note Payable Badger	1,785,000	-	(570,000)	1,215,000	595,000	620,000
2004 EHA Housing Note Payable	839,230	-	(87,186)	752,044	88,550	663,494
2014 SDWD Water Revenue Bonds	1,480,000	-	(725,000)	755,000	755,000	-
add: original issue premium	148,743	-	(74,371)	74,372	-	74,372
Compensated absences (SDWD)	214,083	385,377	(350,208)	249,252	136,115	113,137
Compensated absences (Affordable Housing)	12,521	22,103	(20,846)	13,778	6,346	7,432
Total business-type activities	15,742,376	407,480	(2,100,222)	14,049,634	1,826,011	12,223,623
Total long-term obligations	\$64,807,160	\$31,398,488	\$(12,521,741)	\$ 83,683,907	\$ 11,576,847	\$ 72,107,060

* Beginning Balance restated due to implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. See Note 19.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Long-Term Obligations (Continued)

A. Governmental Activities

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, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 96,822	\$ 1,819	\$ 98,641
Total	<u>\$ 96,822</u>	<u>\$ 1,819</u>	<u>\$ 98,641</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 \$115,311. The lease is accounted for as a financed purchase, as the City will take ownership of the unit at maturity of the lease in Fiscal Year 2027-28.

The annual debt service requirements for the lease outstanding at June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 103,977	\$ 11,334	\$ 115,311
2025	106,539	8,772	115,311
2026	109,165	6,146	115,311
2027	111,857	3,454	115,311
2028	56,957	698	57,655
Total	<u>\$ 488,495</u>	<u>\$ 30,404</u>	<u>\$ 518,899</u>

2023 Fire Apparatus Lease

The City entered into a long-term lease arrangement in Fiscal Year 2022-2023 to finance the purchase of a 2023 Pierce Enforcer Triple Combination Pumper Truck for \$1,065,760. The lease has a term of seven years, an interest rate of 4.99 percent, and annual payments of \$182,260. The lease is accounted for as a financed purchase, as the City will take ownership of the unit at maturity of the lease in Fiscal Year 2029-30.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Long-Term Obligations (Continued)

A. Governmental Activities

The annual debt service requirements for the lease outstanding at June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 130,688	\$ 51,572	\$ 182,260
2025	137,291	44,969	182,260
2026	144,227	38,033	182,260
2027	151,515	30,745	182,260
2028	159,169	23,091	182,260
2029-2030	342,870	21,650	364,520
Total	<u>\$ 1,065,760</u>	<u>\$ 210,060</u>	<u>\$ 1,275,820</u>

2023 Fire Apparatus Lease

The City entered into a long-term lease arrangement in Fiscal Year 2022-2023 to finance the purchase of a 2023 Pierce Enforcer Pumper Engine Truck for \$859,596. The lease has a term of seven years, an interest rate of 4.93 percent, and annual payments of \$146,697. The lease is accounted for as a financed purchase, as the City will take ownership of the unit at maturity of the lease in Fiscal Year 2029-30.

The annual debt service requirements for the lease outstanding at June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 105,605	\$ 41,092	\$ 146,697
2025	110,876	35,821	146,697
2026	116,409	30,288	146,697
2027	122,219	24,478	146,697
2028	128,318	18,379	146,697
2029-2030	276,169	17,227	293,396
Total	<u>\$ 859,596</u>	<u>\$ 167,285</u>	<u>\$ 1,026,881</u>

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Equipment Lease Liability

The City entered into a 29-month lease as lessee for the use of IN700SH Mailing Machine. An initial lease liability was recorded in the amount of \$11,321. As of June 30, 2023, the value of the lease liability is \$1,283. The City is required to make quarterly fixed payments of \$1,354. The lease has an interest rate of 2.05 percent. The equipment's estimated useful life was 60 months as of the contract commencement.

The annual debt service requirements for the lease outstanding at June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,283	\$ 7	\$ 1,290
Total	<u>\$ 1,283</u>	<u>\$ 7</u>	<u>\$ 1,290</u>

2023 Rancho Santa Fe Fire Station Lease

The City entered into a long-term lease arrangement in Fiscal Year 2022-2023 to lease property at 770 Rancho Santa Fe Road for a fire station for \$237,900. The lease has a term of five years, an interest rate of 2.05 percent, and monthly payments of \$3,930 with an annual increase of 3.0 percent. The lease is accounted for as a right-to-use asset, as the City will not take ownership of the unit at maturity of the lease in Fiscal Year 2027-28.

The annual debt service requirements for the lease outstanding at June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 44,808	\$ 3,649	\$ 48,457
2025	47,203	2,708	49,911
2026	49,691	1,717	51,408
2027	52,276	674	52,950
2028	4,416	8	4,424
Total	<u>\$ 198,394</u>	<u>\$ 8,756</u>	<u>\$ 207,150</u>

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Subscription-Based Information Technology (IT) Payable

The City has entered into 19 subscription-based IT arrangements for various software applications and is required to make annual principal and interest payments over the arrangement terms as noted in the table below. The payable at June 30, 2023, was \$1,183,607.

Software	Term in Months	Interest Rate	Annual Payments	Subscription Liability	Subscription Asset
Tyler Munis-Payroll & HR Insights SAAS	101	2.53%	\$ 2,369	\$ 16,821	\$ 19,190
Controlled Substance Module	34	2.04%	3,180	3,428	7,341
Cisco Subscription	36	2.58%	3,441	6,609	10,050
Aerial Imagery of SD County	32	3.11%	4,233	8,088	12,321
Tyler Munis-Financial Insights SAAS	101	2.53%	4,264	30,278	34,542
Tyler Munis-Revenue Insights SAAS	101	2.53%	4,264	30,278	34,542
Tyler Munis-Bus Mgmt Insights SAAS	101	2.53%	4,264	30,278	34,542
Tyler Munis-My Civic Bundle SAAS	101	2.53%	4,738	33,642	38,380
Tyler Munis-Energov Community Dev Insights SAAS	101	2.53%	6,633	47,099	53,732
MRI Software	49	2.11%	7,515	23,330	35,097
Gov -Access Website Design	53	2.11%	7,775	35,970	82,345
GOVInvest	95	2.53%	8,418	59,108	71,326
Debt Software	33	2.04%	9,318	18,920	28,238
Opengov-Reporting and Analytics Software	120	2.53%	9,995	101,517	111,512
Bid - Management Software	24	1.58%	18,095	18,347	36,442
Microsoft Windows 10	36	2.58%	19,962	38,429	58,391
Opengov-Budgeting and Planning Software	96	2.53%	52,780	485,566	568,745
Geographic Information System(GIS)	36	2.04%	58,000	112,548	170,548
SOCBOX	28	3.12%	84,109	83,351	167,461
			<u>\$313,353</u>	<u>\$ 1,183,607</u>	<u>\$ 1,574,745</u>

The future principal and interest lease payments as of June 30, 2023, are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 307,149	\$ 29,538	\$ 336,687
2025	211,718	21,699	233,417
2026	126,496	16,703	143,199
2027	125,668	13,577	139,245
2028	123,498	10,438	133,936
2029-2032	289,078	12,421	301,499
Total	<u>\$ 1,183,607</u>	<u>\$ 104,376</u>	<u>\$ 1,287,983</u>

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – 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 EPFA 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 EPFA 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, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 390,000	\$ 127,950	\$ 517,950
2025	400,000	116,100	516,100
2026	410,000	103,950	513,950
2027	425,000	91,425	516,425
2028	435,000	78,525	513,525
2029-2033	2,400,000	184,500	2,584,500
Total	<u>\$ 4,460,000</u>	<u>\$ 702,450</u>	<u>\$ 5,162,450</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.

2014 Lease Revenue Bonds (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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

2014 Lease Revenue Bonds (Moonlight Beach Lifeguard Tower - Continued)

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 EPFA 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 EPFA 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.

On July 28, 2021 the Encinitas Public Financing Authority issued the 2021 Federally Taxable Lease Revenue Bonds to refund and defease a portion of the outstanding bonds noted above. The total amount defeased during Fiscal Year 2022 was \$8,675,000.

The annual debt service requirements for the 2014 Lease Revenue Bonds, Series A Moonlight Beach Lifeguard Tower bonds outstanding at June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 80,000	\$ 86,731	\$ 166,731
2025	85,000	84,069	169,069
2026	85,000	81,944	166,944
2027	90,000	79,644	169,644
2028	90,000	77,056	167,056
2029-2033	495,000	339,478	834,478
2034-2038	590,000	244,984	834,984
2039-2043	700,000	128,103	828,103
2044-2045	325,000	12,281	337,281
Total	<u>\$ 2,540,000</u>	<u>\$ 1,134,290</u>	<u>\$ 3,674,290</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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Long-Term Obligations (Continued)

B. Governmental Activities (Continued)

2015 Library Refunding Bonds (Continued)

The annual debt service requirements for the 2015 Library Refunding Bonds outstanding at June 30, 2023 are presented below.

Year Ending June 30	Principal	Interest	Total
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	750,000	299,006	1,049,006
2028	770,000	278,081	1,048,081
2029-2033	4,225,000	1,020,684	5,245,684
2034-2037	3,895,000	282,419	4,177,419
Total	<u>\$ 11,745,000</u>	<u>\$ 2,937,208</u>	<u>\$ 14,682,208</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, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 825,000	\$ 315,250	\$ 1,139,500
2025	870,000	274,000	1,140,250
2026	910,000	230,500	1,144,000
2027	955,000	185,000	1,140,500
2028	1,005,000	137,250	1,142,250
2029-2031	3,235,000	196,050	3,431,050
Total	<u>\$ 7,800,000</u>	<u>\$ 1,338,050</u>	<u>\$ 9,137,550</u>

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

2021 Pacific View (Series A) Bonds

On July 28, 2021, the Encinitas Public Financing Authority issued \$9,505,000 of 2021 Federally Taxable Lease Revenue Bonds Series A (Pacific View Property) for the purpose of refunding and defeasing a portion of the \$9,130,000 outstanding 2014 Lease Revenue Bonds which were used to acquire a property known as the Pacific View Property and to pay costs of issuance. The term bonds mature through 2045 and are subject to mandatory sinking requirements. Interest is due and payable semi-annually at rates ranging from 0.35 percent to 3.0 percent. Annual debt service is approximately \$560,000 through 2045. The bonds are subject to federal arbitrage requirements.

The annual debt service requirements for the 2021 Pacific View (Series A) Bonds outstanding at June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 345,000	\$ 215,171	\$ 560,171
2025	345,000	212,946	557,946
2026	350,000	209,798	559,798
2027	355,000	205,759	560,759
2028	360,000	200,877	560,877
2029-2033	1,895,000	904,750	2,799,750
2034-2038	2,125,000	679,327	2,804,327
2039-2043	2,455,000	358,481	2,813,481
2044-2045	1,090,000	33,770	1,123,770
Total	<u>\$ 9,320,000</u>	<u>\$ 3,020,879</u>	<u>\$ 12,340,879</u>

2022 California Infrastructure and Economic Development Bank Loan

On August 1, 2022, the City of Encinitas entered into a \$20,000,000 lease financing arrangement for the Leucadia Streetscape Project consisting of the construction of streetscape improvements along North Coast Highway 101 in Encinitas. The lease term is for 15 years at an interest rate of three percent. Interest is payable bi-annually with annual principal payments through August 2037.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

2022 California Infrastructure and Economic Development Bank Loan (Continued)

The annual debt service requirements for the 2022 California Infrastructure and Economic Development Bank Loan outstanding at June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 1,075,332	\$ 583,870	\$ 1,659,202
2025	1,107,592	551,126	1,658,718
2026	1,140,819	517,400	1,658,219
2027	1,175,044	482,662	1,657,706
2028	1,210,295	446,882	1,657,177
2029-2033	6,618,390	1,658,994	8,277,384
2034-2038	<u>7,672,528</u>	<u>589,040</u>	<u>8,261,568</u>
Total	<u>\$20,000,000</u>	<u>\$ 4,829,974</u>	<u>\$ 24,829,974</u>

B. Business-Type Activities

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, 2023 is \$16,047,134. During the year ended June 30, 2023, interest paid on the 2017 Note Payable was \$431,213 and net revenue was \$1,602,310, or 240 percent of annual debt service. Management of CSD believes it is in compliance with these covenants for Fiscal Year 2022-23.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – 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, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 245,000	\$ 424,088	\$ 669,088
2025	255,000	414,288	669,288
2026	267,500	401,538	669,038
2027	280,000	388,163	668,163
2028	295,000	374,163	669,163
2029-2033	1,707,500	1,634,438	3,341,938
2034-2038	2,125,000	1,220,400	3,345,400
2039-2043	2,545,000	795,156	3,340,156
2044-2047	<u>2,427,500</u>	<u>247,400</u>	<u>2,674,900</u>
Total	<u>\$ 10,147,500</u>	<u>\$ 5,899,634</u>	<u>\$ 16,047,134</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, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 595,000	\$ 40,915	\$ 636,043
2025	620,000	13,950	633,950
Total	<u>\$ 1,215,000</u>	<u>\$ 54,865</u>	<u>\$ 1,269,993</u>

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Long-Term Obligations (Continued)

C. 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, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 755,000	\$ 15,100	\$ 770,100

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, 2023, is \$2,039,693. During the year ended June 30, 2023 principal and interest paid was \$1,405,744 and net revenue was \$5,341,222 or 380 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 2022-23.

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, 2023

Note 9 – Long-Term Obligations (Continued)

B. Business-Type Activities (Continued)

2004 Encinitas Housing Authority (EHA) Note Payable (Continued)

The annual debt service requirements for the 2004 Encinitas Housing Authority Note Payable outstanding at June 30, 2023 are as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 88,550	\$ 11,598	\$ 100,148
2025	89,757	10,122	99,879
2026	91,226	8,653	99,879
2027	92,719	7,161	99,880
2028	94,221	5,658	99,879
2029-2032	295,571	7,582	303,153
Total	<u>\$ 752,044</u>	<u>\$ 50,774</u>	<u>\$ 802,818</u>

Note 10 – Interfund Receivables, Payable and Transfers

A. Due To and From Other Funds

Individual interfund receivables and payables at June 30, 2023 were as follows:

	Due from Other Funds	Due to Other Funds
Governmental Funds:		
General Fund	\$ 640,475	\$ -
Capital Improvements Capital Projects Fund	15,784,131	-
Infrastructure Improvements Special Revenue Fund	-	15,710,539
Non-major Governmental Funds	-	482,331
Enterprise Funds:		
Non-major Affordable Housing Enterprise Fund	-	101,301
Internal Service Funds	-	130,435
Total	<u>\$ 16,424,606</u>	<u>\$ 16,424,606</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, 2023

Note 10 – Interfund Receivables, Payable and Transfers (Continued)

B. Transfers In and Out

Transfers in and out between funds for the year ended June 30, 2023 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	
General Fund	Infrastructure Improvements	\$ 1,068,428
General Fund	Non-Major Governmental Funds	49,650
General Fund	Capital Projects Fund	1,480,148
		<u>2,598,226</u>
Infrastructure Improvements	Capital Projects Fund	<u>2,221</u>
Capital Projects Fund	Infrastructure Improvements	15,188,981
Capital Projects Fund	Non-Major Governmental Funds	901,245
Capital Projects Fund	Non-Major Proprietary Fund	52,964
Capital Projects Fund	General Fund	12,931,332
		<u>29,074,522</u>
Non-Major Governmental Funds	General Fund	4,902,567
Non-Major Governmental Funds	Capital Projects Fund	359,825
		<u>5,262,392</u>
Internal Service Funds	Internal Service Funds	147,000
Internal Service Funds	General Fund	3,871,327
		<u>4,018,327</u>
Total		<u><u>\$40,955,688</u></u>

Transfers into the General Fund consist of funds from the State Gasoline Tax, and the City's Development Impact Fee Fund, and the Capital Projects Fund. 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.

Transfers into the Capital Improvements Capital Projects Fund represent funds from the General fund as well as other governmental funds including development impact fees, state and federal capital grants that are restricted in their use for capital expenditures. All capital projects are executed and expended through the Capital Improvements Capital Projects Fund.

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. 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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 10 – Interfund Receivables, Payable and Transfers (Continued)

B. Transfers In and Out (Continued)

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.

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.

Note 11 – Fund Balance and Net Position Classifications

The City classifies fund balances, as shown on the *Balance Sheet - Governmental Funds* as of June 30, 2023 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	\$ 292,940	\$ -	\$ -	\$ -	\$ 292,940
Long-term receivable	17,680	-	-	-	17,680
Total nonspendable	310,620	-	-	-	310,620
Restricted:					
Capital projects	-	46,023,481	-	-	46,023,481
Street maintenance and improvements	-	-	-	1,458,480	1,458,480
Cable Franchise PEG funds	-	-	-	374,239	374,239
Environmental initiatives	-	-	-	1,005,941	1,005,941
Affordable housing	-	-	-	234,131	234,131
Donations	-	-	-	84,234	84,234
Parkland and open space	-	-	-	1,702,440	1,702,440
Traffic mitigation	-	-	-	224,877	224,877
Flood control	-	-	-	562,722	562,722
Flexible saving account	198,865	-	-	-	198,865
Lighting and landscaping assessments	-	-	-	3,547,967	3,547,967
Fire protection	-	-	-	477,438	477,438
Debt service	299	-	-	3,200	3,499
Total restricted	199,164	46,023,481	-	9,675,669	55,898,314
Committed:					
Capital projects	-	18,325,791	-	-	18,325,791
Budget stabilization	2,007,833	-	-	-	2,007,833
Contingency reserve	18,033,753	-	-	-	18,033,753
Total committed	20,041,586	18,325,791	-	-	38,367,377
Unassigned	14,292,959	-	(13,905,911)	-	387,048
Total Fund Balances	\$ 34,844,329	\$ 64,349,272	\$ (13,905,911)	\$ 9,675,669	\$ 94,963,359

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Fund Balance and Net Position Classifications (Continued)

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.

- 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, 2023 was \$18,033,753.
- 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, 2023 was \$2,007,833.
- 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, 2023 was \$14,292,959.

Note 12 – 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 Self-Insurance 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 Self-Insurance 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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 12 – Risk Management (Continued)

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

The City is a member of the Public Risk Innovation, Solutions, and Management (PRISM), a member directed risk sharing pool which covers liability claims or losses above the City's \$250,000 self-insured level. PRISM is a separate legal entity formed by the participating municipalities and counties to provide pooled excess liability insurance coverage to its members. The members do not hold any ownership stake in PRISM and have no claims to revenue or assets upon withdrawal.

PRISM 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 PRISM 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, 2023	Year Ended June 30, 2022
Claims payable, beginning of year	\$ 4,565,947	\$ 4,038,427
Estimated incurred claims, net	2,975,829	2,696,205
Claims payments or closures	<u>(1,989,311)</u>	<u>(2,168,685)</u>
Claims payable, end of year	<u>\$ 5,552,465</u>	<u>\$ 4,565,947</u>

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

Risk management programs and support for the SDWD are provided by the City of Encinitas Administrative Services Department, for which the SDWD pays the City an annual fee (charge for those services). Management has determined, based on modest self-insurance retention levels and favorable claims experience, that no liability accruals were necessary.

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 worker's compensation. As of June 30, 2023 in the opinion of SDWD's management and general counsel, there were no material claims which would require accrual in the accompanying financial statements.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 13 – 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 PRISM and LAWCX (See Note 12).

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, 2023, the City had remaining contractual commitments totaling approximately \$5.4 million for capital projects related to its governmental and business-type activities. The more significant capital commitments included approximately \$2.5 million for street improvement projects, approximately \$1.7 million for CSD pump station upgrades and pipeline rehabilitation-capacity improvement projects. There were also commitments for park improvements projects for \$0.5 million, emergency repairs for \$0.2 million, and drainage improvements projects for approximately \$0.5 million.

Note 14 – 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:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>SDWD</u>	<u>Total</u>
Net Pension Liabilities	\$ 29,604,128	\$ 32,155,633	\$ 7,685,985	\$ 69,445,746
Deferred Outflow of Resources	13,335,347	15,510,082	3,611,806	32,457,235
Deferred Inflow of Resources	221,738	2,352,025	1,180,000	3,753,763
Pension Expense (Income)	4,740,538	1,791,280	(777,228)	5,754,590

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, 2023

Note 14 – 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, 2020 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, 2023

Note 14 – 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, 2023

Note 14 – California Public Employees’ Retirement System (Continued)

Employees Covered by Benefit Terms

As of the measurement date June 30, 2022, 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	162	62	23
Inactive employees or beneficiaries currently receiving benefits	181	87	35
Inactive employees entitled to, but not yet receiving benefits	<u>177</u>	<u>41</u>	<u>16</u>
Total	<u><u>520</u></u>	<u><u>190</u></u>	<u><u>74</u></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 7.25 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 2022-23 was 10.55 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 13.75 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 2022-23 were 13.66 to 23.68 percent for fire members and 12.78 to 21.84 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, 2023

Note 14 – 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 6.75 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, 2023 for Tier 1, Tier 2, and PEPRA employees were 14.03 percent, 8.63 percent, and 7.47 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, 2022, the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2022 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80 percent of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 14 – California Public Employees’ Retirement System (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds’ asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class ¹	Assumed Asset Allocation	Real Return Return ^{1,2}
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0	3.84
Private Equity	13.0	7.28
Treasury	5.0	0.27
Mortgage-backed Securities	5.0	0.50
Investment Grade Corporates	10.0	1.56
High Yield	5.0	2.27
Emerging Market Debt	5.0	2.48
Private Debt	5.0	3.57
Real Assets	15.0	3.21
Leverage	(5.0)	(0.59)

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

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

Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3 percent net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3 percent prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20 percent, from 7.00 percent to 6.80 percent.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 14 – California Public Employees’ Retirement System (Continued)

Subsequent Events (Continued)

Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90 percent (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50 percent to 2.30 percent as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modification to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

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:

	Miscellaneous Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2021 (Valuation Date)	\$ 126,665,921	\$ 116,107,354	\$ 10,558,567
Changes Recognized for the Measurement Period:			
Service Cost	2,760,919	-	2,760,919
Interest on the total pension liability	8,919,419	-	8,919,419
Difference between expected and actual experience	(267,280)	-	(267,280)
Changes of assumptions	4,444,549	-	4,444,549
Contributions from the employer	-	4,523,564	(4,523,564)
Contributions from employees	-	1,098,127	(1,098,127)
Net investment income, net of administrative expense	-	(8,737,317)	8,737,317
Benefit payments, including refunds of employee contributions	(5,913,446)	(5,913,446)	-
Administrative expense	-	(72,328)	72,328
Net Changes during July 1, 2021 to June 30, 2022	9,944,161	(9,101,400)	19,045,561
Balance at June 30, 2022 (Measurement Date)	\$ 136,610,082	\$ 107,005,954	\$ 29,604,128

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 14 – California Public Employees’ Retirement System (Continued)

Changes in the Net Pension Liability (Continued)

As of June 30, 2023, 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, 2021 (Valuation date)	\$ 104,235,934	\$ 87,289,356	\$ 16,946,578
Balance at June 30, 2022 (Measurement date)	110,979,116	78,823,483	32,155,633
Net changes during 2021-2022	<u>\$ 6,743,182</u>	<u>\$ (8,465,873)</u>	<u>\$ 15,209,055</u>

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, 2022, 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, 2021 rolled forward to June 30, 2022 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, 2022 was as follows:

	Safety Plan
Proportionate share at June 30, 2022	0.48288%
Proportionate share at June 30, 2023	0.46795%
Change - Increase/(Decrease)	<u>(0.01493%)</u>

As of June 30, 2023, 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, 2021 (Valuation Date)	\$ 25,065,548	\$ 20,907,541	\$ 4,158,007
Balance at June 30, 2022 (Measurement Date)	26,430,565	18,744,580	7,685,985
Net changes during 2021-2022	<u>\$ 1,365,017</u>	<u>\$ (2,162,961)</u>	<u>\$ 3,527,978</u>

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 14 – California Public Employees’ Retirement System (Continued)

Changes in the Net Pension Liability (Continued)

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, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The 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, 2022 was as follows:

	SDWD Plan
Proportionate share at June 30, 2022	0.21898%
Proportionate share at June 30, 2023	0.16426%
Change - Increase/(Decrease)	<u>(0.05472%)</u>

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 6.90 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 (5.90 percent) or one percentage point higher (7.90 percent) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
City Miscellaneous	\$ 48,411,655	\$ 29,604,128	\$ 14,119,946
City Safety	47,481,675	32,155,633	19,630,055
SDWD	11,288,948	7,685,985	4,721,641
	<u>\$ 107,182,278</u>	<u>\$ 69,445,746</u>	<u>\$ 38,471,642</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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 14 – California Public Employees’ Retirement System (Continued)

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 (EARS�) of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

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

For the year ended June 30, 2023, the City recognized pension expense/(income) of \$4,740,538, \$1,791,280, and (\$777,228) for the Miscellaneous, Safety and SDWD plans, respectively. At June 30, 2023, the City reported deferred outflows resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan		Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 4,800,004	\$ -	\$ 3,844,428	\$ -
Difference between expected and actual experience	12,020	(221,738)	1,330,805	(349,185)
Difference between employer’s contribution and proportionate share of contribution	3,097,716	-	-	(2,002,840)
Changes of assumptions	-	-	3,242,261	-
Net difference between projected and actual earnings on pension plan investments	5,425,607	-	5,077,824	-
Adjustments due to difference in proportions	-	-	2,014,764	-
Total	<u>\$ 13,335,347</u>	<u>\$ (221,738)</u>	<u>\$ 15,510,082</u>	<u>\$ (2,352,025)</u>

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 14 – California Public Employees’ Retirement System (Continued)

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

The \$4,800,004 and \$3,844,428 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Miscellaneous Plan	Safety Plan
Measurement Period Ending June 30	Deferred Outflows (Inflows) of Resources	Deferred Outflows (Inflows) of Resources
2023	\$ 2,126,301	\$ 2,751,201
2024	2,055,489	2,222,066
2025	787,451	1,242,824
2026	3,344,364	3,097,538
2027	-	-
Thereafter	-	-
	<u>\$ 8,313,605</u>	<u>\$ 9,313,629</u>

For the year ended June 30, 2023, the City recognized pension income of \$777,228 for the SDWD Plan. At June 30, 2023 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	\$ 1,090,727	\$ -
Difference between expected and actual experience	154,350	(103,377)
Changes of assumptions	787,590	-
Net difference between projected and actual earnings on pension plan investments	1,407,868	-
Difference between employer's actual contributions and proportionate share of contributions	171,271	(283,380)
Adjustments due to difference in proportions	-	(793,243)
Total	<u>\$ 3,611,806</u>	<u>\$ (1,180,000)</u>

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 14 – California Public Employees’ Retirement System (Continued)

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

The \$1,090,727 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, 2024. 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
2024	\$ 183,749
2025	161,433
2026	134,797
2027	861,100
2028	-
Thereafter	-
	<u>\$ 1,341,079</u>

Note 15 – 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, 2021 and was used to determine the June 30, 2022 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	\$ 6,014,129	\$ 196,781	\$ 6,210,910
Deferred Outflow of Resources	2,665,792	149,985	2,815,777
Deferred Inflow of Resources	984,279	47,029	1,031,308
OPEB Expense	452,055	22,210	474,265

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 15 – Other Postemployment Benefits (OPEB) (Continued)

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 (\$149 per month in 2022, \$151 per month in 2023, 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 12 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, 2021, the date of the latest actuarial valuation:

Active plan members	233
Inactive plan members or beneficiaries currently receiving benefits	<u>97</u>
Total	<u><u>330</u></u>

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 15 – Other Postemployment Benefits (OPEB) (Continued)

B. City of Encinitas Retiree Health Plan (Continued)

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The net OPEB liability at June 30, 2023 was:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2021 (Valuation Date)	\$ 11,584,059	\$ 7,380,422	\$ 4,203,637
Changes Recognized for the Measurement Period:			
Service Cost	214,950	-	214,950
Interest on the total OPEB liability	770,329	-	770,329
Change of assumptions	1,001,453	-	1,001,453
Difference between expected and actual experience	(78,230)	-	(78,230)
Employer contributions	-	1,228,804	(1,228,804)
Net investment income	-	(1,128,691)	1,128,691
Benefit payments, including refunds of member contributions	(957,022)	(957,022)	-
Administrative expenses	-	(2,103)	2,103
Net Changes during July 1, 2021 to June 30, 2022	951,480	(859,012)	1,810,492
Balance at June 30, 2022 (Measurement Date)	<u>\$ 12,535,539</u>	<u>\$ 6,521,410</u>	<u>\$ 6,014,129</u>

Actuarial Assumptions

The net OPEB liability in the June 30, 2021 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	6.00%
Inflation	2.50%
Investment Rate of Return	6.00%, assuming actuarially determined contributions funded into CERBT Investment Strategy 1.
Healthcare Trend Rate	Based on actual rate for 2022 and decreasing in 2023 from 6.25% to 4.50% in 2030 and thereafter.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 15 – Other Postemployment Benefits (OPEB) (Continued)

B. City of Encinitas Retiree Health Plan (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2020 to June 30, 2021.

Discount Rate

The discount rate used to measure the net OPEB liability was 6.0 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 7.59 percent with an additional margin for adverse deviation.

The table below reflects the 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Global equity	49.00%	N/A
Fixed income	23.00%	N/A
Treasury securities (TIPS)	5.00%	N/A
Commodities	3.00%	N/A
REITs	20.00%	N/A

* Long-term expected rate of return is 6.00 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 (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current discount rate:

	<u>Discount Rate - 1% (5.00%)</u>	<u>Current Discount Rate (6.00%)</u>	<u>Discount Rate + 1% (7.00%)</u>
Net OPEB Liability \$	7,494,870	\$ 6,014,129	\$ 4,783,916

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 15 – 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 5.25% decreasing to 3.50%	Current Rate 6.25% decreasing to 4.50%	1% Increase 7.25% decreasing to 5.50%
Net OPEB Liability \$	4,593,412	\$ 6,014,129	\$ 7,741,187

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, 2023, the City recognized OPEB expense of \$452,055 for the City Plan. At June 30, 2023 the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contribution made after the measurement period	\$ 1,049,280	\$ -
Changes of assumptions	936,710	(13,107)
Difference between expected actual experience	116,640	(971,172)
Net difference between projected and actual earnings on investments	563,162	-
	<u>\$ 2,665,792</u>	<u>\$ (984,279)</u>

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 15 – 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 \$1,049,280 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, 2024. 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
2023	\$ (3,261)
2024	(1,166)
2025	(29,767)
2026	238,099
2027	93,395
Thereafter	334,933
	\$ 632,233

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, 2021 was used to determine the June 30, 2022 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 12 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, 2023

Note 15 – 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, 2021, the date of the latest actuarial valuation:

	SDWD Plan
Active plan members	22
Inactive plan members or beneficiaries currently receiving benefits	14
Total	<u>36</u>

Change in the Net OPEB Liability

SDWD's net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The net OPEB liability at June 30, 2023 was:

	SDWD Plan		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2022 (Measurement Date: June 30, 2021)	\$ 529,704	\$ 439,835	\$ 89,869
Changes Recognized for the Measurement Period:			
Service cost	16,153	-	16,153
Interest on the total OPEB liability	35,867	-	35,867
Contributions from the employer	-	58,628	(58,628)
Net investment income, net of administrative expense	-	(65,791)	65,791
Difference between expected and actual experience	477	-	477
Benefit payments, including refunds of employee contributions	(37,420)	(37,420)	-
Change in assumptions	47,129	-	47,129
Administrative expense	-	(123)	123
Net Changes	<u>62,206</u>	<u>(44,706)</u>	<u>106,912</u>
Balance at June 30, 2023	<u>\$ 591,910</u>	<u>\$ 395,129</u>	<u>\$ 196,781</u>

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 15 – Other Postemployment Benefits (OPEB) (Continued)

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

Actuarial Assumptions

The net OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions Used to Determine Total OPEB Liability

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.50%
Wage Inflation	2.80% per annum, in aggregate
Investment Rate of Return	6.00%, assuming actuarially determined contributions funded into CERBT Investment Strategy 1.
Healthcare Trend Rate	Based on actual rate for 2022 and decreasing in 2023 from 6.25% to 4.50% in 2030 and thereafter.

Discount Rate

The discount rate used to measure the net OPEB liability was 6.0 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 the 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	49.00%	N/A
Fixed income	23.00%	N/A
Treasury securities (TIPS)	5.00%	N/A
Commodities	3.00%	N/A
REITs	20.00%	N/A

* Long-term expected rate of return is 6.00 percent

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 15 – 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 (5.0 percent) or 1-percentage point higher (7.0 percent) than the current discount rate:

	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(5.00%)	Rate (6.00%)	(7.00%)
Net OPEB Liability \$	266,191	\$ 196,781	\$ 138,866

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
	5.25%	6.25%	7.25%
	<u>decreasing to 3.50%</u>	<u>decreasing to 4.50%</u>	<u>decreasing to 5.50%</u>
Net OPEB Liability \$	126,798	\$ 196,781	\$ 283,061

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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 15 – Other Postemployment Benefits (OPEB) (Continued)

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

OPEB Expense and Deferred Outflows/Inflows of Resources to OPEB

For the year ended June 30, 2023, SDWD recognized OPEB expense of \$22,210 for the SDWD Plan. At June 30, 2023, SDWD 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
OPEB contribution subsequent to the measurement date	\$ 67,722	\$ -
Changes of assumptions	46,166	-
Difference between expected and actual experience	424	(47,029)
Net difference between projected and actual earnings on OPEB plan investments	35,673	-
Total	<u>\$ 149,985</u>	<u>\$ (47,029)</u>

The \$67,722 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, 2024. 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
2023	\$ 1,679
2024	1,588
2025	(214)
2026	20,746
2027	2,049
Thereafter	9,386
	<u>\$ 35,234</u>

Note 16 – 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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 16 – Encinitas Ranch Golf Authority (Continued)

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. Depending on the net revenues from golf operations, the City may benefit financially from the operations. In Fiscal Year 2022-23, the Board approved a surplus excess net revenue payment to the City of \$522,966.

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.

Note 17 – Special Assessment Debt

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

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 \$2,284,214 to \$2,303,275. The transaction will save the taxpayers an average of \$200,000 in annual debt service of the prior bonds.

As of June 30, 2023, the outstanding balance on the 2021 Taxable Special Tax Refunding Bonds was \$17,070,000. 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 2021 Taxable 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 both of this Assessment District, collecting the assessments and paying the Assessment District's bills, as well as other administrative duties. The City has no duty or obligation to pay any liabilities or potential liabilities of the Assessment District. 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.

City of Encinitas
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 18 – Other Required Disclosures

Deficit Fund Balances/Net Position

At June 30, 2023, the Infrastructure Improvements Special Revenue fund had a fund deficit of \$13,905,911. The deficit is anticipated to be funded from future grants, other revenues, and operating or capital transfers.

At June 30, 2023, the Wastewater Support Internal Service fund had a fund deficit of \$187,592. The deficit is anticipated to be funded by Cardiff Sanitary Division and Encinitas Sanitary Division funds.

At June 30, 2023, the Vehicle Maintenance Internal Service fund had a deficit of \$180,247. The deficit is anticipated to be funded by the General Fund, the Cardiff Sanitary Division, Encinitas Sanitary Division, and San Dieguito Water District funds.

Note 19 – Prior Period Adjustment

With the implementation of GASB 96 – Subscription-Based Information Technology (IT) Arrangements, the beginning balance of capital assets and long-term liabilities were restated as follows:

	Governmental Activities
Net position, beginning of year, as previously reported	\$ 226,394,235
Subscription-based IT assets	1,323,435
Subscription-based IT payable	<u>(1,245,650)</u>
Net position, beginning of year, as restated	<u><u>\$ 226,472,020</u></u>

Note 20 – Subsequent Events

On September 28, 2023, the City of Encinitas purchased a 1.43-acre site located at the northwest corner of Coast Highway 101 and La Costa Avenue for \$6,000,000. The property is made of up two parcels which are zoned for Visitor Service Commercial in the North 101 Corridor Specific Plan. A significant portion of the northern parcel contains environmental constraint areas including wetland vegetations and bluffs. These sensitive areas are considered protected environmental resources under the City's General Plan and Municipal Code and would be placed in an open space easement upon any future development of the two parcels. No new development is proposed or anticipated on the two subject parcels. The purchase was funded with a temporary transfer from the Contingency Reserve.



This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION



This page intentionally left blank.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2023

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.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2023

Note 2 – Budgetary Comparison Schedule

General Fund

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes:				
Property	\$ 58,107,960	\$ 59,110,000	\$ 60,802,331	\$ 1,692,331
Real property transfer	600,000	600,000	676,729	76,729
Sales	16,190,000	17,640,000	17,138,284	(501,716)
Franchise	2,891,977	2,391,977	2,581,664	189,687
Transient occupancy	3,424,136	3,922,096	4,836,738	914,642
Total taxes	81,214,073	83,664,073	86,035,746	2,371,673
Licenses and permits	236,000	236,000	379,267	143,267
Intergovernmental	713,726	911,794	1,026,194	114,400
Charges for services	8,249,850	9,304,850	9,510,414	205,564
Fines, forfeitures and penalties	210,253	310,253	485,215	174,962
Use of money and property	1,094,777	1,094,777	1,192,301	97,524
Other	611,793	891,458	1,542,803	651,345
Total revenues	92,330,472	96,413,205	100,171,940	3,758,735
EXPENDITURES:				
General government:				
City Council	521,443	585,499	450,492	135,007
City Attorney	985,000	985,000	729,057	255,943
City Manager	6,484,625	6,699,307	5,406,071	1,293,236
City Clerk	719,376	740,728	545,736	194,992
Finance	2,693,365	2,800,125	2,405,192	394,933
Non-departmental	5,047,129	5,096,467	4,878,044	218,423
Total general government	16,450,938	16,907,126	14,414,592	2,492,534
Public safety:				
Law enforcement	17,681,754	17,681,754	13,489,544	4,192,210
Fire and marine safety	19,374,576	19,778,875	19,405,525	373,350
Total public safety	37,056,330	37,460,629	32,895,069	4,565,560
Public works:				
Administration	588,880	618,672	506,968	111,704
Environmental programs	1,500	1,500	747	753
Street maintenance	3,398,265	3,482,679	3,114,883	367,796
Facility maintenance	1,882,965	2,018,965	1,665,245	353,720
Stormwater	1,609,824	1,621,568	1,511,548	110,020
Total public works	\$ 7,481,434	\$ 7,743,384	\$ 6,799,391	\$ 943,993

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2023

Note 2 – Budgetary Comparison Schedule (Continued)

General Fund (Continued)

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Development services - planning:				
Planning	\$ 5,258,397	\$ 6,012,011	\$ 5,210,572	\$ 801,439
Code enforcement	2,663,214	3,744,804	3,605,376	139,428
Building services	890,544	920,757	867,452	53,305
Total development services - planning	8,812,155	10,677,572	9,683,400	994,172
Development services - engineering:				
City engineering	1,744,529	1,772,233	1,259,190	513,043
Traffic engineering	1,041,299	1,051,975	806,743	245,232
Coastal zone management	1,360,823	1,360,823	1,259,765	101,058
Total development services - engineering	4,146,651	4,185,031	3,325,698	859,333
Parks and recreation:				
Administration	1,412,777	1,469,360	1,255,155	214,205
Park services	3,129,753	3,180,429	2,812,537	367,892
Beach services	774,147	784,147	728,284	55,863
Recreational services	902,760	917,967	805,469	112,498
Community and senior center	2,589,107	2,687,085	2,415,923	271,162
Total parks and recreation	8,808,544	9,038,988	8,017,368	1,021,620
Capital outlay:				
General Government	-	-	267,210	(267,210)
Public safety	-	10,000	247,854	(237,854)
Public works	36,100	36,100	7,329	28,771
Total capital outlay	36,100	46,100	522,393	(476,293)
Debt service:				
Interest	-	-	21,509	(21,509)
Principal	-	-	358,461	(358,461)
Total debt service	-	-	379,970	(379,970)
Total expenditures	82,792,152	86,058,830	76,037,881	10,020,949
EXCESS OF REVENUES OVER EXPENDITURES	9,538,320	10,354,375	24,134,059	13,779,684
OTHER FINANCING SOURCES (USES)				
Issuance of leases and subscriptions	-	-	489,210	489,210
Transfers in - operating	1,176,166	1,176,166	1,118,078	(58,088)
Transfers in - capital	2,258,038	2,988,186	1,480,148	(1,508,038)
Transfer in - other	-	20,000,000	-	(20,000,000)
Transfers out - operating	(5,966,133)	(5,914,280)	(5,768,390)	145,890
Transfers out - capital	(6,938,304)	(31,831,332)	(11,831,332)	20,000,000
Transfers out - debt service	(5,329,770)	(5,621,145)	(4,105,504)	1,515,641
Total other financing sources (uses)	(14,800,003)	(19,202,405)	(18,617,790)	584,615
NET CHANGE IN FUND BALANCE	\$ (5,261,683)	\$ (8,848,030)	5,516,269	\$ 14,364,299
Fund balance - beginning of year			29,328,060	
Fund balance - end of year			\$ 34,844,329	

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2023

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	\$ 578,064	\$ 678,064	\$ 1,182,462	\$ 504,398
Intergovernmental	5,147,064	15,295,192	13,860,746	(1,434,446)
Use of money and property	<u>-</u>	<u>-</u>	<u>87,529</u>	<u>87,529</u>
Total revenues	<u>5,725,128</u>	<u>15,973,256</u>	<u>15,130,737</u>	<u>(842,519)</u>
EXPENDITURES:				
Current:				
General government	316,747	386,547	349,179	37,368
Public safety	<u>-</u>	<u>-</u>	<u>4,217,541</u>	<u>(4,217,541)</u>
Total expenditures	<u>316,747</u>	<u>386,547</u>	<u>4,566,720</u>	<u>(4,180,173)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>5,408,381</u>	<u>15,586,709</u>	<u>10,564,017</u>	<u>(5,022,692)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,221	2,221	-
Transfers out	<u>(5,097,064)</u>	<u>(16,280,147)</u>	<u>(16,257,409)</u>	<u>22,738</u>
Total other financing sources (uses)	<u>(5,097,064)</u>	<u>(16,277,926)</u>	<u>(16,255,188)</u>	<u>22,738</u>
NET CHANGE IN FUND BALANCE	<u>\$ 311,317</u>	<u>\$ (691,217)</u>	<u>(5,691,171)</u>	<u>\$ (4,999,954)</u>
Fund balance (deficit) - beginning of year			<u>(8,214,740)</u>	
Fund balance (deficit) - end of year			<u>\$ (13,905,911)</u>	



This page intentionally left blank.

City of Encinitas

Required Supplementary Information

For the Year Ended June 30, 2023

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

	Last Ten Fiscal Years*				
	City Miscellaneous Plan				
Measurement period	2021-22	2020-21	2019-20	2018-19	2017-18
Service cost	\$ 2,760,919	\$ 2,455,688	\$ 2,434,146	\$ 2,479,472	\$ 2,258,659
Interest on total pension liability	8,919,419	8,546,269	8,158,681	7,738,502	7,270,761
Differences between expected and actual experience	(267,280)	(99,908)	372,587	1,229,327	(486,531)
Changes in assumptions	4,444,549	-	-	-	(739,046)
Benefit payments, including refunds of employee contributions	(5,913,446)	(5,272,858)	(4,892,893)	(4,489,668)	(4,164,974)
Net change in total pension liability	9,944,161	5,629,191	6,072,521	6,957,633	4,138,869
Total pension liability - beginning	126,665,921	121,036,730	114,964,209	108,006,576	103,867,707
Total pension liability - ending (a)	\$ 136,610,082	\$ 126,665,921	\$ 121,036,730	\$ 114,964,209	\$ 108,006,576
Plan fiduciary net position					
Contributions - employer	\$ 4,523,564	\$ 4,188,756	\$ 3,929,445	\$ 3,638,301	\$ 3,755,605
Contributions - employee	1,098,127	1,090,697	1,026,068	1,018,181	992,534
Investment income (expense) (net of administrative expenses)	(8,737,317)	21,437,557	4,507,691	5,588,433	6,559,803
Benefit payments	(5,913,446)	(5,272,858)	(4,892,893)	(4,489,668)	(4,164,974)
Other	(72,328)	(94,657)	(127,322)	(60,191)	(351,784)
Net change in plan fiduciary net position	(9,101,400)	21,349,495	4,442,989	5,695,056	6,791,184
Plan fiduciary net position - beginning	116,107,354	94,757,859	90,314,870	84,619,814	77,828,630
Plan fiduciary net position - ending (b)	\$ 107,005,954	\$ 116,107,354	\$ 94,757,859	\$ 90,314,870	\$ 84,619,814
Net pension liability - ending (a)-(b)	\$ 29,604,128	\$ 10,558,567	\$ 26,278,871	\$ 24,649,339	\$ 23,386,762
Plan fiduciary net position as a percentage of the total pension liability	78.33%	91.66%	78.29%	78.56%	78.35%
Covered payroll	\$ 14,960,487	\$ 14,147,287	\$ 14,169,243	\$ 13,653,405	\$ 13,562,192
Net pension liability as a percentage of covered payroll	197.88%	74.63%	185.46%	180.54%	172.44%

Notes to Schedule:

Benefit Changes:

The figures above generally include any liability that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date.

Changes in Assumptions:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long terms. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no changes from 2019 through 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the 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. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

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

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2023

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)	-
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 (expense) (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:

The figures above generally include any liability that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date.

Changes in Assumptions:

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long terms. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no changes from 2019 through 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the 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. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

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

City of Encinitas

Required Supplementary Information

For the Year Ended June 30, 2023

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

Last Ten Fiscal Years*
Safety Plan

Measurement period	2021-22	2020-21	2019-20	2018-19	2017-18
Plan's proportion of the net pension liability	0.46795%	0.48288%	0.41435%	0.40330%	0.39412%
Plan's proportionate share of the net pension liability	\$ 32,155,633	\$ 16,946,578	\$ 27,605,534	\$ 25,176,127	\$ 23,125,137
Plan's covered payroll	\$ 6,876,495	\$ 6,779,318	\$ 7,089,554	\$ 6,117,357	\$ 6,197,680
Plan's proportionate share of the net pension liability as a percentage of covered payroll	467.62%	249.97%	389.38%	411.55%	373.13%
Plan's fiduciary net position	\$ 78,823,483	\$ 87,289,356	\$ 73,544,213	\$ 71,581,823	\$ 69,535,698
Plan's fiduciary net position as a percentage of the total pension liability	71.03%	83.74%	72.71%	73.98%	75.04%
Plan's proportionate share of aggregate employer contributions	\$ 3,658,997	\$ 3,224,229	\$ 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 member of the Public Agency Pool.

Changes in assumptions

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long terms. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no changes in 2021, 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 nine years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2023

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

	Last Ten Fiscal Years* Safety Plan			
Measurement period	2016-17	2015-16	2014-15	2013-14
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
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
Plan's fiduciary net position as a percentage of the total 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 member of the Public Agency Pool.

Changes in assumptions

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long terms. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no changes in 2021, 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 nine years of information are shown.

City of Encinitas

Required Supplementary Information

For the Year Ended June 30, 2023

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	2021-22	2020-21	2019-20	2018-19	2017-18
Plan's proportion of the net pension liability	0.16426%	0.21898%	0.16817%	0.18923%	0.18768%
Plan's proportionate share of the net pension liability	\$ 7,685,985	\$ 4,158,007	\$ 7,093,742	\$ 7,577,802	\$ 7,073,051
Plan's covered payroll	\$ 1,781,652	\$ 1,853,964	\$ 1,901,202	\$ 1,887,782	\$1,918,865
Plan's proportionate share of the net pension liability as a percentage of covered payroll	431.40%	224.28%	373.12%	401.41%	368.61%
Plan's fiduciary net position	\$ 18,744,579	\$ 20,907,541	\$ 17,181,179	\$ 16,145,141	\$ 18,744,580
Plan's fiduciary net position as a percentage of the total pension liability	70.92%	83.41%	70.78%	68.06%	69.48%
Plan's proportionate share of aggregate employer contributions	\$ 712,933	\$ 617,487	\$ 1,581,186	\$ 585,749	\$ 504,492

Notes to Schedule:

Benefit changes

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

Changes in assumptions

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long terms. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no changes in 2021, 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 nine years of information are shown.

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2023

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 member of the Public Agency Pool.

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long terms. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. There were no changes in 2021, 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 nine years of information are shown.

City of Encinitas

Required Supplementary Information

For the Year Ended June 30, 2023

Note 5 - Schedule of Contributions - Pension

Fiscal Year	Last Ten Fiscal Years*				
	City Miscellaneous Plan				
	2022-23	2021-22	2020-21	2019-20	2018-19
Actuarially determined contribution	\$ 4,311,914	\$ 4,095,863	\$ 3,901,665	\$ 3,420,863	\$ 3,252,930
Contributions in relation to the actuarially determined contributions	(4,800,004)	(4,523,563)	(3,989,449)	(3,929,445)	(3,637,225)
Contribution deficiency (excess)	\$ (488,090)	\$ (427,700)	\$ (87,784)	\$ (508,582)	\$ (384,295)
Covered payroll	\$ 17,091,652	\$ 14,960,487	\$ 14,147,287	\$ 14,169,243	\$ 13,653,405
Contributions as a percentage of covered payroll	28.08%	30.24%	28.20%	27.73%	26.64%

Notes to Schedule

Fiscal Year: June 30, 2023
Valuation Date: June 30, 2020

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	2.30%
Projected salary increases	Varies by entry age and service
Payroll growth	2.75%
Discount rate	6.90%

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

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2023

Note 5 - Schedule of Contributions - Pension (Continued)

Fiscal Year	Last Ten Fiscal Years*			
	City Miscellaneous Plan			
	2017-18	2016-17	2015-16	2014-15
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)	\$ (923,204)	\$ (220,524)	\$ (341,956)	\$ (262,000)
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, 2023
Valuation Date: June 30, 2020

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	2.30%
Projected salary increases	Varies by entry age and service
Payroll growth	2.75%
Discount rate	6.90%

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

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2023

Note 5 - Schedule of Contributions - Pension (Continued)

Fiscal Year	Last Ten Fiscal Years*				
	Safety Plan				
	2022-23	2021-22	2020-21	2019-20	2018-19
Contractually determined contribution (actuarially determined)	\$ 3,844,428	\$ 3,658,997	\$ 3,224,229	\$ 2,979,381	\$ 2,457,135
Contributions in relation to the actuarially determined contributions	(3,844,428)	(3,658,997)	(3,224,229)	(2,979,381)	(2,457,135)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 7,246,576	\$ 6,876,495	\$ 6,779,318	\$ 7,089,554	\$ 6,117,357
Contributions as a percentage of covered payroll	53.05%	53.21%	47.56%	42.02%	40.17%

Notes to Schedule

Fiscal Year: June 30, 2023
Valuation Date: June 30, 2020

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	2.30%
Projected salary increases	Varies by entry age and service
Payroll growth	2.75%
Discount rate	6.90%

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

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2023

Note 5 - Schedule of Contributions - Pension (Continued)

Fiscal Year	Last Ten Fiscal Years*			
	Safety Plan			
	2017-18	2016-17	2015-16	2014-15
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	(2,203,690)	(1,108,343)	(1,609,491)	(1,251,594)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
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, 2023
Valuation Date: June 30, 2020

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	2.30%
Projected salary increases	Varies by entry age and service
Payroll growth	2.75%
Discount rate	6.90%

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

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2023

Note 5 - Schedule of Contributions - Pension (Continued)

Fiscal Year	Last Ten Fiscal Years*				
	San Dieguito Water District Plan				
	2022-23	2021-22	2020-21	2019-20	2018-19
Contractually determined contribution (actuarially determined)	\$ 1,090,727	\$ 712,933	\$ 617,487	\$ 1,581,186	\$ 585,749
Contributions in relation to the actuarially determined contributions	(1,090,727)	(712,933)	(617,487)	(1,581,186)	(585,749)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,145,484	\$ 1,781,652	\$ 1,853,964	\$ 1,901,202	\$ 1,887,782
Contributions as a percentage of covered payroll	50.84%	40.02%	33.31%	83.17%	31.03%

Notes to Schedule

Fiscal Year: June 30, 2023
Valuation Date: June 30, 2020

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	2.30%
Projected salary increases	Varies by entry age and service
Payroll growth	2.75%
Discount rate	6.90%

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

City of Encinitas
Required Supplementary Information
For the Year Ended June 30, 2023

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>	<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, 2023
Valuation Date: June 30, 2020

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	2.30%
Projected salary increases	Varies by entry age and service
Payroll growth	2.75%
Discount rate	6.90%

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

City of Encinitas

Required Supplementary Information

For the Year Ended June 30, 2023

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

Measurement Period	Last Ten Fiscal Years*					
	City Plan					
	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Total OPEB liability						
Service cost	\$ 214,950	\$ 220,788	\$ 218,453	\$ 196,193	\$ 190,479	\$ 178,018
Interest	770,329	775,472	791,330	880,167	867,343	856,058
Differences between expected and actual experience	(78,230)	155,520	(291,076)	(1,439,425)	-	-
Changes of assumptions	1,001,453	62,038	-	(26,216)	-	-
Benefit payments, including refunds of member contributions	(957,022)	(958,086)	(937,434)	(882,565)	(878,114)	(892,532)
Net change in total OPEB liability	951,480	255,732	(218,727)	(1,271,846)	179,708	141,544
Total OPEB liability - beginning	11,584,059	11,328,327	11,547,054	12,818,900	12,639,192	12,497,648
Total OPEB liability - ending (a)	\$ 12,535,539	\$ 11,584,059	\$ 11,328,327	\$ 11,547,054	\$ 12,818,900	\$ 12,639,192
OPEB fiduciary net position						
Contributions - employer	\$ 1,228,804	\$ 1,213,291	\$ 1,370,746	\$ 1,270,357	\$ 1,102,937	\$ 1,092,690
Net investment income (expense)	(1,128,691)	1,726,138	205,412	308,900	358,109	403,267
Benefit payments, including refunds of member contributions	(957,022)	(958,086)	(937,434)	(882,565)	(878,114)	(892,532)
Administrative expense	(2,103)	(2,385)	(2,859)	(1,100)	(2,366)	(2,046)
Other expense	-	-	-	-	(4,620)	-
Net change in plan fiduciary net position	(859,012)	1,978,958	635,865	695,592	575,946	601,379
Plan fiduciary net position - beginning	7,380,422	5,401,464	4,765,599	4,070,007	3,494,061	2,892,682
Plan fiduciary net position - ending (b)	6,521,410	7,380,422	5,401,464	4,765,599	4,070,007	3,494,061
Plan net OPEB liability - ending (a) - (b)	\$ 6,014,129	\$ 4,203,637	\$ 5,926,863	\$ 6,781,455	\$ 8,748,893	\$ 9,145,131
Plan fiduciary net position as a percentage of the total OPEB Liability	52.02%	63.71%	47.68%	41.27%	31.75%	27.64%
Covered-employee payroll**	\$ 25,586,921	\$ 24,147,416	\$ 23,224,242	\$ 22,403,865	\$ 21,767,304	\$ 17,816,557
Plan net OPEB liability as a percentage of covered-employee payroll	23.50%	17.41%	25.52%	30.27%	40.19%	51.33%

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

** Except for former Encinitas Fire Protection District employees hired on or before March 15, 1985, the City provides the minimum required employer contributions under the CalPERS Health Plan for eligible retirees and surviving spouses. The minimum required employer contribution is statutorily set under PEMHCA. The employer contribution to OPEB is not based on a measure of pay; thus the covered-employee payroll is presented.

City of Encinitas

Required Supplementary Information

For the Year Ended June 30, 2023

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	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Total OPEB liability						
Service cost	\$ 16,153	\$ 21,430	\$ 21,235	\$ 14,633	\$ 14,241	\$ 13,309
Interest	35,867	37,529	35,691	36,301	34,637	33,225
Differences between expected and actual experience	477	(33,644)	(4,100)	(43,215)	-	-
Changes of assumptions	47,129	4,477	-	1,843	-	-
Benefit payments, including refunds of member contributions	(37,420)	(29,083)	(24,514)	(25,651)	(25,346)	(29,268)
Net change in total OPEB liability	62,206	709	28,312	(16,089)	23,532	17,266
Total OPEB liability - beginning	529,704	528,995	500,683	516,772	493,240	475,974
Total OPEB liability - ending (a)	\$ 591,910	\$ 529,704	\$ 528,995	\$ 500,683	\$ 516,772	\$ 493,240
OPEB fiduciary net position						
Contributions - employer	\$ 58,628	\$ 55,006	\$ 53,542	\$ 55,068	\$ 59,205	\$ 63,332
Net investment income (expense)	(65,791)	98,249	11,264	16,640	18,590	18,770
Benefit payments, including refunds of member contributions	(37,420)	(29,083)	(24,514)	(25,651)	(25,346)	(29,268)
Administrative expense	(123)	(136)	(157)	(59)	(358)	(95)
Net change in plan fiduciary net position	(44,706)	124,036	40,135	45,998	52,091	52,739
Plan fiduciary net position - beginning	439,835	315,799	275,664	229,666	177,575	124,836
Plan fiduciary net position - ending (b)	395,129	439,835	315,799	275,664	229,666	177,575
Plan net OPEB liability - ending (a) - (b)	\$ 196,781	\$ 89,869	\$ 213,196	\$ 225,019	\$ 287,106	\$ 315,665
Plan fiduciary net position as a percentage of the total OPEB Liability	66.75%	83.03%	59.70%	55.06%	44.44%	36.00%
Covered-employee payroll**	\$ 2,049,341	\$ 2,017,862	\$ 2,046,974	\$ 1,903,385	\$ 1,978,669	\$ 1,802,043
Plan net OPEB liability as a percentage of covered-employee payroll	9.60%	4.45%	10.42%	11.82%	14.51%	17.52%

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

** The San Dieguito Water District provides the minimum required employer contributions under the CalPERS Health Plan for eligible retirees and surviving spouses. The minimum required employer contribution is statutorily set under PEMHCA. The employer contribution to OPEB is not based on a measure of pay; thus the covered-employee payroll is presented.

City of Encinitas

Required Supplementary Information

For the Year Ended June 30, 2023

Note 7 - Schedule of Contributions - OPEB

Fiscal Year	Last Ten Fiscal Years*					
	City Plan					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Actuarially determined contribution (ADC)	\$ 1,005,796	\$ 978,878	\$ 1,151,134	\$ 1,117,605	\$ 958,415	\$ 930,499
Contributions in relation to the ADC	(1,049,280)	(1,199,069)	(1,157,839)	(1,315,490)	(1,269,129)	(1,092,690)
Contribution deficiency (excess)	\$ (43,484)	\$ (220,191)	\$ (6,705)	\$ (197,885)	\$ (310,714)	\$ (162,191)
Covered employee payroll	\$27,790,659	\$25,586,921	\$24,147,416	\$23,224,242	\$22,403,865	\$21,767,304
Contributions as a percentage of covered employee payroll	3.78%	4.69%	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 2022-23 were from the June 30, 2022 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 12-year period
Asset valuation method	Market value
Inflation	2.50% per annum
Payroll growth	2.80% per annum, in aggregate
Investment rate of return	6.00% per annum

* Fiscal Year 2017-18 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, 2023

Note 7 - Schedule of Contributions - OPEB (Continued)

Fiscal Year	Last Ten Fiscal Years*					
	San Dieguito Water District Plan					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Actuarially determined contribution (ADC)	\$ 48,799	\$ 48,134	\$ 48,689	\$ 48,200	\$ 53,291	\$ 52,780
Contributions in relation to the ADC	(67,722)	(76,390)	(55,006)	(68,350)	(66,983)	(63,332)
Contribution deficiency (excess)	\$ (18,923)	\$ (28,256)	\$ (6,317)	\$ (20,150)	\$ (13,692)	\$ (10,552)
Covered employee payroll	\$ 2,357,353	\$ 2,049,341	\$ 2,017,862	\$ 2,046,974	\$ 1,903,385	\$ 1,978,669
Contributions as a percentage of covered employee payroll	2.87%	3.73%	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 2022-23 were from the June 30, 2022 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 17-year period
Asset valuation method	Market value
Inflation	2.50% per annum
Payroll growth	2.80% per annum, in aggregate
Investment rate of return	6.00% per annum

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



This page intentionally left blank.

SUPPLEMENTARY INFORMATION



This page intentionally left blank.

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, 2023

	Special Revenue		
	Grants and Housing	Development Impact	Lighting and Landscaping
ASSETS			
Cash and investments	\$ 1,821,380	\$ 3,764,472	\$ 4,573,999
Receivables	443,334	-	54,075
Interest receivable	8,611	36,451	20,562
Long-term receivable	194,466	494,897	-
Restricted cash and investments	-	-	-
Total assets	\$ 2,467,791	\$ 4,295,820	\$ 4,648,636
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 316,770	\$ -	\$ 247,399
Due to other funds	482,331	-	-
Deposits and other liabilities	-	25,009	-
Total liabilities	799,101	25,009	247,399
Deferred inflows of resources:			
Unavailable revenue	194,466	473,803	-
Total deferred inflows of resources	194,466	473,803	-
Fund Balances:			
Nonspendable	-	-	-
Restricted	1,474,224	3,797,008	4,401,237
Total fund balances	1,474,224	3,797,008	4,401,237
Total liabilities, deferred inflows of resources and fund balances	\$ 2,467,791	\$ 4,295,820	\$ 4,648,636

(Continued)

City of Encinitas
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2023

	Debt Service		
	City	Encinitas	Total
	Debt Service	Public Financing Authority	Other Governmental Funds
ASSETS			
Cash and investments	\$ -	\$ -	\$ 10,159,851
Receivables	-	-	497,409
Interest receivable	-	-	65,624
Long-term receivable	-	-	689,363
Restricted cash and investments	-	3,200	3,200
Total assets	<u>\$ -</u>	<u>\$ 3,200</u>	<u>\$ 11,415,447</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 564,169
Due to other funds	-	-	482,331
Deposits and other liabilities	-	-	25,009
Total liabilities	<u>-</u>	<u>-</u>	<u>1,071,509</u>
Deferred inflows of resources:			
Unavailable revenue	-	-	668,269
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>668,269</u>
Fund Balances:			
Nonspendable	-	-	-
Restricted	-	3,200	9,675,669
Total fund balances	<u>-</u>	<u>3,200</u>	<u>9,675,669</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 3,200</u>	<u>\$ 11,415,447</u>

City of Encinitas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue		
	Grants and Housing	Development Impact	Lighting and Landscaping
REVENUES:			
Taxes and assessments	\$ 932,010	\$ -	\$ 2,447,145
Intergovernmental	1,036,636	-	-
Development impact fees	-	1,036,487	-
Use of money and property	66,821	107,839	86,878
Other	233,417	-	73,669
Total revenues	<u>2,268,884</u>	<u>1,144,326</u>	<u>2,607,692</u>
EXPENDITURES:			
Current:			
General government	106,173	-	-
Public safety	299,003	-	-
Public works	776,431	-	752,767
Development services - planning	305,481	-	-
Development services - engineering	-	-	657,129
Parks and recreation	351,274	-	962,918
Capital outlay	28,393	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>1,866,755</u>	<u>-</u>	<u>2,372,814</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>402,129</u>	<u>1,144,326</u>	<u>234,878</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from SBITAs	-	-	-
Transfers in	789,674	350,214	17,000
Transfers out	(401,245)	(499,650)	(50,000)
Total other financing sources (uses)	<u>388,429</u>	<u>(149,436)</u>	<u>(33,000)</u>
NET CHANGE IN FUND BALANCES	790,558	994,890	201,878
FUND BALANCES:			
Beginning of year	<u>683,666</u>	<u>2,802,118</u>	<u>4,199,359</u>
End of year	<u>\$ 1,474,224</u>	<u>\$ 3,797,008</u>	<u>\$ 4,401,237</u>

(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, 2023

	<u>Debt Service</u>	Encinitas Public Financing Authority	Total Other Governmental Funds
	City <u>Debt Service</u>		
REVENUES:			
Taxes and assessments	\$ -	\$ -	\$ 3,379,155
Intergovernmental	-	-	1,036,636
Development impact fees	-	-	1,036,487
Use of money and property	-	4,633	266,171
Other	-	-	307,086
	<u>-</u>	<u>-</u>	<u>307,086</u>
Total revenues	<u>-</u>	<u>4,633</u>	<u>6,025,535</u>
EXPENDITURES:			
Current:			
General government	-	-	106,173
Public safety	-	-	299,003
Public works	-	-	1,529,198
Development services - planning	-	-	305,481
Development services - engineering	-	-	657,129
Parks and recreation	-	-	1,314,192
Capital outlay	-	-	28,393
Debt service:			
Principal	178,599	2,210,000	2,388,599
Interest and fiscal charges	500,372	1,232,977	1,733,349
	<u>678,971</u>	<u>3,442,977</u>	<u>8,361,517</u>
Total expenditures	<u>678,971</u>	<u>3,442,977</u>	<u>8,361,517</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(678,971)</u>	<u>(3,438,344)</u>	<u>(2,335,982)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from SBITAs	-	-	-
Transfers in	678,971	3,426,533	5,262,392
Transfers out	-	-	(950,895)
	<u>-</u>	<u>-</u>	<u>(950,895)</u>
Total other financing sources (uses)	<u>678,971</u>	<u>3,426,533</u>	<u>4,311,497</u>
NET CHANGE IN FUND BALANCES	-	(11,811)	1,975,515
FUND BALANCES:			
Beginning of year	-	15,011	7,700,154
End of year	<u>\$ -</u>	<u>\$ 3,200</u>	<u>\$ 9,675,669</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, 2023

	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES:			
Taxes and assessments	\$ 816,370	\$ 932,010	\$ 115,640
Intergovernmental	1,131,244	1,036,636	(94,608)
Use of money and property	93,965	66,821	(27,144)
Other	<u>233,417</u>	<u>233,417</u>	<u>-</u>
Total revenues	<u>2,274,996</u>	<u>2,268,884</u>	<u>(6,112)</u>
EXPENDITURES:			
Current:			
General government	111,965	106,173	5,792
Public safety	338,816	299,003	39,813
Public works	941,832	776,431	165,401
Development services - planning	365,735	305,481	60,254
Parks and recreation	462,195	351,274	110,921
Capital Outlay	<u>29,000</u>	<u>28,393</u>	<u>607</u>
Total expenditures	<u>2,249,543</u>	<u>1,866,755</u>	<u>382,788</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>25,453</u>	<u>402,129</u>	<u>376,676</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	824,017	789,674	(34,343)
Transfers out	<u>(393,008)</u>	<u>(401,245)</u>	<u>(8,237)</u>
Total other financing sources (uses)	<u>431,009</u>	<u>388,429</u>	<u>(42,580)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ 456,462</u></u>	790,558	<u><u>\$ 334,096</u></u>
FUND BALANCE:			
Beginning of year		<u>683,666</u>	
End of year		<u><u>\$ 1,474,224</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, 2023

	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES:			
Development impact fees	\$ 981,400	\$ 1,036,487	\$ 55,087
Use of money and property	88,021	107,839	19,818
Total revenues	<u>1,069,421</u>	<u>1,144,326</u>	<u>74,905</u>
EXPENDITURES:			
Current:			
Planning and building	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,069,421</u>	<u>1,144,326</u>	<u>74,905</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	350,214	350,214	-
Transfers out	<u>(535,000)</u>	<u>(499,650)</u>	<u>35,350</u>
Total other financing sources (uses)	<u>(184,786)</u>	<u>(149,436)</u>	<u>35,350</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ 884,635</u></u>	994,890	<u><u>\$ 110,255</u></u>
FUND BALANCE:			
Beginning of year		<u>2,802,118</u>	
End of year		<u><u>\$ 3,797,008</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, 2023

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES:			
Taxes and assessments	\$ 2,354,301	\$ 2,447,145	\$ 92,844
Use of money and property	107,321	86,878	(20,443)
Other	<u>22,000</u>	<u>73,669</u>	<u>51,669</u>
Total revenues	<u>2,483,622</u>	<u>2,607,692</u>	<u>124,070</u>
EXPENDITURES:			
Current:			
Public works	803,881	752,767	51,114
Development services - engineering	769,598	657,129	112,469
Parks and recreation	<u>1,068,413</u>	<u>962,918</u>	<u>105,495</u>
Total expenditures	<u>2,641,892</u>	<u>2,372,814</u>	<u>269,078</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(158,270)</u>	<u>234,878</u>	<u>393,148</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	46,000	17,000	(29,000)
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,000)</u>	<u>(33,000)</u>	<u>(29,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (162,270)</u>	<u>201,878</u>	<u>\$ 364,148</u>
FUND BALANCE:			
Beginning of year		<u>4,199,359</u>	
End of year		<u>\$ 4,401,237</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
Internal Service Funds
June 30, 2023

	<u>Risk Management</u>	<u>Wastewater Support</u>	<u>Vehicle Maintenance</u>	<u>Vehicle Replacement</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and investments	\$ 6,627,757	\$ -	\$ -	\$ 1,674,090	\$ 8,301,847
Accounts receivable	495	-	-	-	495
Inventory and prepaid items	-	-	-	-	-
Total current assets	<u>6,628,252</u>	<u>-</u>	<u>-</u>	<u>1,674,090</u>	<u>8,302,342</u>
Noncurrent assets:					
Capital assets:					
Construction in progress	-	-	-	1,925,356	1,925,356
Utility, plant, vehicles, and equipment, net	-	-	-	3,124,512	3,124,512
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,049,868</u>	<u>5,049,868</u>
Total assets	<u>6,628,252</u>	<u>-</u>	<u>-</u>	<u>6,723,958</u>	<u>13,352,210</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension related items	137,024	149,539	63,017	-	349,580
Deferred OPEB related items	21,148	34,101	15,861	-	71,110
Total deferred outflows of resources	<u>158,172</u>	<u>183,640</u>	<u>78,878</u>	<u>-</u>	<u>420,690</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	229,042	28,122	12,236	110,840	380,240
Due to other funds	-	66,128	64,307	-	130,435
Current portion of leases payable	-	-	-	437,092	437,092
Total current liabilities	<u>229,042</u>	<u>94,250</u>	<u>76,543</u>	<u>547,932</u>	<u>947,767</u>
Noncurrent liabilities:					
Lease payable	-	-	-	2,073,581	2,073,581
Net pension liability	304,187	331,972	139,896	-	776,055
Net OPEB liability	47,710	76,932	35,782	-	160,424
Total noncurrent liabilities	<u>351,897</u>	<u>408,904</u>	<u>175,678</u>	<u>2,073,581</u>	<u>3,010,060</u>
Total liabilities	<u>580,939</u>	<u>503,154</u>	<u>252,221</u>	<u>2,621,513</u>	<u>3,957,827</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred pension related items	2,278	2,487	1,048	-	5,813
Deferred OPEB related items	7,808	12,591	5,856	-	26,255
Total deferred inflows of resources	<u>10,086</u>	<u>15,078</u>	<u>6,904</u>	<u>-</u>	<u>32,068</u>
NET POSITION					
Net investment in capital assets	-	-	-	2,441,833	2,441,833
Unrestricted	6,195,399	(334,592)	(180,247)	1,660,612	7,341,172
Total net position	<u>\$ 6,195,399</u>	<u>\$ (334,592)</u>	<u>\$ (180,247)</u>	<u>\$ 4,102,445</u>	<u>\$ 9,783,005</u>

City of Encinitas
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2023

	<u>Risk Management</u>	<u>Wastewater Support</u>	<u>Vehicle Maintenance</u>	<u>Vehicle Replacement</u>	<u>Total</u>
OPERATING REVENUES:					
Interfund revenues	\$ 1,457,528	\$ 1,068,427	\$ 532,468	\$ -	\$ 3,058,423
Other revenues	<u>101,645</u>	<u>-</u>	<u>-</u>	<u>231,696</u>	<u>333,341</u>
Total operating revenues	<u>1,559,173</u>	<u>1,068,427</u>	<u>532,468</u>	<u>231,696</u>	<u>3,391,764</u>
OPERATING EXPENSES:					
Operational support services	1,195,904	190,486	230,608	-	1,616,998
Administrative support	664,608	730,943	301,858	-	1,697,409
Insurance and claims	2,815,213	-	-	-	2,815,213
Depreciation of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>671,490</u>	<u>671,490</u>
Total operating expenses	<u>4,675,725</u>	<u>921,429</u>	<u>532,466</u>	<u>671,490</u>	<u>6,801,110</u>
Operating income (loss)	<u>(3,116,552)</u>	<u>146,998</u>	<u>2</u>	<u>(439,794)</u>	<u>(3,409,346)</u>
NONOPERATING REVENUES:					
Gain (loss) on disposal of capital assets	-	-	-	(147,497)	(147,497)
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,509)</u>	<u>(31,509)</u>
Total nonoperating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>(179,006)</u>	<u>(179,006)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(3,116,552)</u>	<u>146,998</u>	<u>2</u>	<u>(618,800)</u>	<u>(3,588,352)</u>
Transfers in	2,812,541	-	-	1,205,786	4,018,327
Transfers out	<u>-</u>	<u>(147,000)</u>	<u>-</u>	<u>-</u>	<u>(147,000)</u>
Total capital contributions and transfers	<u>2,812,541</u>	<u>(147,000)</u>	<u>-</u>	<u>1,205,786</u>	<u>3,871,327</u>
Net change in net position	<u>(304,011)</u>	<u>(2)</u>	<u>2</u>	<u>586,986</u>	<u>282,975</u>
NET POSITION:					
Beginning of year	<u>6,499,410</u>	<u>(334,590)</u>	<u>(180,249)</u>	<u>3,515,459</u>	<u>9,500,030</u>
End of year	<u>\$ 6,195,399</u>	<u>\$ (334,592)</u>	<u>\$ (180,247)</u>	<u>\$ 4,102,445</u>	<u>\$ 9,783,005</u>

City of Encinitas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2023

	Risk Management	Wastewater Support	Vehicle Maintenance	Vehicle Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from other funds	\$ 1,458,197	\$ 1,068,427	\$ 532,468	\$ -	\$ 3,059,092
Payments to employees	(655,119)	(741,443)	(338,595)	-	(1,735,157)
Payments to suppliers and vendors	(4,038,365)	(179,984)	(193,873)	97,363	(4,314,859)
Other revenues	101,645	-	-	231,696	333,341
Net cash provided by (used in) operating activities	(3,133,642)	147,000	-	329,059	(2,657,583)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	-	-	-	(2,395,037)	(2,395,037)
Principal payment on long-term debt	-	-	-	(195,921)	(195,921)
Interest payments on leases	-	-	-	(18,032)	(18,032)
Proceeds from lease revenues	-	-	-	1,925,356	1,925,356
Net cash (used in) capital and related financing activities	-	-	-	(683,634)	(683,634)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	2,812,541	-	-	1,205,786	4,018,327
Transfers (out)	-	(147,000)	-	-	(147,000)
Net cash provided by (used in) noncapital financing activities	2,812,541	(147,000)	-	1,205,786	3,871,327
Net increase (decrease) in cash and cash equivalents	(321,101)	-	-	851,211	530,110
CASH AND CASH EQUIVALENTS:					
Beginning of year	6,948,858	-	-	822,879	7,771,737
End of year	\$ 6,627,757	\$ -	\$ -	\$ 1,674,090	\$ 8,301,847
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ (3,116,552)	\$ 146,998	\$ 2	\$ (439,794)	\$ (3,409,346)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	-	-	671,490	671,490
Changes in operating assets and liabilities:					
Accounts receivable	669	-	-	-	669
Inventory and prepaid items	-	-	-	-	-
OPEB-related deferred outflows	(13,884)	(21,146)	(8,597)	-	(43,627)
Pension-related deferred outflows	(92,495)	(95,357)	(33,773)	-	(221,625)
Accounts payable and accrued liabilities	(40,197)	(34,200)	(13,332)	97,363	9,634
Due to other funds	-	28,392	37,130	-	65,522
Net OPEB liability	27,010	40,017	15,082	-	82,109
Net pension liability	204,056	210,132	74,133	-	488,321
OPEB-related deferred inflows	(3,179)	(7,003)	(5,131)	-	(15,313)
Pension-related deferred inflows	(99,070)	(120,833)	(65,514)	-	(285,417)
Total adjustments	(17,090)	2	(2)	768,853	751,763
Net cash provided by (used in) operating activities	\$ (3,133,642)	\$ 147,000	\$ -	\$ 329,059	\$ (2,657,583)

There were no non-cash capital and related financing activities.

Fiduciary Funds

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

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

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

City of Encinitas
Combining Statement of Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2023

	<u>Investment Custodial Fund</u>	<u>Custodial Fund</u>	<u>Total</u>
Assets:			
Cash and investments (Note 3)	\$ 2,775,830	\$2,342,352	\$5,118,182
Restricted cash and investments with fiscal agent (Note 3)	-	1,779,232	1,779,232
Interest receivable	14,740	10,222	24,962
Current assessments receivable	<u>-</u>	<u>7,336</u>	<u>7,336</u>
Total assets	<u>2,790,570</u>	<u>4,139,142</u>	<u>6,929,712</u>
Liabilities:			
Accounts payable	<u>100</u>	<u>-</u>	<u>100</u>
Total liabilities	<u>100</u>	<u>-</u>	<u>100</u>
Net Position:			
Restricted for:			
Golf course	2,790,470	-	2,790,470
Bondholders	<u>-</u>	<u>4,139,142</u>	<u>4,139,142</u>
Total net position	<u><u>\$ 2,790,470</u></u>	<u><u>\$4,139,142</u></u>	<u><u>\$6,929,612</u></u>

City of Encinitas
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2023

	Investment Custodial Fund	Custodial Fund	Total
Additions:			
Special tax assessments	\$ -	\$ 1,432,022	\$ 1,432,022
Excess golf revenue	1,834,447	901,525	2,735,972
Interest income (loss)	<u>23,337</u>	<u>65,215</u>	<u>88,552</u>
Total additions	<u>1,857,784</u>	<u>2,398,762</u>	<u>4,256,546</u>
Deductions:			
Administrative fees	4,724	35,809	40,533
Contributions to the CFD No. 1	901,525	-	901,525
Surplus net revenue payment to the City	522,966	-	522,966
Bond principal	530,000	2,065,000	2,595,000
Bond interest	<u>99,860</u>	<u>228,721</u>	<u>328,581</u>
Total deductions	<u>2,059,075</u>	<u>2,329,530</u>	<u>4,388,605</u>
Change in net position	(201,291)	69,232	(132,059)
NET POSITION:			
Beginning of year	<u>2,991,761</u>	<u>4,069,910</u>	<u>7,061,671</u>
End of year	<u><u>\$ 2,790,470</u></u>	<u><u>\$ 4,139,142</u></u>	<u><u>\$ 6,929,612</u></u>



This page intentionally left blank.

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.

Contents

Page

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

1 Net Position by Components	166
2 Changes in Net Position	168
3 Fund Balances of Governmental Funds	172
4 Changes in Fund Balances of Governmental Funds	174

Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source which is property tax.

5 Assessed Value of Taxable Property	176
6 Principal Property Taxpayers	177
7 Property Tax Levies and Collections	179
8 Direct and Overlapping Property Tax Rates	180

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

9 Ratios of Outstanding Debt by Type	184
10 Ratios of General Bonded Debt Outstanding	186
11 Schedule of Direct and Overlapping Bonded Debt	187
12 Legal Debt Margin Information	188
13 Historical Debt Service Coverage	190

Demographics and Economic Information - These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.

14 Demographic and Economic Statistics	192
15 General Governmental Tax Revenue by Source	194
16 Taxable Sales by Business Type	195
17 Principal Employers	196

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

18 Full-time and Part-Time Employees by Function	197
19 Operating Indicators by Function	198
20 Capital Asset Statistics by Function	200
21 Cardiff Sanitary Division - Summary of Operational Data	204
21 San Dieguito Water District - Summary of Operational Data	208

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

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

	Fiscal Years				
	2023	2022	2021	2020	2019
Government activities:					
Net investment in capital assets	\$ 203,180,585	\$ 196,847,248	\$ 190,035,875	\$ 181,288,734	\$ 172,580,765
Restricted	47,700,069	20,368,737	19,467,205	23,031,942	20,997,390
Unrestricted	(7,360,830)	9,178,250	(1,132,294)	528,847	7,357,189
Total governmental activities net position	<u>243,519,824</u>	<u>226,394,235</u>	<u>208,370,786</u>	<u>204,849,523</u>	<u>200,935,344</u>
Business-type activities:					
Net investment in capital assets	46,836,006	43,771,341	42,615,968	38,060,921	38,074,788
Restricted	370,826	376,374	386,507	390,925	411,895
Unrestricted	107,308,983	107,569,412	106,620,721	105,330,676	99,808,547
Total business-type activities net position	<u>154,515,815</u>	<u>151,717,127</u>	<u>149,623,196</u>	<u>143,782,522</u>	<u>138,295,230</u>
Primary government:					
Net investment in capital assets	250,016,591	240,618,589	232,651,843	219,349,655	210,655,553
Restricted	48,070,895	20,745,111	19,853,712	23,422,867	21,409,285
Unrestricted	99,948,153	116,747,662	105,488,427	105,859,523	107,165,736
Total primary government net position	<u>\$ 398,035,639</u>	<u>\$ 378,111,362</u>	<u>\$ 357,993,982</u>	<u>348,632,045</u>	<u>\$ 339,230,574</u>

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023

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

	Fiscal Years				
	2018	2017	2016	2015	2014
Government activities:					
Net investment in capital assets	\$ 169,553,838	\$ 165,759,601	\$ 162,923,350	\$ 157,304,041	\$ 161,902,991
Restricted	19,779,315	19,867,542	30,996,309	18,741,022	17,363,704
Unrestricted	1,963,535	9,510,235	(580,736)	9,229,896	38,446,880
Total governmental activities net position	<u>191,296,688</u>	<u>195,137,378</u>	<u>193,338,923</u>	<u>185,274,959</u>	<u>217,713,575</u>
Business-type activities:					
Net investment in capital assets	36,547,324	44,977,544	42,501,264	39,806,764	54,362,661
Restricted	421,938	20,237	1,377,006	-	1,039,739
Unrestricted	95,173,238	79,286,895	75,512,969	75,781,002	62,426,804
Total business-type activities net position	<u>132,142,500</u>	<u>124,284,676</u>	<u>119,391,239</u>	<u>115,587,766</u>	<u>117,829,204</u>
Primary government:					
Net investment in capital assets	206,101,162	210,737,145	205,424,614	197,110,805	216,265,652
Restricted	20,201,253	19,887,779	32,373,315	18,741,022	18,403,443
Unrestricted	97,136,773	88,797,130	74,932,233	85,010,898	100,873,684
Total primary government net position	<u>\$ 323,439,188</u>	<u>\$ 319,422,054</u>	<u>\$ 312,730,162</u>	<u>\$ 300,862,725</u>	<u>\$ 335,542,779</u>

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023

City of Encinitas
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Years				
	2023	2022	2021	2020	2019
Expenses:					
Government activities:					
General government	\$ 13,761,807	\$ 12,080,268	\$ 18,698,862	\$ 17,335,001	\$ 15,280,238
Public safety	42,537,995	36,235,733	37,494,513	35,791,015	33,160,544
Public works	7,682,427	12,280,274	11,444,920	11,859,286	9,166,709
Planning	25,727,636	16,217,737	7,360,378	7,027,696	6,878,364
Engineering services	1,162,517	2,377,490	9,200,037	6,309,896	6,762,441
Parks and recreation	11,574,782	10,249,735	9,247,192	10,079,123	9,809,964
Interest and fiscal charges on long-term debt	1,897,361	1,172,018	1,488,333	1,569,705	1,655,750
Total governmental activities expenses	104,344,525	90,613,255	94,934,235	89,971,722	82,714,010
Business-type activities:					
Cardiff Sanitary Division	5,929,362	4,757,564	3,075,590	3,093,405	3,548,203
San Dieguito Water District	16,801,104	18,727,669	17,738,041	16,503,660	16,615,687
Encinitas Sanitary Division	2,920,816	2,691,855	2,751,591	3,271,260	2,044,676
Affordable Housing	1,889,985	1,824,080	1,797,801	1,676,260	1,576,162
Recreation Programs	-	-	-	-	-
Total business-type activities expenses	27,541,267	28,001,168	25,363,023	24,544,585	23,784,728
Total primary government expenses	131,885,792	118,614,423	120,297,258	114,516,307	106,498,738
Program revenues:					
Government activities:					
Charges for services:					
General government	1,434,649	2,768,770	1,361,790	1,804,550	1,239,815
Public safety	1,792,386	2,277,134	2,292,593	1,521,745	2,075,725
Public works	2,128	16,801	105,811	1,776	57,786
Planning and building	5,856,993	5,137,648	3,434,081	3,417,094	2,936,898
Engineering services	1,129,643	629,385	457,981	970,837	1,782,402
Parks and recreation	1,746,481	1,548,671	759,536	1,029,655	1,310,426
Operating grants and contributions	8,738,606	8,761,294	6,112,721	4,401,599	4,421,588
Capital grants and contributions	8,598,957	5,485,313	6,897,649	6,784,821	6,626,283
Total governmental activities program revenues	29,299,843	26,625,016	21,422,162	19,932,077	20,450,923
Business-type activities:					
Charges for services:					
Cardiff Sanitary Division	5,040,457	4,623,645	5,048,111	5,046,841	4,937,942
San Dieguito Water District	18,171,433	18,572,609	19,037,114	16,835,266	15,727,590
Encinitas Sanitary Division	2,625,808	2,517,372	2,759,121	2,744,193	2,698,745
Affordable Housing	300,741	337,737	329,678	270,931	260,848
Recreation Programs	-	-	-	-	-
Operating grants and contributions	1,493,447	1,355,858	1,367,154	1,246,133	1,142,424
Capital grants and contributions	435,158	170,438	550,875	593,179	728,700
Total business-type activities program revenues	28,067,044	27,577,659	29,092,053	26,736,543	25,496,249
Total primary government program revenues	57,366,887	54,202,675	50,514,215	46,668,620	45,947,172
Governmental activities	(75,044,682)	(63,988,239)	(73,512,073)	(70,039,645)	(62,263,087)
Business-type activities	525,777	(423,509)	3,729,030	2,191,958	1,711,521
Total net revenue (expense)	\$ (74,518,905)	\$ (64,411,748)	\$ (69,783,043)	\$ (67,847,687)	\$ (60,551,566)

City of Encinitas
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Years				
	2018	2017	2016	2015	2014
Expenses:					
Government activities:					
General government	\$ 14,403,144	\$ 11,737,634	\$ 11,750,737	\$ 10,810,882	\$ 9,549,338
Public safety	30,762,894	29,437,181	27,255,755	25,762,703	25,146,843
Public works	8,325,467	9,205,570	11,743,123	11,565,315	10,239,746
Planning	8,741,589	6,935,754	7,255,460	6,550,992	5,853,995
Engineering services	7,492,540	8,918,281	4,591,315	6,253,352	3,988,720
Parks and recreation	8,429,448	7,046,255	6,778,769	5,205,986	4,735,864
Interest and fiscal charges on long-term debt	1,755,100	2,237,069	2,494,815	2,311,944	1,913,349
Total governmental activities expenses	79,910,182	75,517,744	71,869,974	68,461,174	61,427,855
Business-type activities:					
Cardiff Sanitary Division	3,086,434	3,308,454	3,857,531	4,262,565	2,922,446
San Dieguito Water District	13,800,288	13,970,919	13,462,935	15,005,767	13,552,862
Encinitas Sanitary Division	1,652,061	2,037,116	2,306,540	1,731,770	2,438,692
Affordable Housing	1,464,181	1,449,917	1,440,124	1,408,226	1,405,225
Recreation Programs	-	-	-	1,331,565	1,300,555
Total business-type activities expenses	20,002,964	20,766,406	21,067,130	23,739,893	21,619,780
Total primary government expenses	99,913,146	96,284,150	92,937,104	92,201,067	83,047,635
Program revenues:					
Government activities:					
Charges for services:					
General government	1,815,086	1,675,799	1,594,277	1,629,857	1,800,630
Public safety	1,421,393	1,148,567	1,009,713	160,178	202,220
Public works	394,647	65,746	107,279	759,918	-
Planning and building	3,262,604	2,954,523	2,800,413	2,737,225	2,874,894
Engineering services	1,874,562	1,143,830	1,367,902	1,055,311	1,075,885
Parks and recreation	1,405,704	1,796,918	1,741,619	46,846	35,791
Operating grants and contributions	3,253,127	3,419,730	3,349,186	3,878,422	4,345,931
Capital grants and contributions	4,851,823	4,407,963	5,409,098	4,126,194	8,756,281
Total governmental activities program revenues	18,278,946	16,613,076	17,379,487	14,393,951	19,091,632
Business-type activities:					
Charges for services:					
Cardiff Sanitary Division	4,885,227	4,788,884	4,761,486	4,528,551	4,605,867
San Dieguito Water District	16,852,732	14,851,977	14,684,387	14,785,858	15,297,718
Encinitas Sanitary Division	2,711,075	2,819,006	2,855,690	2,841,235	2,879,605
Affordable Housing	225,468	213,124	218,148	247,349	216,728
Recreation Programs	-	-	-	1,321,471	1,269,179
Operating grants and contributions	1,093,800	1,099,366	1,068,549	1,061,698	994,607
Capital grants and contributions	560,651	736,370	681,412	483,425	1,066,769
Total business-type activities program revenues	26,328,953	24,508,727	24,269,672	25,269,587	26,330,473
Total primary government program revenues	44,607,899	41,121,803	41,649,159	39,663,538	45,422,105
Governmental activities	(61,631,236)	(58,904,668)	(54,490,487)	(54,067,223)	(42,336,223)
Business-type activities	6,325,989	3,742,321	3,202,542	1,529,694	4,710,693
Total net revenue (expense)	<u>\$ (55,305,247)</u>	<u>\$ (55,162,347)</u>	<u>\$ (51,287,945)</u>	<u>\$ (52,537,529)</u>	<u>\$ (37,625,530)</u>

City of Encinitas
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Years				
	2023	2022	2021	2020	2019
General Revenues and Other Changes in Net Position:					
Governmental activities:					
Taxes					
Property and documentary transfer taxes	\$ 63,470,459	\$ 57,698,089	\$ 54,839,785	\$ 51,251,719	\$ 49,237,265
Sales taxes	17,138,284	17,510,658	15,453,648	13,744,880	13,694,647
Transient occupancy taxes	5,962,343	5,528,340	2,823,055	2,383,060	2,775,771
Franchise taxes	2,892,778	3,232,999	2,599,810	2,539,090	2,571,367
Intergovernmental revenues	279,083	184,592	99,985	182,449	185,380
Investment income	1,418,190	(2,535,467)	44,858	3,030,295	2,613,728
Other general revenues	878,385	375,920	1,162,877	804,984	827,490
Gain/(Loss) on sale of assets	-	-	-	36,013	12,739
Impairment loss on capital assets	-	-	-	-	-
Transfers	52,964	16,557	9,318	(18,666)	(16,644)
Total governmental activities	92,092,486	82,011,688	77,033,336	73,953,824	71,901,743
Business-type activities:					
Property taxes	1,433,426	1,310,943	1,227,621	1,159,681	1,110,248
Intergovernmental-unrestricted	-	-	-	-	-
Investment income	441,813	(1,215,101)	89,227	1,716,759	1,393,446
Other general revenues	450,636	917,307	804,114	400,228	1,306,547
Gain/(Loss) on sale of assets	-	-	-	-	614,324
Transfers	(52,964)	(16,557)	(9,318)	18,666	16,644
Total business-type activities	2,272,911	996,592	2,111,644	3,295,334	4,441,209
Total primary government	94,365,397	83,008,280	79,144,980	77,249,158	76,342,952
Changes in Net Position					
Government activities	17,047,804	18,023,449	3,521,263	3,914,179	9,638,656
Business-type activities	2,798,688	573,083	5,840,674	5,487,292	6,152,730
Total primary government	\$ 19,846,492	\$ 18,596,532	\$ 9,361,937	\$ 9,401,471	\$ 15,791,386

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023

City of Encinitas
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Years				
	2018	2017	2016	2015	2014
General Revenues and Other Changes in Net Position:					
Governmental activities:					
Taxes					
Property and documentary transfer taxes	\$ 46,311,814	\$ 43,494,220	\$ 41,210,485	\$ 38,508,558	\$ 36,414,507
Sales taxes	13,252,053	12,549,609	14,166,771	12,569,119	12,067,360
Transient occupancy taxes	2,562,484	2,216,145	2,018,024	1,828,116	1,570,459
Franchise taxes	2,587,443	2,545,854	2,794,144	2,761,335	2,614,844
Intergovernmental revenues	97,163	251,919	388,876	814,337	479,026
Investment income	958,172	770,634	611,350	880,989	705,849
Other general revenues	452,275	961,475	956,824	1,567,168	1,257,002
Gain/(Loss) on sale of assets	61,400	1,937	8,865	107,177	(48,320)
Impairment loss on capital assets	-	(2,088,668)	-	-	-
Transfers	20,018	-	399,112	(36,068)	(33,545)
Total governmental activities	66,302,822	60,703,125	62,554,451	59,000,731	55,027,182
Business-type activities:					
Property taxes	1,030,168	959,873	906,106	834,994	787,242
Intergovernmental-unrestricted	-	(31,828)	-	-	-
Investment income	(446,745)	6,925	(63,690)	(60,169)	357,357
Other general revenues	1,247,955	-	153,667	63,768	63,768
Gain/(Loss) on sale of assets	8,285	216,146	4,010	18,085	(187,942)
Transfers	(20,018)	-	(399,112)	36,068	33,545
Total business-type activities	1,819,645	1,151,116	600,981	892,746	1,053,970
Total primary government	68,122,467	61,854,241	63,155,432	59,893,477	56,081,152
Changes in Net Position					
Government activities	4,671,586	1,798,457	8,063,964	4,933,508	12,690,959
Business-type activities	8,145,634	4,893,437	3,803,523	2,422,440	5,764,663
Total primary government	\$ 12,817,220	\$ 6,691,894	\$ 11,867,487	\$ 7,355,948	\$ 18,455,622

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023

City of Encinitas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Years				
	2023	2022	2021	2020	2019
General fund:					
Nonspendable	\$ 310,620	\$ 288,410	\$ 737,115	\$ 287,832	\$ 266,828
Restricted	199,164	182,172	172,708	167,265	383
Committed	20,041,586	18,405,040	16,998,291	16,208,039	15,545,889
Assigned	-	-	-	-	-
Unassigned	14,292,959	10,452,438	9,255,171	10,542,872	8,609,231
Total general fund	<u>\$ 34,844,329</u>	<u>\$ 29,328,060</u>	<u>\$ 27,163,285</u>	<u>\$ 27,206,008</u>	<u>\$ 24,422,331</u>
All other governmental funds:					
Nonspendable	-	-	-	-	-
Restricted	55,699,150	27,188,042	26,434,867	36,105,367	36,435,142
Committed	18,325,791	20,463,699	19,920,832	18,352,366	24,412,850
Assigned	-	-	-	-	-
Unassigned	(13,905,911)	(8,214,740)	(7,140,370)	(13,240,690)	(15,438,135)
Total all other governmental funds	<u>60,119,030</u>	<u>39,437,001</u>	<u>39,215,329</u>	<u>41,217,043</u>	<u>45,409,857</u>
Total all governmental funds	<u><u>\$ 94,963,359</u></u>	<u><u>\$ 68,765,061</u></u>	<u><u>\$ 66,378,614</u></u>	<u><u>\$ 68,423,051</u></u>	<u><u>\$ 69,832,188</u></u>

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023

City of Encinitas
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Years				
	2018	2017	2016	2015	2014
General fund:					
Nonspendable	\$ 267,203	\$ 727,094	\$ 1,109,424	\$ 1,535,601	\$ 2,052,250
Restricted	251	1,472,372	-	3,009,269	4,079
Committed	14,691,792	13,937,399	-	8,266,796	8,136,886
Assigned	-	-	-	561,762	561,762
Unassigned	12,334,212	9,514,727	31,775,120	28,029,019	25,151,131
Total general fund	<u>\$ 27,293,458</u>	<u>\$ 25,651,592</u>	<u>\$ 32,884,544</u>	<u>\$ 41,402,447</u>	<u>\$ 35,906,108</u>
All other governmental funds:					
Nonspendable	-	296,234	287,756	-	1,565
Restricted	34,724,312	30,282,525	4,305,652	18,741,022	17,358,060
Committed	17,760,602	18,998,215	1,626,219	-	-
Assigned	-	-	24,776,682	-	-
Unassigned	(14,945,248)	(12,183,589)	-	-	-
Total all other governmental funds	<u>37,539,666</u>	<u>37,393,385</u>	<u>30,996,309</u>	<u>18,741,022</u>	<u>17,359,625</u>
Total all governmental funds	<u><u>\$ 64,833,124</u></u>	<u><u>\$ 63,044,977</u></u>	<u><u>\$ 63,880,853</u></u>	<u><u>\$ 60,143,469</u></u>	<u><u>\$ 53,265,733</u></u>

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023

City of Encinitas
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Years				
	2023	2022	2021	2020	2019
Revenues:					
Taxes and assessments	\$ 90,597,363	\$ 85,156,290	\$ 76,821,095	\$ 71,064,561	\$ 69,403,416
Intergovernmental	15,923,576	12,340,536	11,565,263	9,208,454	7,161,806
Charges for services	9,510,414	9,804,091	5,862,696	6,629,818	7,383,043
Fines, forfeitures, and penalties	485,215	382,537	232,873	655,032	794,237
Use of money and property	1,546,001	(1,889,065)	577,180	3,729,566	3,437,985
Other	3,849,543	2,708,860	4,143,952	3,750,230	3,089,553
Total Revenues	121,912,112	108,503,249	99,203,059	95,037,661	91,270,040
Expenditures:					
Current:					
General government	14,869,944	14,961,747	14,533,052	13,358,381	12,783,602
Public safety	37,411,613	36,292,883	34,613,439	32,928,307	31,494,405
Public works	8,328,589	7,672,548	7,360,360	7,392,741	5,875,143
Planning and building	9,988,881	8,643,165	6,939,408	6,619,723	6,570,840
Engineering services	3,982,827	3,738,327	3,761,366	3,324,903	3,851,316
Parks and recreation	9,331,560	8,262,489	7,237,778	7,959,300	7,954,529
Capital outlay	23,969,329	18,858,484	22,371,020	18,749,583	11,925,637
Debt service:					
Principal	2,747,060	2,326,207	2,106,004	2,025,045	1,949,298
Interest and fiscal charges	1,754,858	1,460,868	1,611,171	1,695,251	1,774,333
Bond issuance costs				-	-
Total expenditures	112,384,661	102,216,718	100,533,598	94,053,234	84,179,103
Excess (deficiency) of revenues over (under) expenditures	9,527,451	6,286,531	(1,330,539)	984,427	7,090,937
Other Financing Sources (Uses):					
Transfers in	36,937,361	27,674,126	40,635,381	20,729,350	25,249,787
Transfers out	(40,755,724)	(31,781,303)	(41,349,279)	(23,122,914)	(27,341,660)
Proceeds from leases	-	-	-	-	-
Proceeds from sale of property	-	-	-	-	-
Issuance of lease and SBITAs	489,210				
Issuance of debt	20,000,000	9,505,000	-	-	-
Premium on debt	-	-	-	-	-
Deposit to escrow for bond refunding	-	(9,297,907)	-	-	-
Bond discounts	-	-	-	-	-
Total other financing sources (uses)	16,670,847	(3,900,084)	(713,898)	(2,393,564)	(2,091,873)
Net change in fund balances	\$ 26,198,298	\$ 2,386,447	\$ (2,044,437)	\$ (1,409,137)	\$ 4,999,064
Debt service as a percentage of noncapital expenditures	4.8%	4.2%	4.3%	4.6%	4.8%

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023

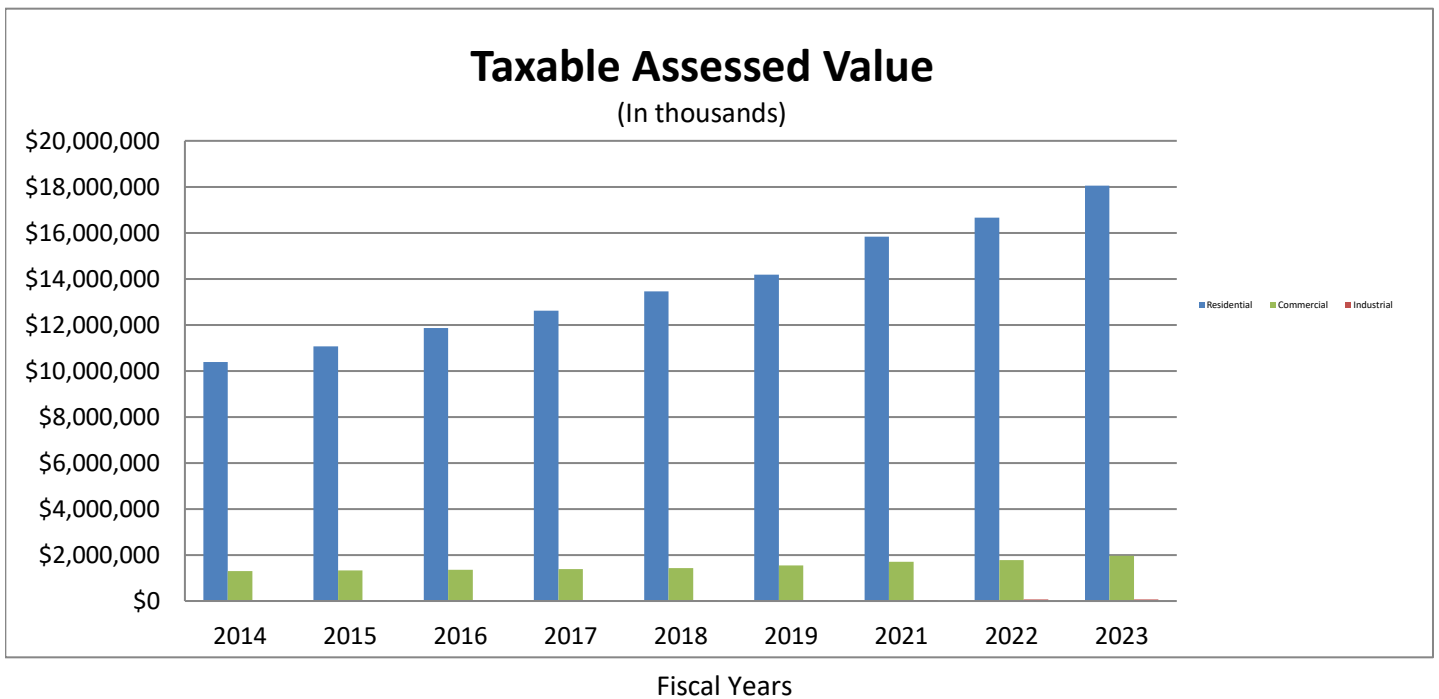
City of Encinitas
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Years				
	2018	2017	2016	2015	2014
Revenues:					
Taxes and assessments	\$ 65,845,166	\$ 61,934,421	\$ 61,325,308	\$ 56,825,628	\$ 53,830,193
Intergovernmental	6,966,193	6,436,599	6,689,475	7,022,485	5,025,480
Charges for services	7,280,374	6,688,958	6,585,518	5,315,721	5,479,847
Fines, forfeitures, and penalties	704,216	850,153	889,388	802,936	632,776
Use of money and property	1,126,652	1,285,049	1,222,730	899,807	724,310
Other	2,566,551	2,215,452	2,804,043	2,456,996	3,654,621
Total Revenues	84,489,152	79,410,632	79,516,462	73,323,573	69,347,227
Expenditures:					
Current:					
General government	12,213,808	10,017,430	9,288,227	9,362,214	9,109,412
Public safety	29,478,104	27,724,959	26,976,136	24,902,920	24,164,979
Public works	5,033,316	6,351,537	6,305,340	6,682,424	6,281,800
Planning and building	6,017,914	5,110,298	5,159,777	5,082,589	4,716,315
Engineering services	3,504,336	4,368,601	4,298,563	4,162,630	3,949,352
Parks and recreation	7,879,881	6,610,308	6,366,337	5,091,224	4,672,683
Capital outlay	12,933,995	12,230,552	10,799,083	18,440,036	14,548,894
Debt service:					
Principal	2,128,758	2,853,417	2,783,268	2,730,686	2,661,976
Interest and fiscal charges	1,899,328	2,077,770	2,372,231	2,170,164	1,937,144
Bond issuance costs	-	-	-	-	-
Total expenditures	81,089,440	77,344,872	74,348,962	78,624,887	72,042,555
Excess (deficiency) of revenues over (under) expenditures	3,399,712	2,065,760	5,167,500	(5,301,314)	(2,695,328)
Other Financing Sources (Uses):					
Transfers in	30,412,724	35,159,839	44,550,246	24,514,293	20,570,966
Transfers out	(32,024,289)	(36,650,845)	(45,577,444)	(25,509,616)	(21,328,768)
Proceeds from leases	-	-	-	-	-
Proceeds from sale of property	-	-	15,645,000	13,174,373	-
Issuance of lease	-	-	-	-	-
Issuance of debt	-	11,955,000	115	-	-
Premium on debt	-	1,360,284	772,212	-	-
Deposit to escrow for bond refunding	-	(14,725,914)	(16,820,243)	-	-
Bond discounts	-	-	-	-	-
Total other financing sources (uses)	(1,611,565)	(2,901,636)	(1,430,114)	12,179,050	(757,802)
Net change in fund balances	\$ 1,788,147	\$ (835,876)	\$ 3,737,386	\$ 6,877,736	\$ (3,453,130)
Debt service as a percentage of noncapital expenditures	5.4%	6.9%	7.5%	7.6%	7.8%

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023

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)
2023	\$ 18,048,905	\$ 1,967,470	\$ 74,674	\$ 563,556	\$ 20,654,604	0.23920%
2022	16,667,078	1,784,735	66,004	454,187	18,972,004	0.23879%
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%



- (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	2023			2014		
	Taxable Assessed Secured Value	Rank	% of Total City Assessed Secure Value	Taxable Assessed Secured Value	Rank	% of Total City Assessed Secure Value
Encinitas Beach Hotel Venture LLC	\$ 127,364,142	1	0.62%			
T R C Encinitas Village LLC	106,719,334	2	0.52%	\$ 79,605,220	1	0.66%
The Resort At Encinitas LLC	95,982,000	3	0.47%	-	-	-
Collwood Pines Apartments LP	85,997,988	4	0.42%	54,963,312	3	0.45%
Belmont Village LP	63,755,206	5	0.31%	69,272,280	2	0.57%
Pacifico Encinitas Apartment Homes LP	56,698,045	6	0.28%	-	-	-
Encinitas Town Center Asscs LLC	41,676,884	7	0.20%	35,679,927	4	0.29%
N C H C 3 LLC	39,353,949	8	0.19%	33,914,047	6	0.28%
Weingarten Nostat INC	38,605,890	9	0.19%	33,269,389	7	0.27%
Encinitas Marketplace LLC	34,060,811	10	0.17%	-	-	0.00%
Home Depot USA INC	33,480,778	11	0.16%	30,701,514	9	0.25%
Toll West Coast LLC	32,000,000	12	0.16%	-	-	-
S S L Landlord LLC	27,767,509	13	0.14%	34,704,622	5	0.29%
Von's Companies INC	26,302,324	14	0.13%	26,527,614	11	0.22%
RAF Pacifica Encinitas LLC	22,547,778	15	0.11%	-	-	-
Quail Pointe Apartment Homes LP	22,516,552	16	0.11%	15,025,500	21	0.12%
Scripps Health	21,683,205	17	0.11%	17,070,232	20	0.14%
Sterling Family Trust	20,932,184	18	0.10%	17,921,209	17	0.15%
Plenc El Camino LLC	20,567,044	19	0.10%	17,571,263	18	0.14%
Los Angeles Fitness International LLC	20,556,606	20	0.10%	-	-	-
Cardiff Town Center LLC	20,154,141	21	0.10%	-	-	-
Encinitas Propert Owner LLC	18,500,000	22	0.09%	-	-	-
Keith B. and Sara S. Harrison	18,373,405	23	0.09%	22,919,272	13	0.19%
Encinitas Senior Living LP	18,192,129	24	0.09%	-	-	-
Camino Village LLC	17,160,682	25	0.08%	-	-	-
PK III Encinitas Marketplace LP	-	-	-	31,500,000	8	0.26%
ASN Encinitas LLC	-	-	-	27,610,055	10	0.23%
Urschel Laboratories Inc.	-	-	-	23,442,461	12	0.19%
Loja Pacific Station	-	-	-	19,951,200	14	0.16%
LA Fitness International LLC	-	-	-	18,701,886	15	0.15%
UCSD Garden View LLC	-	-	-	18,360,000	16	0.15%
Target Corporation	-	-	-	17,344,915	19	0.14%
Encinitas Terraces LLC	-	-	-	14,699,582	22	0.12%
Terramar Retail Centers LLC	-	-	-	14,675,276	23	0.12%
LF Encinitas Properties LLC	-	-	-	14,500,000	24	0.12%
Golden Eagle Annuity Investment LP	-	-	-	14,402,736	25	0.12%
	<u>\$ 1,030,948,586</u>		<u>5.04%</u>	<u>\$ 704,333,512</u>		<u>5.80%</u>

Source: HdL Companies



This page intentionally left blank.

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
2023	\$ 64,588,327	\$ 63,292,068	97.99%	N/A	\$ 63,292,068	97.99%
2022	59,893,650	58,710,480	98.02%	636,343	59,346,823	99.09%
2021	58,237,793	57,268,432	98.34%	733,143	58,001,575	99.59%
2020	55,190,058	54,143,122	98.10%	785,003	54,928,125	99.53%
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%

Note: N/A is not a missing figure. There is no information until the next year's collection is completed.

City of Encinitas

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

	Fiscal Years				
	2023	2022	2021	2020	2019
	%	%	%	%	%
City of Encinitas Basic Rate	0.23920	0.23879	0.23867	0.23819	0.23769
City of Encinitas Total Direct Rate (1)	0.23920	0.23879	0.23867	0.23819	0.23769
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
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
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
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				
	2018	2017	2016	2015	2014
	%	%	%	%	%
City of Encinitas Basic Rate	0.23695	0.23644	0.23978	0.24534	0.24002
City of Encinitas Total Direct Rate (1)	0.23695	0.23644	0.23978	0.24534	0.24002
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
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
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
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				
	2023	2022	2021	2020	2019
	%	%	%	%	%
Gen Bond Cardiff 2000A	0.03398	0.03701	0.03701	0.03727	0.03737
Gen Bond Cardiff 2000 Election, 2010 Ref. Bonds	-	-	-	-	-
MWD D/S Remainder of SDCWA 1501999	0.00350	0.00350	0.00350	0.00350	0.00350
Total Voter Approved Rate	0.03748	0.04051	0.04051	0.04077	0.04087
Total Tax Rate	1.03748	1.04051	1.04051	1.04077	1.04087

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				
	2018	2017	2016	2015	2014
	%	%	%	%	%
Gen Bond Cardiff 2000A	0.03028	-	-	-	-
Gen Bond Cardiff 2000 Election,2010 Ref. Bonds	-	0.03192	0.03324	0.03554	0.03386
MWD D/S Remainder of SDCWA 1501999	0.00350	0.00350	0.00350	0.00350	0.00350
Total Voter Approved Rate	0.03378	0.03542	0.03674	0.03904	0.03736
Total Tax Rate	1.03378	1.03542	1.03674	1.03904	1.03736

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 and Other Debt	Financed Purchases (2)	Total Governmental Activities
2023	\$ 57,159,987	\$ 2,510,673	\$ 59,670,660
2022	39,510,821	959,836	40,470,657
2021	40,821,453	1,323,184	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

(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.

(2) Due to implementation of GASB Statement No. 87, Leases, in FY 2021-22, lease contracts that transfer ownership are reported as financed purchases; previously reported as capital leases.

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023

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			
2023	\$ 2,044,371	\$ 10,990,187	\$ 752,044	\$ 13,786,602	\$ 73,457,262	1,203
2022	3,413,743	11,262,800	839,230	15,515,773	55,986,430	910
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

(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.

(2) Due to implementation of GASB Statement No. 87, Leases, in FY 2021-22, lease contracts that transfer ownership are reported as financed purchases; previously reported as capital leases.

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023

City of Encinitas
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal years

Fiscal Year Ended June 30	Outstanding General Debt Certificates of Participation and Lease Revenue Bonds and Other Debt		Assessed Valuation (1)	Percentage of Assessed Value	Per Capita
2023	\$	57,159,987 (2)	\$ 20,654,603,853	0.28%	936
2022		39,510,821	18,972,004,352	0.21%	642
2021		40,821,453	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

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.

(2) Net Bonded Debt for FY 2023 is \$ 57,156,787. Using this value the percentage of assessed value and per capita remain the same as reported above.

Source: Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023

City of Encinitas
Schedule of Direct and Overlapping Bonded Debt
June 30, 2023

FY 2022-23 Assessed Valuation: \$20,657,211,510

	Total Debt June 30, 2023	Applicable % (1)	City's Share of Overlapping Debt June 30, 2023
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$19,215,000	0.568%	\$ 109,141
Mira Costa Community College District	376,155,000	15.381%	57,856,401
Cardiff School District	22,688,273	100.000%	22,688,273
Encinitas Union School District	42,125,407	69.413%	29,240,509
San Dieguito Union High School	416,410,000	25.427%	105,880,571
San Dieguito Union High School District Community Facilities Districts	32,860,000	1.657-100.	10,640,461
City of Encinitas Community Facilities District No. 1	17,040,000	100.000%	17,040,000
Olivenhain Municipal Water District, Assessment District No. 96-1	4,605,000	31.124%	1,433,260
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 244,888,616
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u>			
San Diego County General Fund Obligations	\$229,680,000	3.145%	\$ 7,223,436
San Diego County Pension Obligations	277,990,000	3.145%	8,742,786
San Diego County Superintendent of Schools Obligations	6,935,000	3.145%	218,106
San Dieguito Union High School District General Fund Obligations	12,730,000	25.427%	3,236,857
Cardiff School District General Fund Obligations	3,842,000	100.000%	3,842,000
City of Encinitas General Fund Obligations	59,670,660	100.000%	59,670,660
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 82,933,844
TOTAL DIRECT DEBT			\$ 59,670,660
TOTAL OVERLAPPING DEBT			\$ 268,151,801
COMBINED TOTAL DEBT			\$ 327,822,461 (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 lease obligations.

Ratios to FY 2022-23 Assessed Valuation:

Total Overlapping Tax and Assessment Debt..... 1.19%
Total Direct Debt (\$ 59,670,660)..... 0.29%
Combined Total Debt..... 1.59%

Source: County of San Diego Assessor

City of Encinitas
Legal Debt Margin Information
Last Ten Fiscal years
(In thousands)

	Fiscal Years				
	2023	2022	2021	2020	2019
Assessed valuation	\$ 20,654,604	\$ 18,972,004	\$ 18,082,574	\$ 17,159,943	\$ 16,372,917
Conversion percentage equal to 25% of assessed valuation	25%	25%	25%	25%	25%
Adjusted assessed valuation	5,163,651	4,743,001	4,520,644	4,289,986	4,093,229
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	774,548	711,450	678,097	643,498	613,984
Total net debt applicable to limit:	37,160	39,511	40,821	42,898	44,899
Legal debt margin	<u>\$ 737,388</u>	<u>\$ 671,939</u>	<u>\$ 637,276</u>	<u>\$ 600,600</u>	<u>\$ 569,085</u>
Total debt applicable to the limit as a percentage of debt limit	4.80%	5.55%	6.02%	6.67%	7.31%

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				
	2018	2017	2016	2015	2014
Assessed valuation	\$ 15,366,779	\$ 14,472,213	\$ 13,702,972	\$ 12,870,004	\$ 12,147,361
Conversion percentage equal to 25% of assessed valuation	25%	25%	25%	25%	25%
Adjusted assessed valuation	3,841,695	3,618,053	3,425,743	3,217,501	3,036,840
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	576,254	542,708	513,861	482,625	455,526
Total net debt applicable to limit:	46,831	48,954	52,934	55,432	44,547
Legal debt margin	<u>\$ 529,423</u>	<u>\$ 493,754</u>	<u>\$ 460,927</u>	<u>\$ 427,193</u>	<u>\$ 410,979</u>
Total debt applicable to the limit as a percentage of debt limit	8.13%	9.02%	10.30%	11.49%	9.78%

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

<u>San Dieguito Water District</u>					
	2023	2022	2021	2020	2019
Revenues:					
Operating revenues - including connection fees	\$ 18,465,466	\$ 18,680,901	\$ 19,255,799	\$ 17,121,649	\$ 15,961,300
Non-operating revenues	1,867,809	1,433,512	1,764,599	1,902,231	2,307,498
Gross Revenues	20,333,275	20,114,413	21,020,398	19,023,880	18,268,798
Total Operating & Non-Operating Expenses	16,801,105	18,742,622	16,142,824	16,429,284	16,541,314
Net Income	3,532,170	1,371,791	4,877,574	2,594,596	1,727,484
Add:					
Interest expense	96,428	148,990	198,800	247,063	292,354
Depreciation and amortization expense	1,712,624	2,202,665	(537,982)	1,830,492	2,208,775
Net Revenues Available for Debt Service	5,341,222	3,723,446	4,538,392	4,672,151	4,228,613
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	66,044	89,397	111,466	133,619	152,919
2007 Note Payable to Financing Authority - Principal Payments	570,000	545,000	525,000	490,000	475,000
2014 Water Revenue Refunding Bonds - Interest Charges	44,700	73,100	100,300	126,500	148,775
2014 Water Revenue Refunding Bonds - Principal Payments	725,000	695,000	665,000	645,000	625,000
Total Debt Service	\$ 1,405,744	\$ 1,402,497	\$ 1,401,766	\$ 1,395,119	\$ 1,401,694
Coverage by Net Revenues Available for Debt Service	380%	265%	324%	335%	302%

Debt service coverage requirement is a minimum 115 percent of net revenue including connection fees. The above schedules include connection fees in operating revenues.

<u>Cardiff Sanitary Division</u>					
	2023	2022	2021	2020	2019
Revenues:					
Operating revenues - including connection fees (1)	\$ 5,052,417	\$ 4,655,765	\$ 5,191,624	\$ 5,335,578	\$ 5,013,316
Non-operating revenues	80,138	-	128,759	581,284	496,059
Gross Revenues	5,132,555	4,655,765	5,320,383	5,916,862	5,509,375
Total Operating & Non-Operating Expenses	4,560,023	4,527,786	3,918,544	3,797,174	3,548,203
Net Income	572,532	127,979	1,401,839	2,119,688	1,961,172
Add:					
Interest expense	428,839	435,813	443,753	451,938	472,324
Depreciation and amortization expense	600,944	576,187	454,813	443,689	389,390
Net Revenues Available for Debt Service	1,602,315	1,139,979	2,300,405	3,015,315	2,822,886
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
2011 Note Payable to SEJPA - Principal Payments	-	-	60,000	57,500	663,846
2017 Note Payable to SEJPA-Interest Charges	431,213	438,113	444,863	451,388	451,388
2017 Note Payable to SEJPA-Principal Payments	237,500	230,000	225,000	217,500	-
Total Debt Service	\$ 668,713	\$ 668,113	\$ 731,573	\$ 729,622	\$ 1,145,021
Coverage by Net Revenues Available for Debt Service	240%	171%	314%	413%	247%

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

	2018	2017	2016	2015	2014
Revenues:					
Operating revenues - including connection fees	\$ 17,219,494	\$ 15,142,544	\$ 14,852,061	\$ 15,152,433	\$ 15,715,575
Non-operating revenues	1,092,337	1,048,764	1,013,297	927,526	827,676
Gross Revenues	18,311,831	16,191,308	15,865,358	16,079,959	16,543,251
Total Operating & Non-Operating Expenses	15,198,929	14,263,288	13,800,671	15,481,543	14,066,485
Net Income	3,112,902	1,928,020	2,064,687	598,416	2,476,766
Add:					
Interest expense	328,050	366,740	412,108	475,775	622,075
Depreciation and amortization expense	1,848,913	978,627	1,514,716	2,271,907	1,490,806
Net Revenues Available for Debt Service	5,289,865	3,273,387	3,991,511	3,346,098	4,589,647
Less: Debt Service Paid					
2004 Water Revenue Refunding Bonds - Interest Charges	-	-	-	144,720	380,731
2004 Water Revenue Refunding Bonds - Principal Payments	-	-	-	665,000	640,000
2007 Note Payable to Financing Authority - Interest Charges	171,619	191,244	211,144	224,994	241,344
2007 Note Payable to Financing Authority - Principal Payments	455,000	440,000	415,000	405,000	385,000
2014 Water Revenue Refunding Bonds - Interest Charges	167,225	185,075	202,400	106,061	-
2014 Water Revenue Refunding Bonds - Principal Payments	605,000	585,000	570,000	-	-
Total Debt Service	\$ 1,398,844	\$ 1,401,319	\$ 1,398,544	\$ 1,545,775	\$ 1,647,075
Coverage by Net Revenues Available for Debt Service	378%	234%	285%	216%	279%

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

	2018	2017	2016	2015	2014
Revenues:					
Operating revenues - including connection fees (1)	\$ 5,081,021	\$ 5,006,574	\$ 4,862,274	\$ 4,615,399	\$ 4,758,606
Non-operating revenues	162,951	140,095	149,151	120,668	1,216,941
Gross Revenues	5,243,972	5,146,669	5,011,425	4,736,067	5,975,547
Total Operating & Non-Operating Expenses	3,578,417	3,380,180	3,949,288	4,371,847	3,189,268
Net Income	1,665,555	1,766,489	1,062,137	364,220	2,786,279
Add:					
Interest expense	491,983	71,727	91,757	109,282	266,822
Depreciation and amortization expense	386,019	754,400	1,303,272	1,555,955	200,459
Net Revenues Available for Debt Service	2,543,557	2,592,616	2,457,166	2,029,457	3,253,560
Less: Debt Service					
2003 Note Payable to SEJPA - Interest Charges	-	-	-	-	-
2003 Note Payable to SEJPA - Principal Payments	-	-	-	-	-
2011 Note Payable to SEJPA - Interest Charges	55,402	79,889	91,757	109,282	131,967
2011 Note Payable to SEJPA - Principal Payments	640,352	612,192	593,530	579,366	563,037
2017 Note Payable to SEJPA-Interest Charges	294,656	-	-	-	-
2017 Note Payable to SEJPA-Principal Payments	-	-	-	-	-
Total Debt Service	\$ 990,410	\$ 692,081	\$ 685,287	\$ 688,648	\$ 695,004
Coverage by Net Revenues Available for Debt Service	257%	375%	359%	295%	468%

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>
2023	61,085	2.2%	(0.7%)	42.7	2.60	3.3%
2022	61,515	2.2%	(1.24%)	43.0	2.62	4.8%
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%

Note: City population figures have been revised to match updated population from the California State Department of Finance as of January 1, 2023.

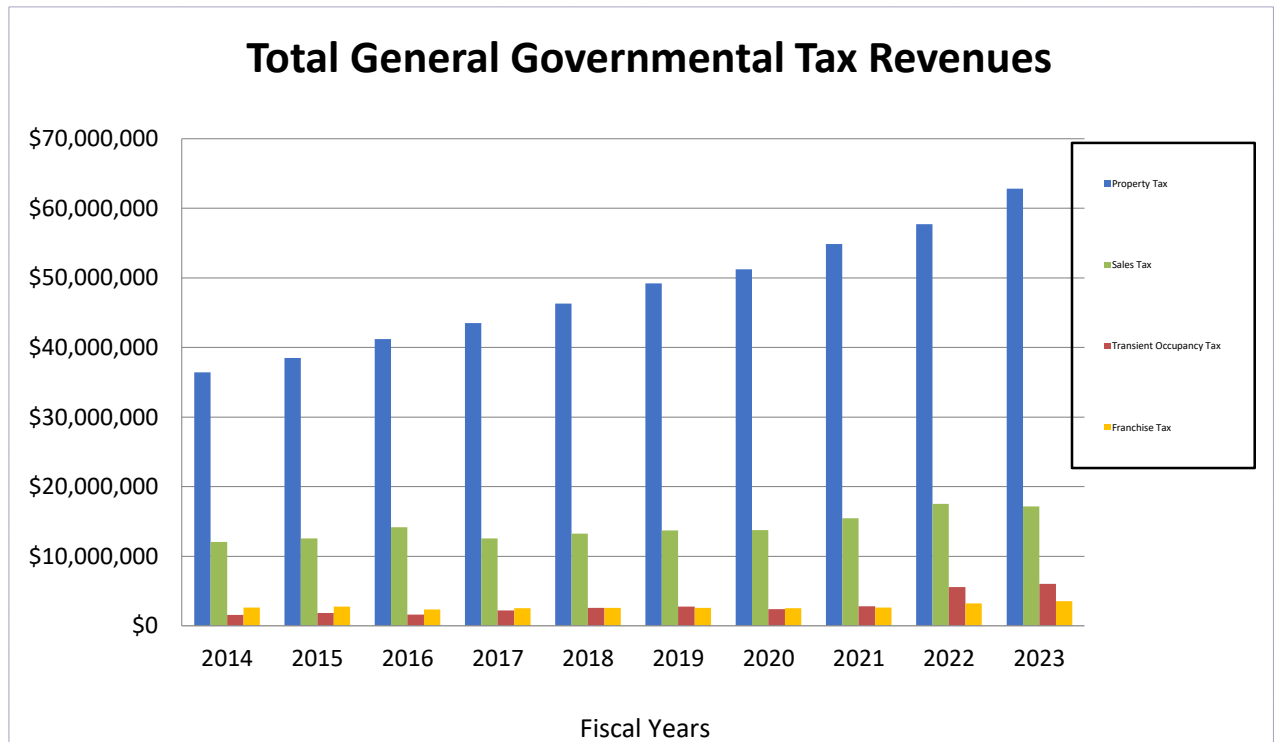
Sources: California Department of Finance; US Census Bureau QuickFacts; Employment Development Department



This page intentionally left blank.

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
2023	\$ 62,792,706	\$ 17,138,284	\$ 6,019,200	\$ 3,513,674	\$ 89,463,864
2022	57,668,544	17,510,658	5,557,884	3,232,999	83,970,085
2021	54,839,785	15,453,648	2,823,055	2,599,810	75,716,298
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



Source: City of Encinitas Finance Department

City of Encinitas
Taxable Sales by Business Type
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Autos and Transportation	\$ 2,262,471	\$ 2,415,492	\$ 2,129,102	\$ 1,703,500	\$ 1,806,753
Building and Construction	905,295	1,231,281	1,115,852	959,367	1,133,022
Business and Industry	519,058	733,928	545,444	730,647	629,112
Food and Drugs	990,035	1,177,803	1,236,743	1,109,984	1,110,862
Fuel and Service Stations	1,148,609	1,776,681	1,112,245	1,099,387	1,630,124
General Consumer Goods	2,793,903	3,999,149	3,882,876	3,181,523	3,812,472
Restaurants and Hotels	2,303,750	2,928,890	2,248,344	2,140,574	2,560,108
Total	\$ 10,923,121	\$ 14,263,224	\$ 12,270,606	\$ 10,924,982	\$ 12,682,453

	2018	2017	2016	2015	2014
Autos and Transportation	\$ 1,744,199	\$ 1,627,531	\$ 1,684,618	\$ 1,638,839	\$ 1,519,006
Building and Construction	924,933	1,021,600	980,140	944,334	887,182
Business and Industry	567,665	623,641	738,490	556,835	573,032
Food and Drugs	1,010,551	931,650	1,005,870	1,028,085	1,001,942
Fuel and Service Stations	1,025,386	1,191,164	1,382,946	1,500,416	1,559,342
General Consumer Goods	3,400,696	3,492,330	3,535,734	3,476,481	3,355,540
Restaurants and Hotels	2,274,664	2,264,487	2,113,116	1,978,072	1,825,971
Total	\$ 10,948,094	\$ 11,152,403	\$ 11,440,914	\$ 11,123,062	\$ 10,722,015

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	2023			2014		
	Employees	Rank	% of Total City	Employees	Rank	% of Total City
			Employment			Employment
Scripps Memorial Hospital	1,017	1	2.99%	650	1	2.21%
Chuze Fitness	700	2	2.06%			
Walmart Supercenter	335	3	0.99%	350	2	1.19%
Target	250	4	0.74%	250	4	0.85%
Encinitas City Hall	243	5	0.72%	200	8	0.68%
San Diego Hebrew Homes	220	6	0.65%	220	7	0.75%
Seacrest Village Retire Community	200	7	0.59%	200	8	0.68%
Magdalena Ecke Family YMCA	200	7	0.59%	300	3	1.02%
Encinitas Union School District	200	7	0.59%			
Aviara Healthcare Center	150	10	0.44%	-	-	-
Home Depot	150	10	0.44%	250	4	0.85%
Encinitas Ranch Golf Course	150	10	0.44%	-	-	-
Rancho Santa Fe Security	150	10	0.44%	-	-	-
North Coastal Sheriff Dept	150	10	0.44%	-	-	-
Scripps Rehabilitation Svc	-	-	-	250	4	0.85%
California Bank & Trust	-	-	-	200	8	0.68%
Subtotal Employees	4,115		12.11%	2,870		9.74%
Total Employees	33,986			29,458		

Note: Total Employees number is historical data from zip codes 92007, 92023 and 92024.

Source: Data Axle & City of Encinitas Human Resources Department

City of Encinitas
Full-Time and Part-Time Employees by Function
Last Ten Fiscal Years

Function	Fiscal Years				
	2023	2022	2021	2020	2019
General government	48.65	52.05	50.05	50.05	49.55
Public safety	71.00	70.00	70.00	70.00	69.00
Public works	36.00	35.00	34.00	34.00	34.00
Engineering services*	-	-	-	-	-
Parks and recreation	21.50	21.50	21.25	21.25	21.25
Planning and building*	-	-	-	-	-
Development services*	62.00	52.50	48.00	48.00	48.00
Subtotal	239.15	231.05	223.30	223.30	221.80
San Dieguito Water District	25.00	24.00	24.00	24.00	24.00

Function	Fiscal Years				
	2018	2017	2016	2015	2014
General government	44.60	46.75	46.75	46.75	44.75
Public safety	69.00	69.00	69.00	66.00	66.00
Public works	27.55	28.55	28.55	28.55	29.55
Engineering services*	-	27.17	27.17	27.17	27.17
Parks and recreation	22.25	20.18	20.18	20.18	21.18
Planning and building*	-	27.25	27.25	27.25	27.25
Development services*	53.00	-	-	-	-
Subtotal	216.40	218.90	218.90	215.90	215.90
San Dieguito Water District	24.00	24.00	24.00	24.00	23.00

*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

	2023	2022	2021	2020	2019
San Diego County Sheriff's Department					
Criminal arrests	1,102	949	1,006	1,061	1,161
Traffic arrests*	158	381	226	202	355
Traffic accidents	279	299	286	221	281
Traffic citations	8,659	8,778	3,399	7,009	9,635
Calls for service	18,386	19,826	20,221	19,406	19,190
Deputy initiated action	16,822	17,104	16,138	21,106	25,725
Fire:					
Number of emergency fire calls	457	673	299	476	934
Number of EMS/rescue	5,659	5,120	4,492	4,031	6,270
Other	1,573	566	850	1,532	1,711
Inspections	2,650	2,224	1,004	1,532	2,198
Engineering:					
Number of permits issued	463	497	430	360	399
Parks and recreation:					
Number of recreation class registrations	9,322	6,322	4,247	10,310	17,812
Number of facility rentals	187	168	38	491	550
Planning and building:					
Number of planning permits issued	197	210	183	242	194
Number of new dwelling units issued	41	41	69	76	71
Environmental review	-	-	-	4	6
Appeals	7	10	5	7	5
Plan checks	2,329	2,575	2,815	2,464	2,409
Code enforcement complaints	985	863	1,239	1,341	1,090
Water:					
New connections	140	38	(48)	225	114
Average daily consumption (millions of gallons)	4.44	4.99	5.21	4.71	4.82
Sewer:					
New connections	2	5	43	16	14
Average daily sewage treatment (millions of gallons)	1.28	1.15	1.22	1.26	1.21

The City of Encinitas contracts with the County of San Diego Sheriff's Department to provide law enforcement services.

* Before FY23, the numbers were pulled a different way. The number of traffic arrests can involve traffic offenses and number of DUI related arrests. Since 2023, this number will only present as DUI related arrests.

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

	2018	2017	2016	2015	2014
San Diego County Sheriff's Department					
Criminal arrests	1,130	1,612	1,997	1,743	1,595
Traffic arrests	213	201	263	551	331
Traffic accidents	307	289	274	297	323
Traffic citations	5,501	4,891	14,873	13,650	10,357
Calls for service	20,019	19,372	22,518	21,335	19,394
Deputy initiated action	22,612	24,625	27,481	27,339	29,849
Fire:					
Number of emergency fire calls	532	283	328	300	383
Number of EMS/rescue	4,775	4,717	4,098	3,844	3,806
Other	2,382	1,035	1,517	1,265	1,458
Inspections	3,145	2,122	2,133	2,072	2,143
Engineering:					
Number of permits issued	424	440	436	383	351
Parks and recreation:					
Number of recreation class registrations	15,444	16,338	15,500	16,289	16,236
Number of facility rentals	537	492	538	557	578
Planning and building:					
Number of planning permits issued	222	276	263	335	298
Number of new dwelling units issued	160	94	117	135	161
Environmental review	3	7	4	10	9
Appeals	6	6	11	6	7
Plan checks	2,147	1,807	2,339	1,737	1,391
Code enforcement complaints	878	1,282	1,199	1,063	1,153
Water:					
New connections	50	39	77	69	131
Average daily consumption (millions of gallons)	5.21	4.85	4.56	5.49	5.71
Sewer:					
New connections	62	65	33	53	22
Average daily sewage treatment (millions of gallons)	2.20	2.27	2.20	2.22	2.36

The City of Encinitas contracts with the County of San Diego Sheriff's Department to provide law enforcement services.

* Before FY23, the numbers were pulled a different way. The number of traffic arrests can involve traffic offenses and number of DUI related arrests. Since 2023, this number will only present as DUI related arrests.

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

	2023	2022	2021	2020	2019
Law enforcement: *					
Number of sub-stations	1	1	1	1	1
Fire department:					
Fire stations	6	6	6	7	7
Public works:					
Streets (miles) **	172	172	172	168	168
Engineering:					
Signalized intersections	62	60	59	63	63
Parks and recreation:					
Community and senior center	1	1	1	1	1
Developed parks	20	20	19	18	18
Undeveloped parks	2	2	3	4	4
Parkland acres	328	328	328	325	325
Habitat/open space acreage	90	90	90	90	90
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	9
Water:					
Water mains (miles)	168	168	168	174	174
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

	2018	2017	2016	2015	2014
Law enforcement: *					
Number of sub-stations	1	1	1	1	1
Fire department:					
Fire stations	6	6	6	6	6
Public works:					
Streets (miles) **	168	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	9	7	7	7	7
Water:					
Water mains (miles)	175	170	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



This page intentionally left blank.

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, 2023**

<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>
<u>Group I Residential</u>					
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
<u>Non-Residential</u>					
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
<u>Multi Family/Trailer Park* and Non-Residential Fixed Meter Charge</u>					
<u>Meter Size</u>	<u>Annual Charge</u>	<u>Meter Size</u>	<u>Annual Charge</u>		
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>
2023	\$ 4,183,531	\$ 562,072	\$ 128,444	\$ 4,874,048	654
2022	3,743,734	527,843	128,444	4,400,021	608
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

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 2022-23**

<u>Property Owner</u>	<u>Parcel Count</u>	<u>Sewer Service Charges</u>	<u>Percentage of Sewer Charges</u>
Collwood Pines Apartments LP	3	\$ 87,823	1.82%
944 Regal Road LLC	1	84,904	1.75%
Cardiff Town Center LLC	1	48,525	1.00%
K&K Lumber Co.	2	37,219	0.77%
Belmont Village LLC	1	36,730	0.76%
Georges Restaurant Inc.	1	28,564	0.59%
West Village Inc.	1	23,833	0.49%
Cardiff Investment Properties LLC	1	22,994	0.48%
P C G Plus LLC	1	22,588	0.47%
Newport Taft, Inc.	1	22,331	0.46%
Subtotal	13	415,510	8.59%
Total Billed		\$ 4,838,173	

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>
2023	6,559	7,313	1,207	8,520
2022	6,533	7,306	1,207	8,513
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

Source: Cardiff Sanitary Division



San Dieguito Water District

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, 2023

<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	\$ 3.46	\$ -
	13-20 units	6.21	-
	21-40 units	7.01	-
	41+ units	8.33	-
Multi-family residential (per dwelling)	0-8 units	3.46	-
	9-12 units	6.21	-
	13-16 units	7.01	-
	17+ units	8.33	-
Agriculture	Uniform	5.95	5.71
Commercial	Uniform	5.95	5.71
Government	Uniform	6.56	5.71
Public	Uniform	6.56	5.71
Landscaping	Uniform	6.88	5.71
Construction	Uniform	7.02	5.71

(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, 2023

<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"	\$ 49.56	\$ 8.48	\$ 10.40
1"	73.30	13.56	10.40
1-1/2"	132.13	25.44	9.26
2"	203.01	44.10	16.06
3"	368.52	81.40	40.44
4"	604.91	139.08	82.48
6"	1,195.35	254.40	233.38
8"	1,904.16	440.96	493.66

(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>
2023	\$ 11,264,426	7.3%	\$ 4,271,543	(1.4%)
2022	10,494,914	(17.2%)	4,331,404	(0.5%)
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%

(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>
2023	\$ 869,275	(0.9%)	\$ 114,744	7.1%
2022	876,925	4.4%	107,132	3.0%
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

(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>		
2023	1,115	4,246	5,361	623	5,985
2022	1,598	4,191	5,790	710	6,500
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

(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>
2023	4,985	(10.8%)	623	(12.3%)
2022	5,590	(4.1%)	710	1.0%
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%

(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.

Source: San Dieguito Water District

Table 7

**San Dieguito Water District
Sales by Customer Class
As of June 30, 2023**

<u>Customer Description</u>	<u>Acre-Feet Sold</u>	<u>Percent of Water Sold</u>
Agriculture	109.93	2.2%
Commercial	528.30	10.6%
Construction	21.56	0.4%
Government	41.52	0.8%
Landscaping	307.28	6.2%
Multi-Family Residential	1,043.38	20.9%
Public	104.69	2.1%
Single-Family Residential	2,828.70	56.7%
Total Sales	<u>4,985.36</u>	<u>100.0%</u>

Source: San Dieguito Water District

Table 8

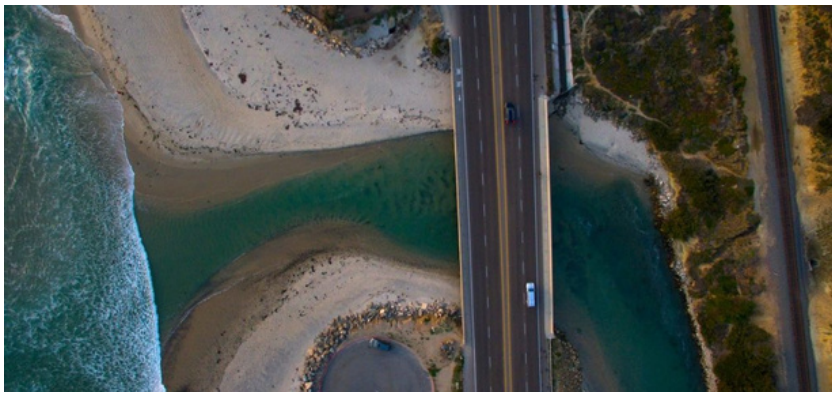
**San Dieguito Water District
Total Service Connections by Category
Last Ten Fiscal Years**

<u>Fiscal Years</u>	<u>Potable</u>	<u>Percent Increase</u>	<u>Recycled</u>	<u>Percent Increase</u>
2023	12,305	1.2%	102	1.0%
2022	12,165	0.3%	101	0.0%
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%

Source: San Dieguito Water District



This page intentionally left blank.



CITY OF ENCINITAS

505 S. Vulcan Avenue

Encinitas, CA 92024

Phone: (760) 633-2600

Fax: (760) 633-2879

www.EncinitasCA.Gov