



City of Santa Monica California

Comprehensive Annual Financial Report
Year ended June 30, 2013

City of Santa Monica California

Comprehensive Annual Financial Report

Year ended June 30, 2013

Prepared by the Finance Department

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City of Santa Monica, California
Year Ended June 30, 2013

INTRODUCTORY SECTION

CITY OF SANTA MONICA, CALIFORNIA

Comprehensive Annual Financial Report For the fiscal year ended June 30, 2013

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Finance Department
1717 Fourth Street, Suite 250
Santa Monica, CA 90401

February 19, 2014

Dear Honorable Mayor and Members of the City Council, City Manager, and Citizens of Santa Monica:

Attached is the Comprehensive Annual Financial Report (CAFR) for the City of Santa Monica for the fiscal year ended June 30, 2013 (FY2012-13).

The CAFR has been prepared by Finance Department staff in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB), the authoritative body establishing U.S. generally accepted accounting principles for local governments.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for that purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The CAFR has been compiled in a manner designed to fairly set forth the financial positions and results of operations of the City. The CAFR includes disclosures designed to enable the reader to gain an understanding of the City's financial affairs.

In accordance with generally accepted accounting principles, a narrative overview and analysis of the basic financial statements in the form of Management's Discussion and Analysis (MD&A) is provided and can be found immediately following the independent auditor's report. This letter of transmittal complements the MD&A and should be read in conjunction with it.

Macias Gini & O'Connell LLP has issued an unmodified (clean) opinion on the City of Santa Monica's basic financial statements for FY2012-13. Their report is located at the front of the financial section of this report.

PROFILE OF THE CITY OF SANTA MONICA

The City of Santa Monica, bordered by the City of Los Angeles on three sides and by the Pacific Ocean on the west, encompasses an area slightly greater than eight square miles and serves a residential population of 91,040 making it the 19th largest of the 88 cities in Los Angeles County.

The City of Santa Monica, incorporated in 1886, adopted its City Charter in 1945, and established a council-manager form of government in 1947. Elections are held every two years for either three or four Council members elected to serve four-year terms on the seven-member City Council. Elected Council members select a Mayor and a Mayor Pro-Tempore to preside over Council meetings.

The City Council appoints a City Manager, a City Attorney and a City Clerk. The City Manager, responsible for supervising day-to-day operations of the City and for carrying out policies set by the Council, appoints Department directors.

The City provides a full range of services, including police and fire protection, water and wastewater utilities, street maintenance, public transportation, parking, parks and recreation, planning, and building and safety. Elementary and secondary education is provided by the Santa Monica Malibu Unified School District, and community college education is provided by the Santa Monica Community College District. Court, health, and social services are provided by the County of Los Angeles. Gas, electric and telephone services are provided by private utility companies.

Financial data for all funds through which services are provided by the City have been included in this report based on the criteria adopted by GASB.

FINANCIAL CONDITION AND OUTLOOK

Recent economic news indicates that an economic recovery appears to be taking hold. Unemployment data is slowly improving, the economy is growing modestly, and the housing market continues to show signs of recovery. At the State level, in November 2012, following two years of budget cuts, voters passed Proposition 30. On January 10, 2013, the Governor's FY 2013-14 Proposed Budget showed that, as a result of new revenue from Proposition 30's temporary sales tax increase and increase to income tax on California's top three percent of income earners, as well as higher than anticipated revenues coming from a recovering economy, and a continuation of spending cuts made in past years, the State no longer faces a deficit. In November 2013, the Legislative Analyst's Office forecasted that the State's surplus would reach \$2.4 billion in 2014 and \$5.6 billion in 2015. On a Statewide basis the employment situation is somewhat mixed. The State's unemployment rate is the sixth highest in the country, at 8.7 percent in November 2013. The number of jobs added in the State during the last few years has essentially caught up with the number of jobs lost during the recession. Also, although many areas in the State are still experiencing subpar growth, coastal areas are seeing job growth that outpaces national levels.

Santa Monica tends to weather economic downturns better and recover faster than other jurisdictions due in large part to its geographic location and to its diversified tax revenue base, which generally protects the City from downturns that impact one or a limited number of sectors of the economy. The City's major tax revenues have recovered significantly and, for the most part, have exceeded pre-recession levels. FY2013-14 assessed property values in the City show a 6.8 percent increase over the prior year, the seventh highest increase of cities in Los Angeles County. Total assessed value ranked third in Los Angeles County after only the cities of Los Angeles and Long Beach. Modest growth is expected to continue.

Taxable sales are increasing at a moderate rate, with the half-cent transaction and use tax generated from Measure Y, and approved by City voters providing a strong revenue stream; this new revenue source produced \$12.9 million in FY2011-12, its first year in effect, and \$14.6 million in FY2012-13. Overall FY2012-13 sales tax receipts were 4.5% more than FY2011-12.

Tourism, which provides a major stimulus to the local economy by creating jobs and producing revenues, continues to exhibit strength as FY2012-13 Transient Occupancy Tax revenues grew by 13.5 percent over the previous year. Continued moderate growth is expected in future years.

Utility users' taxes are projected to remain relatively flat, while business license taxes are expected to grow slowly, following the general course of the local economy. Interest rates, which fell to historically low levels over the last five years, significantly impacting the City's investment income, are expected to remain at relatively low levels for at least two more years.

As noted above, Santa Monica voters passed Measure Y, establishing a ½ cent transaction and use tax, in November 2010. This tax, which is assessed similarly to a sales tax, has no sunset. Along with Measure Y, voters passed Measure YY, an advisory measure that recommends that Council allocate half of the revenue from Measure Y for school purposes. The \$14.6 million in transaction and use tax revenues generated in FY2012-13 were shared equally with the Santa Monica Malibu Unified School District according to the Program Agreement approved by Council on May 26, 2011.

Overall, the City's fund balances continued to benefit from a number of cost saving measures approved by Council and implemented since FY2011-12. The most noteworthy changes relate to compensation structure changes approved by employees during the collective bargaining process, including annual incremental increases to public safety employee pension contributions and a second tier of reduced retirement benefits for new miscellaneous employees, and decreased pension costs as a result of \$20.0 million in pay downs of the City's unfunded pension liability. An additional pay down of at least \$2.7 million is anticipated to be made in FY2013-14, reflecting FY2012-14 savings. Also, the City plans to continue to prepay its contributions to CalPERS, the City's pension fund, as it has done at the beginning of each year since FY2007-08, and to set aside the discount received from such prepayments for future pension costs or further pay downs of unfunded liability. Despite these mitigating steps taken by the City, CalPERS is in the process of making changes to actuarial demographic assumptions that require the City to plan for increased contribution rates in the future. It is important for the City to continue to work with its employees to identify measures that will ensure that increases in ongoing compensation costs do not outstrip those of revenue growth. The passage of the Public Employee Pension Reform Act, or PEPRA, in September 2012 is working to further control cost increases in the future, as new employees are receiving reduced retirement benefits and cities will be encouraged to increase employees' share of contribution costs.

In addition to pension costs, health insurance costs are also increasing significantly and that trend is expected to continue in the near future. In FY2009-10, to mitigate the impacts of increasing health insurance costs, the City reached an agreement with miscellaneous and Fire Department employees to share in the cost. Beginning in FY2011-12, members of the Police Officers Association began contributing to their health insurance costs. The implementation of the Patient Protection and Affordable Care Act (PPACA) on January 1, 2014 will impose an additional cost burden on the City in the form of new taxes that will be levied on employers (the City) and health insurance companies. The City anticipates that these taxes, the latter of which will be passed on to the City, will total approximately \$1 million annually.

As part of the FY2013-15 biennial budget development process, City departments were asked to find ways to offset their current budgets by 5%. By focusing on core services, departments identified expenditure savings of \$5.5 million in FY2013-14, increasing to \$6.2 million in FY2014-15. Enhanced cost recovery efforts are anticipated to yield \$4 million in FY2013-14, increasing to \$5.6 million in FY2014-15. A portion of the cost recovery increases were identified in the fee study, discussed below. Finally, \$3 million in FY2014-15 projects previously included in the CIP plan were rescheduled to reflect updated project timing. In combination, these changes achieve the 5% target in FY2014-15.

To achieve expenditure savings, staff first reduced operating budgets to eliminate recurrent savings. Staff also established more efficient staffing structures by eliminating positions that are vacant and reducing overtime budgets. Streamlining operations and new methods of providing services also resulted in savings.

To ensure that City staff are able to provide the highest level of services to the public, community members must contribute their fair share, be it through taxes, fees or permits, for services ranging from the general to those providing individualized benefits that are fee-supported. In the next year, Finance

staff will be strengthening the compliance, audit and collections program to ensure taxes and fees owed to the City are identified and collected.

On December 29, 2011, the California Supreme Court issued its decision in the case of California Redevelopment Association et al v. Matosantos et al. The lawsuit challenged the constitutionality of the State's plan to eliminate redevelopment agencies unless cities agree to make one-time and on-going payments to the State. The Court upheld the part of the legislation that dissolves redevelopment agencies (AB1x26) while striking down the legislation that allowed for survival of redevelopment agencies that give money to the State (AB1x27). The net effect of the decision was to require all California redevelopment agencies, including the Redevelopment Agency (Agency) of the City of Santa Monica (RDA), to be dissolved as of February 1, 2012. On January 10, 2012, the Council elected to become the Successor Agency to the Redevelopment Agency in order to satisfy obligations of the former agency, as well as to retain housing assets and functions of the former agency. Subsequently, Council approved Recognized Obligation Payment Schedules (ROPS) and administrative budgets for the periods of January-June 2012, July-December 2012, January-June 2013, July-December 2013, and most recently January-June 2014, as required by law. Pursuant to the requirements of the City-Agency Cooperation Agreement adopted on August 10, 2010, as well as State law at the time, the former Redevelopment Agency made payments to the City for implementation of priority projects. With the funds received from the Agency, the City entered into contracts with designers and contractors to implement priority projects.

On June 27, 2012, as part of the FY2012-13 State budget package, the State Legislature passed and the Governor signed AB 1484, a measure meant to clarify existing legislation related to the dissolution of redevelopment. The Successor Agency submitted to the California Department of Finance (DOF) an inventory of all housing assets and an accounting of all available cash and cash-equivalent housing assets (the Housing Due Diligence Review) and non-housing assets (the Non-Housing Due Diligence Review), and held meet and confer sessions with the DOF on both of the Due Diligence Reviews and the ROPS to appeal a number of DOF denials. Despite the appeals, the DOF maintained its decisions with one exception and the City, as Successor Agency, filed a lawsuit against the DOF protesting these terms. On October 21, 2013, the Successor Agency reached a settlement agreement with the DOF to pay \$56.7 million as full remittance and payment of all uncommitted or unobligated cash and cash-equivalent balances previously held by the Redevelopment Agency and identified in the Due Diligence Reviews. Under the terms of the agreement, the Successor Agency will make four equal payments through July 2015. The next step in the dissolution process, once the full settlement amount is paid, is the Finding of Completion and the preparation of a Long Range Property Management Plan (LRPMP), noting disposition of the various Successor Agency properties.

The Successor Agency has received Final and Conclusive Determinations on its tax allocation bonded indebtedness, ensuring that the DOF will continue to approve the use of tax increment funds for these expenditures. The Successor Agency's continued strong financial position, backed by a healthy property tax base, contributed to Santa Monica's Earthquake Redevelopment debt receiving the highest rating offered to redevelopment debt in California by Moody's on May 21, 2013, and an affirmation of strong debt ratings by Standard & Poor and Fitch.

Staff continues to await an audit of assets transferred from the Redevelopment Agency to the City by the State Controller's Office. Pending the outcome of these reviews, the City's budgeting strategy is to anticipate the worst until there is confirmation that assets are safe. In the meantime, the known effects of the dissolution of redevelopment are many. Two major projects, the Civic Center Joint Use Program with the Santa Monica-Malibu Unified School District (SMMUSD) and the rehabilitation of the Civic Auditorium, were suspended. Without seismic retrofitting, the Civic Auditorium cannot continue to function, and so it was necessary to close the facility as of June 30, 2013. While staff attempted to transition all personnel whose positions are eliminated to other openings in the City, the City was not

able to accommodate all personnel from the Civic Auditorium. The General Fund has accessed approximately \$30 million in capital reserves to fund high impact projects that would otherwise have been funded with redevelopment, including the Pico Branch Library, the Early Childhood Education Center, and the Colorado Esplanade. It will be necessary for the City to seek financing for other critical projects, such as Fire Station I and the Corporation Yards, and to secure new funding streams to support the continuation of the affordable housing production program. In addition, the State's disallowance of redevelopment loan and note repayments to the General Fund, as well as senior housing voucher costs and compliance monitoring of affordability covenants for housing, had a net impact of approximately \$2 million on the General Fund.

Despite the negative impacts of redevelopment dissolution, the City ended the fiscal year with a positive operating balance and a General Fund fund balance of \$384.2 million. Large reserves provide flexibility and resources for capital projects, future expenditures, retirement contribution increases and economic uncertainty, and Santa Monica continues to be a top destination for visitors and a high demand location for employers.

While the cost saving measures and unanticipated revenue growth are assisting the City in maintaining a balanced budget over the next several years, an additional safeguard lies in the economic uncertainty reserve, which Council created in FY2008-09 at \$8.2 million, and increased in FY2010-11 by \$1.5 million for a \$9.7 million balance at June 30, 2013. The reserve will be used as a buffer, if needed, to allow the City to bring its budget into balance in a measured way, minimizing the impact to our employees and residents to the greatest extent possible. As stated previously, corrective actions to date have allowed the City to avoid the need to use any of the reserve so far.

Citywide Budget

On June 12, 2012, Council adopted the FY2012-13 Budget as the second year of the FY2011-13 City of Santa Monica FY2011-13 Biennial Budget; and adopted the first year and approved the second year of the FY2012-14 Capital Improvement Program Budget. On October 23, 2012 and January 22, 2013, Council approved certain revisions to the FY2012-13 Revised Budget that adjusted revenues, expenditures and staffing. On June 25, 2013, Council adopted the FY2013-14 Budget and approved the FY2014-15 Budget Plan as part of the City's FY2013-15 Biennial Budget process. Council also adopted the second year of the FY2012-14 Capital Improvement Program budget. The FY2013-14 Budget includes \$526.0 million in expenditures, net of reimbursements and transfers, for all funds. This represents a decrease of 5.2% over the revised FY2012-13 Budget. Citywide revenues, net of reimbursements and transfers, are estimated at \$524.0 million, a decrease of \$19.7 million or 3.6%, from the FY2012-13 estimated actual. While the City continues to benefit from a diverse source of revenues, particularly in the General Fund, the slow national and struggling State economies require ongoing assessment of revenue assumptions.

The General Fund operating budget for FY2013-14, net of reimbursements and transfers, is estimated at \$285.6 million and Capital Improvement Projects add an additional \$26.3 million for a total General Fund budget of \$311.9 million. Capital expenditures are offset by \$10.9 million in reserve funds set aside from previous years' savings. Operating expenditures are anticipated to increase \$10.3 million, or 3.7%, as compared to the revised budget for FY2012-13. General Fund revenues for FY2013-14, net of reimbursements and transfers, are budgeted at \$307.2 million, a decrease of \$16.1 million or 5.0% from the FY2012-13 estimated actual revenues.

The FY2013-15 Budget reflects self-supporting funds in generally sound financial condition. The Water and Wastewater Funds remain healthy following multi-year rate increases approved by Council in FY2008-09. To avoid a future year deficit in the Resource Recovery and Recycling Fund, the City has employed a consultant to conduct a rate analysis and will be asking Council to consider rate increases

starting in FY2014-15. The Big Blue Bus Fund is now poised to avoid a structural deficit and maintain its reserve levels through the next five years. The Beach Fund will also generate adequate revenues to sustain its operations throughout the next five years; the FY2013-15 Biennial Budget shows the merging of the Beach House Fund into the Beach Fund for more efficient tracking. A realignment of capital projects, streamlined expenditures and a greater focus on revenues, including updated landing fees approved by Council in April 2013, present a balanced fund picture for the Airport Fund going forward.

General Fund subsidies to the Cemetery and Pier Funds are anticipated to decrease by \$400,000 in FY2013-14, due to increased expenditure efficiencies, increased revenues, and in the case of the Pier fund, updated scheduling of capital projects. The Housing Authority Fund has a projected operating structural deficit of approximately \$120,000 in FY2013-14 and \$290,000 in FY2014-15 due to the loss of Redevelopment funding for the administration of the senior voucher program, and the reduction of U.S. Department of Housing and Urban Development (HUD) allocations.

The Civic Auditorium ceased full operation on June 30, 2013. Mothballing the Auditorium will require a small amount of maintenance costs, which are incorporated into the General Fund budget.

Major Projects

The planned Expo Light Rail Phase 2 project between Culver City and Santa Monica is a significant transit alternative that will connect to the regional rail system and provide new transit options for Santa Monica residents, employees, and visitors. The project will provide relief for the tremendous and growing congestion on the I-10/Santa Monica Freeway, one of the busiest travel corridors in the country. City staff is currently working to ensure rail line and stations are integrated into streets, neighborhoods and districts, provide high-quality service, and connect to major destinations. Phase 2 construction began in 2012 and service is anticipated to commence in 2016.

The Tongva Park and Ken Genser Square, opened in October 2013 created seven acres of park space bounded by Interstate 10 and Olympic Drive, City Hall and Ocean Avenue. Envisioned as a central component of the Civic Center Specific Plan, these new parks provide a critical link between the Civic Center, Palisades Park, the Pier and downtown.

The Pico Library, slated to be an 8,300 square foot neighborhood library, is being built in the Pico neighborhood at Virginia Avenue Park, on the corner of Cloverfield and Pico Boulevards. The library will enhance existing park amenities, including the weekly Farmers Market, Community Center, Teen Center, and Park Center Building. Staff issued a Request for Proposals for the design of the new library in September 2009 and executed a contract with Koning Eizenberg Architecture in June 2010. Construction of the library began in August 2012 and will be completed in early 2014.

The Downtown Parking Program, approved by Council in February 2006, called for Parking Structure 6 to be demolished and rebuilt in the same location at 1431 2nd Street with more than double its current 342 spaces. The new Parking Structure 6 was completed in December 2013. The new structure has three subterranean and eight above-ground parking levels. The design includes space for up to 90 bicycles in racks and 19 motorcycles, and approximately 7,000 square feet of retail space fronting on 2nd Street. The overall design of this structure would be unique in that the pedestrian experience continues up along the entire building face, where patrons would ascend and descend on an exterior diagonal stair that weaves in and out of the plane of the façade. This increases public safety by its high visibility and offers patrons unique ocean views.

The Village Santa Monica is a mixed-income, mixed-use community that will be developed in the heart of Santa Monica's Civic Center revitalization area. This unique public/private partnership leverages City-owned land to provide for important public benefits. The 3.7 acre site will enhance the Civic

Center area with 160 affordable rental residences, up to 164 market-rate condominium residences, a pedestrian-oriented “Living Street” with arts, retail and restaurant activities, public open space, public art and an extension of Olympic Drive. Environmentally sustainable features include LEED Silver Certified design, alternative energy programs, bicycle stalls, shared parking and financial contributions to the City’s transit programs. Community space for residents will include a computer lab, family garden, barbeque area and outdoor and indoor children’s play areas. Preliminary work on the site began in late 2011. The project is anticipated to be completed in 2014.

Long-Term Financial Planning. The City is dedicated to financial planning in all areas of the organization. Financial planning takes the form of continuous review and refinement of fiscal policies, development of five-year forecasts, and an understanding of the initiatives being undertaken by the entire organization.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of State and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Santa Monica has received a Certificate of Achievement for each of the last twenty-eight years. We believe our current CAFR also conforms to the Certificate of Achievement program requirements.

In keeping with past practice, a copy of this CAFR will be placed on file in the City libraries and sent to City management personnel, bond rating agencies, and other agencies which have expressed an interest in the financial affairs of the City. It is also available at www.smgov.net/finance.

ACKNOWLEDGEMENTS

The preparation and development of this report would not have been possible without the year-round work of the Finance Department staff and their special efforts, working in conjunction with the City’s independent auditors, to produce this report.

I would like to take this opportunity to compliment and thank the staff members of the City who were associated with the preparation of this report. I would also like to thank the City Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Gigi Decavalles-Hughes
Director of Finance/City Treasurer

OFFICIALS OF THE CITY OF SANTA MONICA

As of February 19, 2014

City Council

Pam O'Connor, Mayor

Terry O'Day, Mayor Pro Tempore

Gleam Davis

Bob Holbrook

Kevin McKeown

Ted Winterer

Tony Vazquez

Administration and Department Heads

City Manager

Assistant City Manager

Deputy City Manager for Special Projects

Deputy City Manager

City Attorney

City Clerk (Director of Records and Election Services)

Director of Finance/City Treasurer

Director of Human Resources

Chief Information Officer

Chief of Police

Fire Chief

Director of Planning and Community Development

City Librarian

Director of Community and Cultural Services

Director of Transit Services

Director of Housing and Economic Development

Director of Public Works

Rod Gould

Elaine Polachek

Kathryn Vernez

Danielle Noble

Marsha Jones Moutrie

Sarah Gorman

Gigi Decavalles-Hughes

Donna Peter

Jory Wolf

Jacqueline Seabrooks

Scott Ferguson

David Martin

Vacant

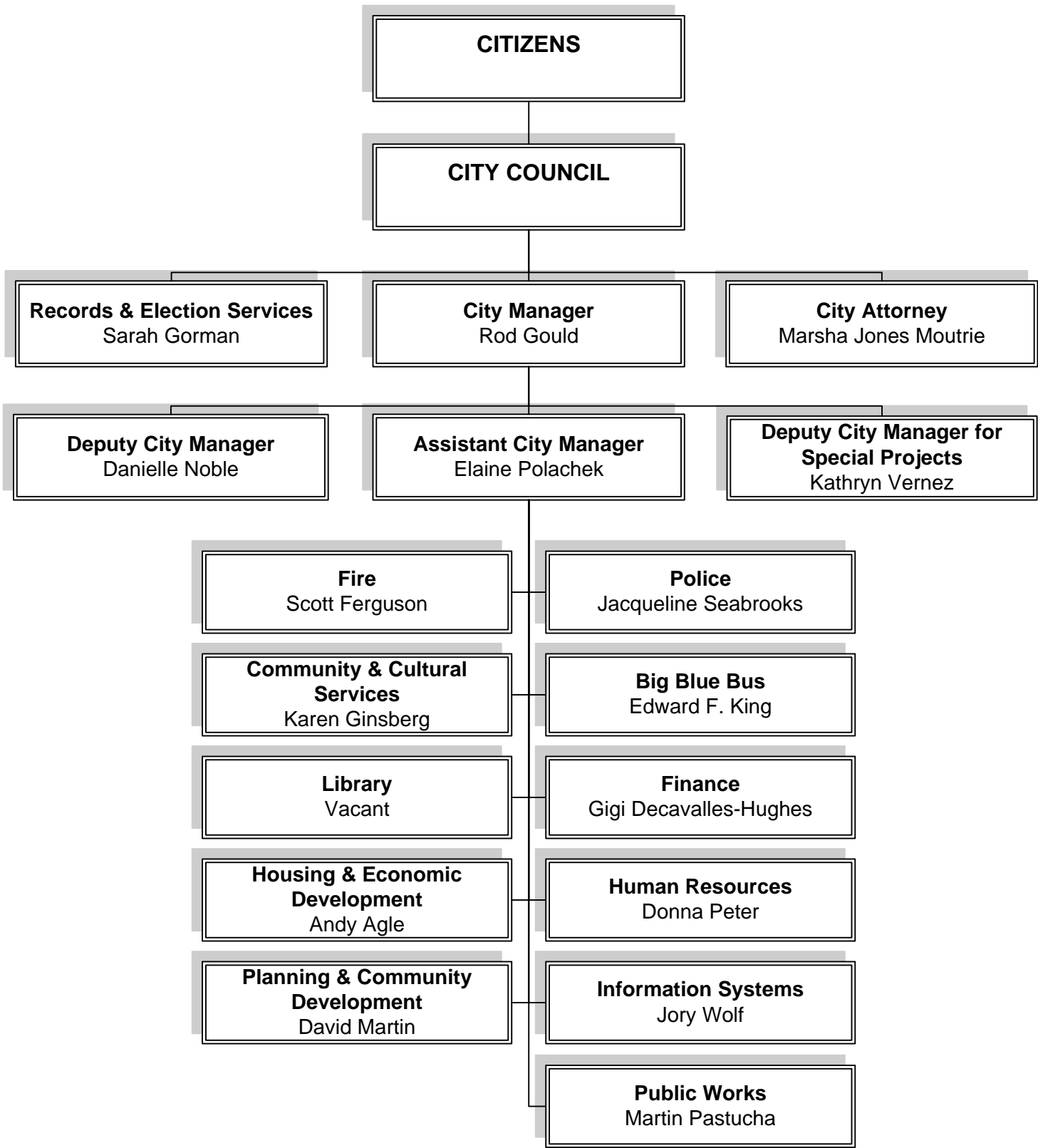
Karen Ginsberg

Edward F. King

Andy Agle

Martin Pastucha

**ORGANIZATION OF THE
CITY OF SANTA MONICA**
as of February 19, 2014





Government Finance Officers Association

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

Presented to

**City of Santa Monica
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

City of Santa Monica, California
Year Ended June 30, 2013

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable City Council
City of Santa Monica, California:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Monica, California (City) as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 19 and schedules of funding progress on pages 99 and 100 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Los Angeles, California
February 19, 2014

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis For the fiscal year ended June 30, 2013 (Unaudited)

As management of the City of Santa Monica, California (City), we offer readers of the City's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which immediately follow this section, and the CAFR transmittal letter in the preceding Introductory Section.

FINANCIAL HIGHLIGHTS

- The total assets of the City for its governmental and business-type activities exceeded its liabilities as of June 30, 2013 by \$1.8 billion. Of this amount, \$1.2 billion is net investment in capital assets, \$140.6 million is for restricted uses as specified by entities outside of the City government, and \$499.1 million is for unrestricted uses in accordance with finance-related legal requirements reflected in the City's fund structure.
- The City's total net position decreased \$36.1 million during the current fiscal year due to a decrease in governmental activities net position of \$58.3 million and an increase in business-type activities net position of \$22.2 million. The decrease in governmental activities net position was primarily due to an extraordinary loss of \$48.2 million related to the settlement agreement between the State of California (State) and the Successor Agency related to the dissolution of the former redevelopment agency in FY 2011-12, which was classified as an extraordinary item in FY 2011-12. Since the Successor Agency has insufficient funds to make the settlement payment, the City has accrued a payment to the Successor Agency for this amount. A decrease was also due to a \$27.4 million adjustment for capital payments made in FY 2011-12 to the EXPO Authority for which the City retains no ownership rights nor maintenance obligation; offset by \$13.8 million related to an adjustment to record a net pension asset stemming from two \$10.0 million additional pension payments made in FY 2010-11 and FY 2011-12. The increase in business-type net position is primarily related to the transfer of \$12.3 million in net position from the Special Revenue Source Fund to the Water fund and an adjustment to record a net pension asset of \$4.0 million.
- At the end of the current fiscal year, the City's governmental funds reported total ending fund balances of \$558.9 million, a decrease of \$37.6 million compared with the prior fiscal year. This decrease in fund balance is primarily due to: pollution remediation settlement income of \$52.3 million offset by an extraordinary loss of \$14.2 million related to the first payment due the Successor Agency to pay the amount due under a settlement agreement with the State capital project expenditures of \$58.9 million, and transfers out related to the Charnock pollution remediation of \$12.3 million.
- At the end of the current fiscal year, the General Fund fund balance was \$384.2 million, a decrease of \$32.0 million from the previous fiscal year. Restricted and assigned General Fund fund balances decreased by \$19.2 and \$12.7, respectively. This was offset by an increase in unassigned General Fund fund balance of \$ 0.2 million. Restricted General Fund fund balance decreased primarily due to \$20.3 million in bond proceeds spent on the construction of Parking Structure 6. Assigned General Fund fund balance decreased due to a \$61.0 million decrease in capital projects assignments offset by a \$29.6 million increase in assignments related to pollution remediation.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2013 (Unaudited)

- The City's capital assets increased by \$13.7 million or 1.1%. Please see the table on page 17 and for further detail of capital assets see note 7.
- The City's long-term debt decreased by \$5.3 million or 4.4% during the current fiscal year. Please see the table on page 18 and for further detail of long-term debt see note 9.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: government-wide financial statements, fund financial statements, and notes to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to statements of a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include public safety (police and fire), streets, library, cultural and recreation, parks, planning and zoning, housing and community development, and general administrative support. The business-type activities of the City include water, wastewater, stormwater, resource recovery and recycling, pier, civic auditorium, airport, cemetery, municipal transit and parking structures and lots.

Component units are included in the basic financial statements and consist of legally separate entities for which the City is financially accountable and that have either the same governing board as the City or a governing board appointed by the City of Santa Monica City Council. The blended component units include the Santa Monica Public Financing Authority, the Parking Authority of the City of Santa Monica and the Housing Authority of the City of Santa Monica.

The government-wide financial statements can be found on pages 21 and 22 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2013 (Unaudited)

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances are accompanied by a reconciliation to the government-wide financial statements in order to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 19 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Special Revenue Source Funds, which are considered to be major funds. Data for the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the nonmajor funds supplementary section of this report.

The City Council adopts an annual appropriated budget for its General Fund and 8 special revenue funds and 5 capital project funds (no budget is adopted for the Rent Control Fund and Asset Seizure Fund). The City Council does not adopt budgets for the two permanent funds or the one debt service fund. A budgetary comparison statement has been provided for the General Fund in the basic financial statements.

The governmental funds financial statements can be found on pages 24 through 29 of this report.

Proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for water, wastewater, airport, and bus operations, which are considered to be major funds of the City. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle operations, risk management program and information technology and communications operations. The vehicle operations and insurance services for bus operations primarily benefit business-type activities and are included within *business-type activities* in the government-wide financial statements. All other risk management functions, information technology and communication services primarily benefit governmental funds and are included within *governmental activities* in the government-wide financial statements. Individual fund data for the internal service funds is provided in the supplementary information section of this report.

The proprietary funds financial statements can be found at pages 32 through 35 of this report.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2013
(Unaudited)

Fiduciary funds. Fiduciary funds consist of a private-purpose trust fund and agency funds. A private-purpose trust fund was created in 2012 and is used to pay enforceable obligations of the former Redevelopment Agency (Former Agency). Agency funds are used to account for resources held for the benefit of parties outside of the City. The fiduciary funds are *not* included in the government-wide financial statements because the resources are *not* available to support the City's operations.

The fiduciary funds financial statements can be found on pages 38 through 39 of this report.

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements begin on page 41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$1.8 billion at the close of the current fiscal year.

The largest portion of the City's net position, \$1.2 billion or 64.3%, reflects the City's investment in capital assets less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the City's net position, \$140.6 million or 7.8%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$499.1 million or 27.9%, may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reports positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2013 (Unaudited)

A summary of the government-wide statement of net position follows:

CITY OF SANTA MONICA

Net Position (in millions)

	Governmental activities		Business-type activities		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Current and other assets	\$ 796.3	867.9	193.2	146.8	989.5	1,014.7
Capital assets	784.4	771.3	470.2	469.6	1,254.6	1,240.9
Total assets	<u>1,580.7</u>	<u>1,639.2</u>	<u>663.4</u>	<u>616.4</u>	<u>2,244.1</u>	<u>2,255.6</u>
Current and other liabilities	59.8	99.9	23.9	20.2	83.7	120.1
Long-term liabilities	319.4	279.4	48.6	27.6	368.0	307.0
Total liabilities	<u>379.2</u>	<u>379.3</u>	<u>72.5</u>	<u>47.8</u>	<u>451.7</u>	<u>427.1</u>
Net position:						
Net investment in capital assets	702.4	708.6	450.3	448.0	1,152.7	1,156.6
Restricted	126.8	172.0	13.8	16.0	140.6	188.0
Unrestricted	<u>372.3</u>	<u>379.3</u>	<u>126.8</u>	<u>104.6</u>	<u>499.1</u>	<u>483.9</u>
Total net position	<u>\$ 1,201.5</u>	<u>1,259.9</u>	<u>590.9</u>	<u>568.6</u>	<u>1,792.4</u>	<u>1,828.5</u>

Current and other assets decreased \$25.2 million or 2.5% for the current year. This decrease is due to expenditures of restricted cash on capital projects which included \$20.3 million for Parking Structure 6, and \$29.0 million for Tongva Park and Ken Genser Square. In addition the City paid the Successor Agency residual obligation of \$12.6 million. This liability arose from the dissolution of the Redevelopment Agency for which the Successor Agency had insufficient cash to pay its obligation to the affected tax entities. This was offset by increases in cash of \$23.4 million paid by The Boeing Company and Gillette related to separate pollution settlement agreements. Notes receivable increased \$10.8 million primarily due to funding projects at 430 Pico Boulevard and the Civic Center Village. Two \$10.0 million payments above the City's annual required contribution that were made to CalPERS in FY 2010-11 and FY 2011-12 were recorded as a net pension asset in FY 2012-13. Current and other liabilities decreased \$36.4 million or 30.3% mostly due to a decrease in Due to Successor Agency of \$36.8 million. Long-term liabilities increased \$61.0 million or 19.9% from the prior year primarily due to the increase in Due to the Successor Agency of \$56.8 million related to the settlement agreement with the State. Because the Successor Agency has insufficient funds to make the settlement payments, the City will have to furnish this amount on behalf of the Successor Agency.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2013 (Unaudited)

A summary of the government-wide statement of changes in net position follows:

CITY OF SANTA MONICA Changes in Net Position (in millions)

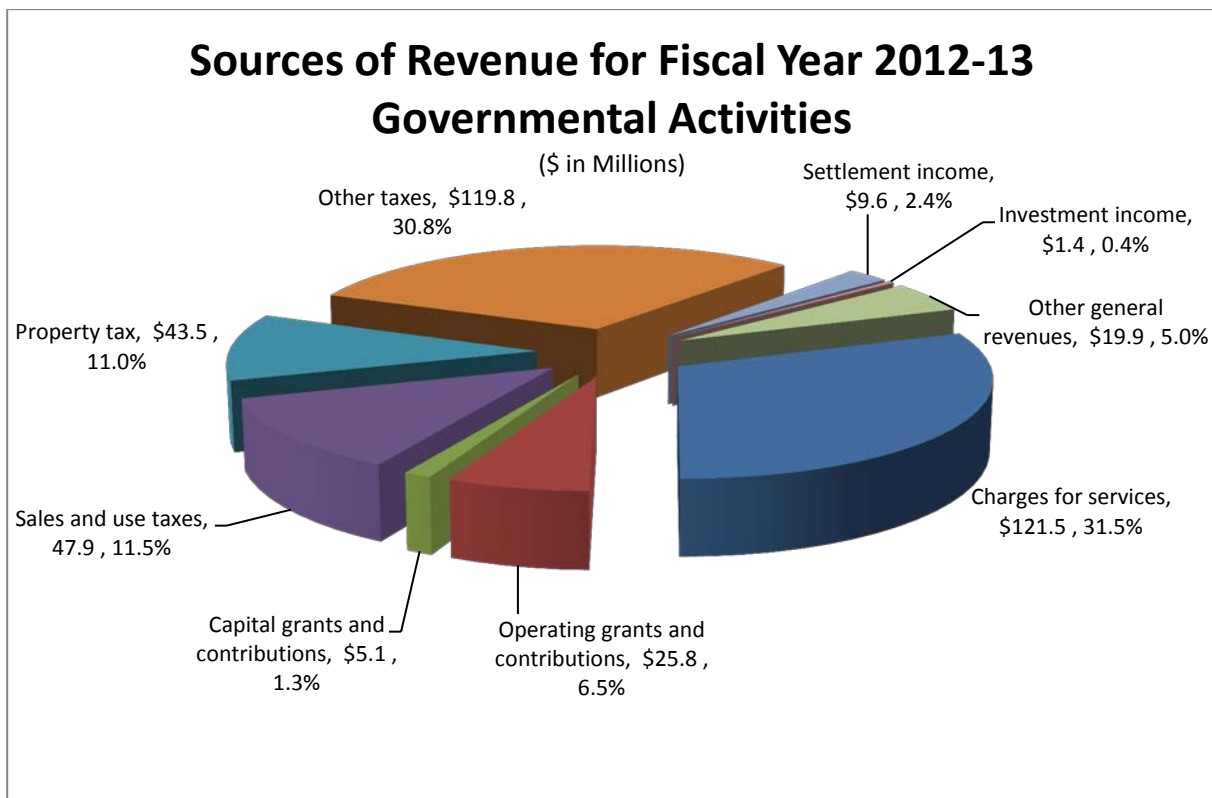
	Governmental activities		Business-type activities		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Revenues						
Program revenues:						
Charges for services	\$ 121.5	106.0	96.8	93.1	218.3	199.1
Operating grants and contributions	25.8	26.7	38.2	38.4	64.0	65.1
Capital grants and contributions	5.1	3.4	21.5	25.6	26.6	29.0
General revenues:						
Sales and use taxes	47.9	45.8	-	-	47.9	45.8
Property taxes	43.5	59.2	-	-	43.5	59.2
Other taxes	119.8	112.2	-	-	119.8	112.2
Settlement income	9.6	3.8	-	-	9.6	3.8
Investment income	1.4	5.8	-	1.1	1.4	6.9
Other general revenues	19.9	120.2	12.6	5.3	32.5	125.5
Total revenues	<u>394.5</u>	<u>483.1</u>	<u>169.1</u>	<u>163.5</u>	<u>563.6</u>	<u>646.6</u>
Expenses						
General government	56.3	65.6	-	-	56.3	65.6
Public safety	103.6	108.2	-	-	103.6	108.2
General services	64.7	55.3	-	-	64.7	55.3
Cultural and recreation	94.6	62.2	-	-	94.6	62.2
Library	16.2	11.9	-	-	16.2	11.9
Housing and community development	54.5	182.0	-	-	54.5	182.0
Interest on long-term debt	3.9	6.6	-	-	3.9	6.6
Water	-	-	20.2	19.7	20.2	19.7
Resource recovery and recycling	-	-	22.7	25.1	22.7	25.1
Pier	-	-	6.2	5.8	6.2	5.8
Wastewater	-	-	16.9	18.2	16.9	18.2
Civic auditorium	-	-	4.7	3.2	4.7	3.2
Airport	-	-	5.2	5.3	5.2	5.3
Storm water management	-	-	0.4	0.4	0.4	0.4
Cemetery	-	-	1.9	1.8	1.9	1.8
Big Blue Bus	-	-	79.2	79.8	79.2	79.8
Parking authority	-	-	0.3	0.3	0.3	0.3
Total expenses	<u>393.8</u>	<u>491.8</u>	<u>157.7</u>	<u>159.6</u>	<u>551.5</u>	<u>651.4</u>
Excess (deficiency) of revenues over expenses before extraordinary items and transfers	0.7	(8.7)	11.4	3.9	12.1	(4.8)
Extraordinary gain (loss)	(48.2)	261.3	-	-	(48.2)	261.3
Transfers	(10.9)	(6.1)	10.9	6.1	-	-
Change in net position	<u>(58.4)</u>	<u>246.5</u>	<u>22.3</u>	<u>10.0</u>	<u>(36.1)</u>	<u>256.5</u>
Beginning net position	1,259.9	1,013.4	568.6	558.6	1,828.5	1,572.0
Ending net position	<u>\$ 1,201.5</u>	<u>1,259.9</u>	<u>590.9</u>	<u>568.6</u>	<u>1,792.4</u>	<u>1,828.5</u>

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2013
(Unaudited)

Governmental Activities. Governmental activities decreased the City's governmental activities net position by \$58.4 million, or 4.6%, for the current fiscal year. This decrease in governmental activities net position is due in part to increases in cultural and recreation and general services expenses of \$32.5 million and \$9.3 million, respectively.

Revenue Sources: Governmental Activities. As shown in the chart below, the top five sources of revenue account for 91.3% of total revenues. They are charges for services at \$121.5 million, other taxes at \$119.8 million, sales and use taxes at \$47.9 million, property taxes at \$43.5 million, and operating grants and contributions of \$25.8 million.



Explanations of significant variances in key revenue sources from the prior year are explained below:

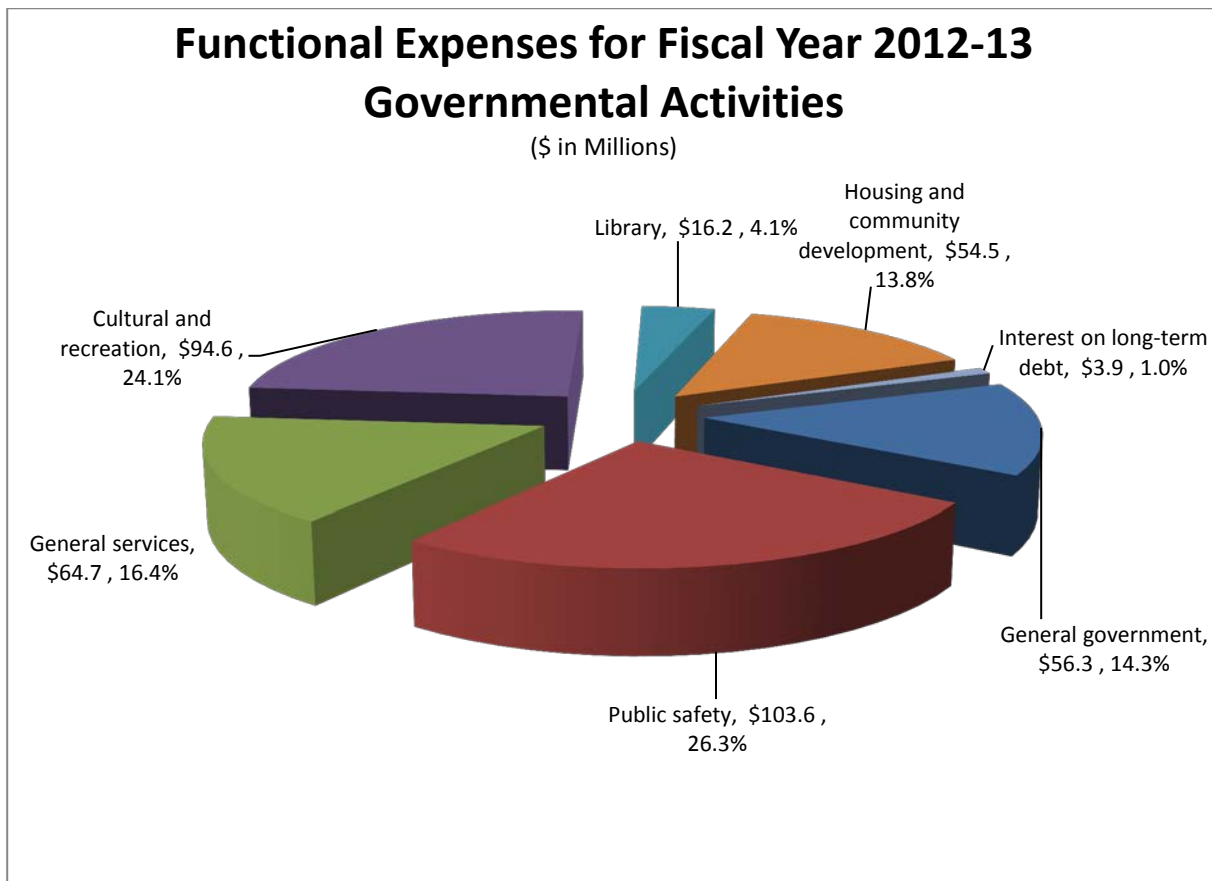
1. **Charges for services** increased by \$15.5 million from the prior year primarily due a \$11.5 million increase in housing and community development fees, \$2.9 million increase in general government fees during the fiscal year, and \$1.8 million increase in cultural and recreation services fees collected during the fiscal year.
2. **Other taxes** increased by \$7.6 million from the prior year due to increased transient occupancy taxes of \$4.9 million from year over year increases in tourism, increased real property transfer taxes of \$0.8 million from an improved real estate market and increased property transfers, and higher business license taxes of \$1.1 million reflecting sustained improved economic conditions and realization of a full year impact of Santa Monica Place reopening.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2013
(Unaudited)

3. **Sales taxes** increased by \$2.1 million from the prior year mainly due to a \$1.7 million increase in transaction and use taxes and a \$0.3 million increase in sales taxes in-lieu collected during the fiscal year.
4. **Property taxes** decreased by \$15.7 million from the prior year, which reflects a full year impact in the decrease of tax increment revenues due to the dissolution of the Redevelopment Agency on February 1, 2012.
5. **Operating grants and contributions** decreased by \$0.9 million from the prior year, which is due to the City's decrease in funding related to general government and cultural and recreation services grants of \$1.9 million combined, which was offset by increases in funding of general services and housing and community development grants of \$1.0 million combined.

Functional Expenses: Governmental Activities. As displayed in the chart below, public safety, cultural and recreation, general government and general services accounted for 81.1% of total governmental activity-related expenses.



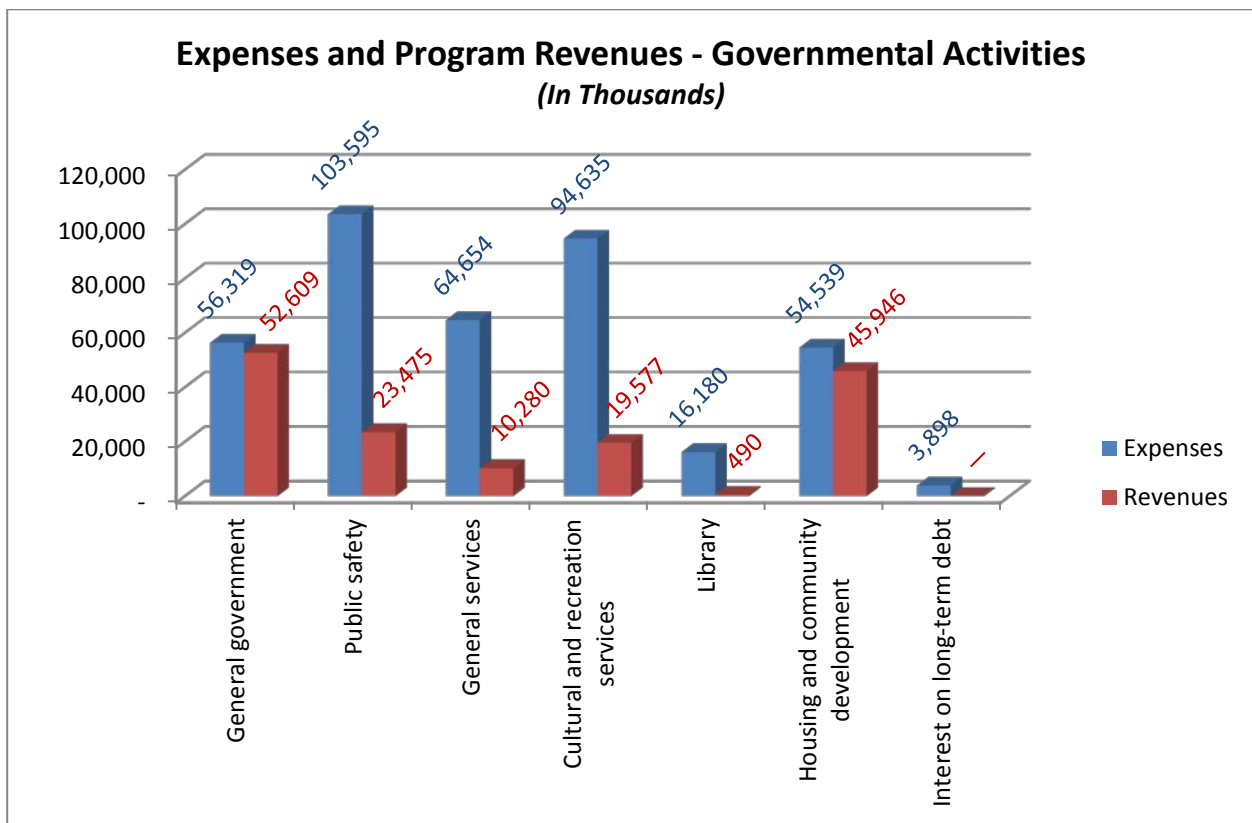
CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2013
(Unaudited)

Explanations of significant variances in key City functions from the prior year are explained below:

1. **Housing and community development** expenses decreased \$127.5 million from prior year due in part to the dissolution of the Redevelopment Agency and transfer of its related capital improvement projects from the City to the Successor Agency in the prior year.
2. **General services** expenses increased by \$9.4 million mainly due to capital contributions related to the Exposition Light Rail project.
3. **Cultural and recreation** expenses increased by \$32.4 million mainly due to significant capital contributions related to the Exposition Light Rail project of \$27.4 million. Additionally, there was an increase of \$1.6 million in Santa Monica-Malibu Unified School District (SMMUSD) joint use agreement and transaction and use tax allocations during the fiscal year.

Program Expenses: Governmental Activities. The following chart compares program revenues and expenses for governmental activities:



Business-type Activities. The City's business-type activities net position increased by \$22.2 million, or 3.9%, from the prior year. The increase in net position is primarily due to increases in sources of other income and net transfers-in from governmental activities. The increase in other income is related to sale of capital assets including proceeds of \$4.7 million related to the sale of Big Blue Bus assets. The increase in transfers-in was primarily due to a year-end transfer of approximately \$12.3 million in

CITY OF SANTA MONICA, CALIFORNIA

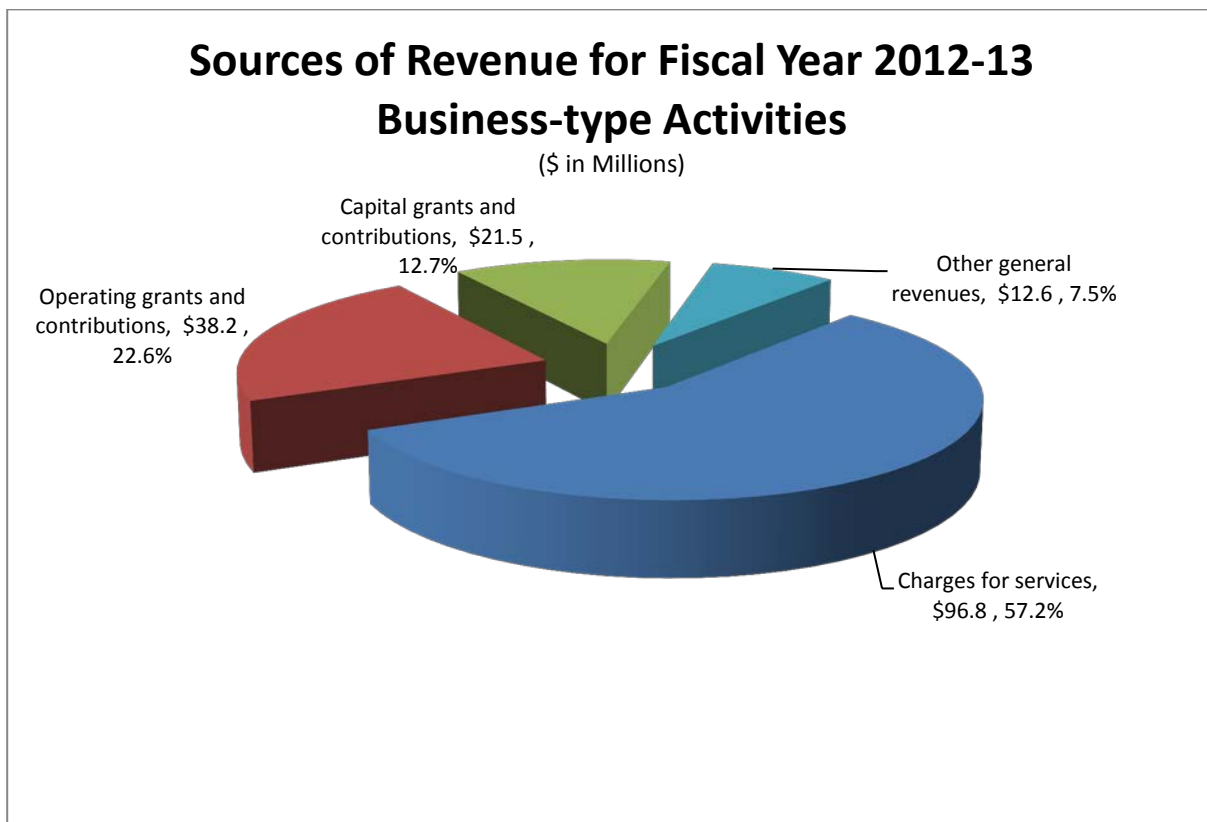
Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2013 (Unaudited)

net position related to the reassignment of pollution remediation activities from the Special Revenue Source Fund (governmental activities) to the Water Fund (business-type activities).

Revenue Sources: Business-type activities. As shown in the chart below, the top three sources of revenue, charges for services, operating and capital grants and contributions, account for 92.5% of total business-type revenues of \$169.1 million. Key elements for variances from prior year are as follows:

1. Charges for services for the Water Fund increased by \$2.4 million due to Council-approved water rate increases.
2. Charges for services for the Wastewater Fund increased by \$1.1 million due to Council-approved sewer rate increases.
3. Charges for services for the Resource Recovery and Recycling Fund increased by \$1.3 million due to Consumer Price Index increases and the forfeiture of waste management plan construction and demolition deposits.
4. Charges for services for the Pier Fund decreased by \$1.4 million due primarily to the reversal of revenue inadvertently recorded twice in the previous fiscal year.

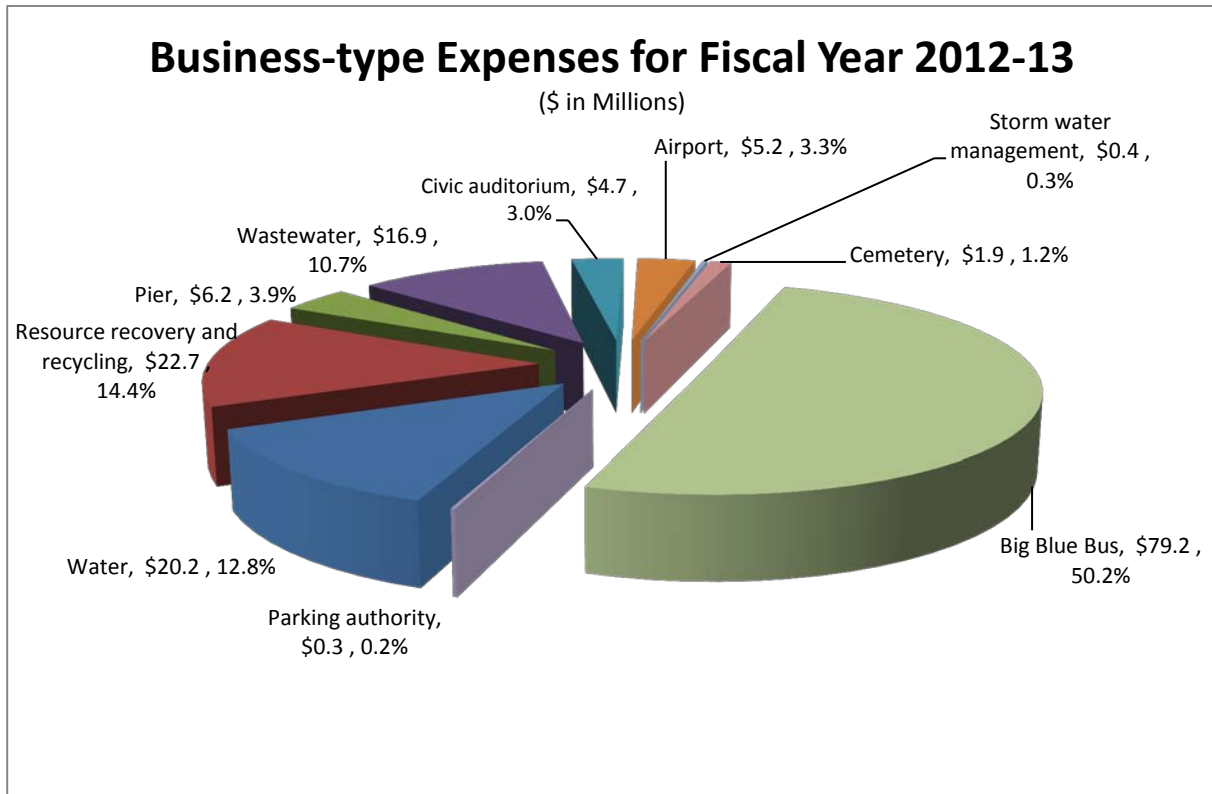
The below chart displays the key sources of revenue for business-type activities as a percentage of total revenues:



CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2013
(Unaudited)

Business-type Expenses: Business Activities. As displayed in the chart on the following page, the Big Blue Bus, Resource Recovery and Recycling, Water and Wastewater enterprise funds accounted for 88.1% of total business-type activity expenses. Other business-type activities of the City include the Airport, Pier, Civic Auditorium, Cemetery and Mausoleum, Storm Water management, and Parking Authority funds.



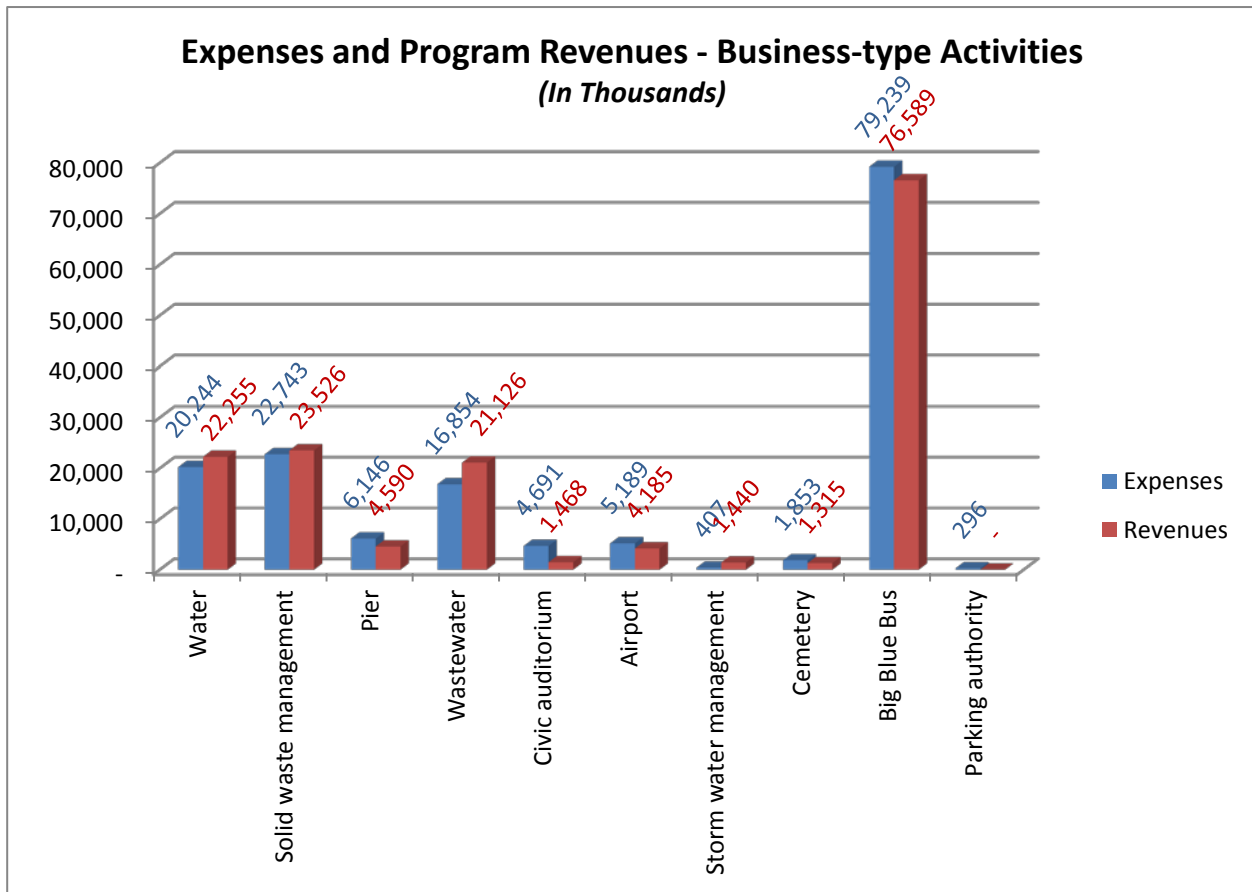
Explanations of significant variances in major business-type activity expenses from the prior year are explained below:

1. A decrease of \$2.4 million in expenses for the Resource Recovery and Recycling enterprise fund is due to \$0.8 million in decreased recycling and disposal fees, decreased retirement expenses of \$0.9 million, and decreased vehicle maintenance costs of \$0.7 million.
2. A decrease of \$1.3 million in expenses for the Wastewater enterprise fund is due primarily to the capitalization of Hyperion water treatment payments for processing and hauling expenses related to the closure of the City's Transfer Station as well as increased recycling and disposal fees.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2013
(Unaudited)

Program Expenses: Business-type Activities. The following chart compares program revenues and expenses for business-type activities:



FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

As noted earlier, the City uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements.

At the end of the current fiscal year, the City's governmental funds reported total fund balances of \$558.9 million, a decrease of \$37.6 million, or 6.3% in comparison with the prior year.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2013 (Unaudited)

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$384.2 million.

The General Fund fund balance decreased \$32.0 million, or 7.7%, during the fiscal year ended June 30, 2013. Key factors in changes in revenues and expenditures from the prior year are as follows:

1. Revenues reflect a net decrease of \$102.6 million, or 23.6%, over the prior fiscal year primarily from decreases in investment income of \$3.6 million, or 100.1%, settlement income of \$5.8 million, or 19.8%, and other income of \$107.8 million, or 93.0%. The decrease in other income is due to revenue recognition of the City's Master Cooperation Agreement with the Redevelopment Agency in FY 2011-12. The total General Fund revenue decrease was partially offset by an increase in other taxes of \$7.6 million, or 7.0%. Total General Fund revenues were \$332.2 million for FY 2012-13.
2. Expenditures were \$12.6 million, or 3.8%, greater than the prior fiscal year primarily due to increases in expenditures for housing and community development of \$31.9 million, or 79.3%, library of \$3.6 million, or 31.5%, and cultural and recreation services of \$1.5 million, or 3.1%. The increase in housing and community development is due mainly to the construction of the new Tongva Park and Ken Genser Square adjacent to City Hall. The total General Fund expenditures increase was offset in part by a decrease in general services of \$21.5 million, or 33.6%, and general government of \$1.9 million, or 3.0%. Total General Fund expenditures were \$346.6 million for FY 2012-13.

Special Revenue Source Fund

The Special Revenue Source Fund fund balance decreased by \$1.9 million, or 4.1%, from the prior year. This was due primarily to revenue increases in settlement income of \$24.8 million, or 612.8%, and other income of \$13.3 million, or 658.5%. Also, transfers in increased by \$3.5 million, or 100.0%. These revenue increases were offset by increases in transfers out of \$12.4 million or 1,670% due to the reassignment of pollution liability of \$21.3 million and housing and community development expenditures of \$8.1 million, or 326.8%.

Nonmajor Governmental Funds

All non-major governmental funds' fund balance decreased \$3.6 million, or 2.7%, from the previous fiscal year. This fund balance decrease is due primarily to a decrease in transfers in of \$78.3 million, or 89.5%. In addition, there were increases in housing and community development expenditures of \$44.0 million, or 63.9%, debt service principal payments of \$5.5 million, or 62.2%, and interest expense of \$6.1 million, or 60.6%. The fund balance decrease is offset by a decrease in transfers out of \$66.2 million, or 91.4%.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total net position of the enterprise funds increased \$25.3 million, or 4.8%. This was due in part to an increase in charges for services of \$3.7 million, or 4.0%. In addition, expenses decreased in personnel services by \$2.9 million, or 4.6%, contractual services by \$1.0 million, or 7.1%, materials

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2013 (Unaudited)

and supplies by \$2.1 million, or 8.9%, and depreciation expense by \$0.9 million, or 4.0%. Also, net position was affected by the following: increases in gain on disposal of capital assets of \$1.6 million, or 1,091.3%, transfers in of \$2.4 million, or 16.3%, and decrease in capital contributions of \$0.9 million, or 3.5%, and transfers out of \$1.5 million, or 18.4%.

Water Fund

The Water Fund was not a major fund in FY 2011-12, but is a major fund in FY 2012-13. Total net position of the Water Fund increased \$17.1 million, or 45.1%, due to increases of charges for services of \$2.4 million, or 11.8%, and of capital contributions of \$3.2 million, or 100.0%. In addition, transfers in increased by \$12.3 million, or 7,735.8%.

Wastewater Enterprise Fund

The total net position of the Wastewater Fund increased \$4.9 million, or 2.5%, mainly due to an increase in charges for services of \$1.1 million, or 5.6%, and a decrease in operating expenses of \$1.0 million, or 6.0%.

Airport Fund

The total net position of the Airport Fund increased \$0.8 million, or 17.8%.

Big Blue Bus Enterprise Fund

Total net position of the Big Blue Bus Fund increased \$6.9 million, or 2.8%. This was due to decreases in expenses in materials and supplies of \$2.2 million, or 16.1%, in depreciation expense of \$1.1 million, or 8.1%, and in personnel services of \$0.9 million, or 2.1%. Also, nonoperating revenues increased mostly due to a gain on disposal of capital assets of \$3.8 million, or 2651.0%. This was offset by an increase in expenses of casualty property and liability costs of \$1.8 million, or 172.9%, and decrease in capital contributions of \$4.2 million, or 16.1%.

General Fund Budgetary Highlights

Differences between the original budget versus the final amended budget and the final amended budget versus the actual are briefly summarized as follows:

The final revenue budget exceeds the original budget by \$4.2 million. Actual total revenues were greater than final budget totals by \$35.0 million. This was partially due to settlement income, property tax, sales tax, other tax, and license and permits revenues exceeding final budget by \$23.4 million, \$3.2 million, \$1.3 million, \$2.4 million, and \$2.2 million, respectively. Actual investment income revenue fell short of budget by \$2.0 million.

The final expenditure budget is greater than the original budget by \$190.3 million. The increase is comprised primarily of \$184.3 million of capital improvement projects included in the final expenditure budget, which includes Tongva Park and Ken Genser Square, Civic Auditorium renovation, and Parking Structure 6 construction budgets for \$35.2 million, \$51.3 million, and \$32.6 million, respectively. Final actual budgetary basis expenditures came in under final budget by \$36.1 million due to controlled spending for capital improvement projects, salaries, and other direct and indirect administrative costs.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2013
(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets as of June 30, 2013, amounted to \$1.3 billion (net of accumulated depreciation) an increase of \$13.6 million from the prior year balance. This investment in a broad range of capital assets, including land, infrastructure, structures and improvements, equipment, and construction in progress, is detailed as follows:

CITY OF SANTA MONICA Capital Assets (net of depreciation) (in millions)

	Governmental activities		Business-type activities		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Land	\$ 199.9	199.9	71.4	72.2	271.3	272.1
Land held under easement	72.2	72.2	-	-	72.2	72.2
Buildings	210.4	217.8	106.6	111.1	317.0	328.9
Improvements other than buildings	40.8	30.6	7.3	6.4	48.1	37.0
Machinery and equipment	10.0	8.8	54.4	52.8	64.4	61.6
Infrastructure	152.0	160.7	134.1	140.1	286.1	300.8
Utility systems	1.3	1.4	-	-	1.3	1.4
Intangibles	-	3.3	64.7	61.4	64.7	64.7
Construction in progress	97.8	76.6	31.7	25.6	129.5	102.2
Capital assets, net	<u>\$ 784.4</u>	<u>771.3</u>	<u>470.2</u>	<u>469.6</u>	<u>1,254.6</u>	<u>1,240.9</u>

Some of the City's major capital asset events in the FY2012-13 were:

Governmental Activities:

1. \$19.8 million increase in construction in progress related to the construction of Parking Structure 6.
2. \$29.1 million increase in construction in progress for the development of the Tongva Park and Ken Genser Square, a new six-acre park and one-acre park, respectively, that are oriented to civic and community activities.
3. \$3.4 million increase in construction in progress for the new Pico Branch Library.

Business-Type Activities:

1. \$2.2 million increase in intangibles for the capital payments made to the City of Los Angeles for Santa Monica's shared cost of the Hyperion Plant amalgamated water system in the Wastewater Fund.
2. \$1.9 million increase in construction in progress to upgrade sewer pipelines at various locations throughout the City in the Wastewater Fund.
3. \$10.2 million increase in machinery and equipment for the purchase of twenty new 40 foot buses.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued For the fiscal year ended June 30, 2013 (Unaudited)

4. \$2.4 million spent for the purchase of the Big Blue Bus Farebox System.
5. \$1.6 million increase in construction in progress related to the construction of Parking Structure 6 in the Parking Authority Fund.

Additional information on the City's capital assets can be found in note 7 to the basic financial statements.

Long-term Debt. At the end of the current fiscal year, the City's total long-term debt outstanding was \$116.6 million, a decrease from the prior year of \$5.3 million or 4.4%. This amount was comprised of \$102.8 million of revenue bonds, which are secured by both governmental and business-type revenue sources, \$11.3 million of general obligation bonds which are backed by the full faith and credit of the City, and \$2.5 million of various notes and loans payable. This is shown in the following table:

CITY OF SANTA MONICA Outstanding Debt (in millions)

	Governmental activities		Business-type activities		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
General obligation bonds (backed by the City)	\$ 11.3	11.3	-	-	11.3	11.3
Revenue bonds (backed by specific tax, fee and lease revenues)	84.3	87.6	18.5	20.3	102.8	107.9
Notes and loans	0.4	0.4	2.1	2.3	2.5	2.7
Total	<u>\$ 96.0</u>	<u>99.3</u>	<u>20.6</u>	<u>22.6</u>	<u>116.6</u>	<u>121.9</u>

On October 9, 2012, Moody's Investor Services issued a statement that the debt ratings of 32 California cities would come under review. On December 17, 2012, Moody's downgraded the City's Lease Revenue Bonds to Aa2 from Aa1 citing Moody's opinion that a two notch rating distinction between the City's Aaa general obligation bond rating and the Aa2 lease-backed obligation generally reflects the value of the security pledge for the lease-backed obligations. These bonds include the Public Financing Authority Lease Revenue Refunding Bonds, Series 2011A and 2009 (Public Safety Facility Project), and Series 2004 (Civic Center Parking Project).

On December 16, 2013, Moody's Investors Service upgraded the City's Wastewater 2005 revenue bonds to Aa1 from Aa2, affecting about \$11.3 million of outstanding bond debt. The Wastewater Enterprise Fund has an additional \$9.0 million in subordinate revenue bonds not rated by Moody's, which is secured by lien on the net revenues of the Wastewater Fund.

Additional information on the City's long-term debt can be found in note 9 to the basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Management's Discussion and Analysis, Continued
For the fiscal year ended June 30, 2013
(Unaudited)

ECONOMIC FACTORS AND BIENNIAL BUDGET

The City's adopted General Fund budget for FY 2011-13 supports the basic responsibilities of local government, the policy interests of City Council Members and diverse concerns of the residents. Management feels that there are adequate resources available to fund the proposed expenditures.

In preparing the budget for FYs 2013-15, many factors were taken into consideration:

- Due to the dissolution of the Redevelopment Agency, two major projects, the Civic Center Joint Use Program with the Santa Monica-Malibu Unified School District and the rehabilitation of the Civic Auditorium, were suspended. The Civic Auditorium facility was closed.
- Continuing increases in health care, pension, and workers' compensation costs.
- Continued increases in the City's five major tax sources, Transient Occupancy (TOT), Sales, Property, Utility Users, and Business License revenues due to an improving economy.
- Increased revenue resulting from City Council approval of a number of new fees and revised rates for existing user fee resulting from a comprehensive City-wide fee study, new park trainer fees, filming fees from interim use of the Civic Auditorium, auctioning used computer equipment, a new passport processing service, and new non-resident Library access fees.
- Installing 350 parking meters in various areas of the City and extending parking meter enforcement hours in high traffic areas to increase revenues.
- Continued expansion of the City's fiber optic network, CityNet. Not only is this entrepreneurial effort anticipated to increase revenue, but it is also helping local businesses compete in the global economy.
- Implement the Land Use and Circulation Element (LUCE) to the Downtown Specific Plan and the Bergamot Area Plan.
- Engage with Metro, EXPO and the community to ensure that the EXPO light rail project is well integrated into the City by its opening in 2016.
- Develop a Wellbeing Index that will define, measure, and improve conditions needed for optimal human development in City.
- Continued support of education.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This management's discussion and analysis is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions or need additional financial information, please visit the City of Santa Monica's Finance Department website at www.smgov.net/finance or call (310) 458-8281.

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City of Santa Monica, California
Year Ended June 30, 2013

Basic Financial Statements

CITY OF SANTA MONICA, CALIFORNIA
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (note 5)	\$ 344,139,048	137,796,982	481,936,030
Receivables (net of allowances for uncollectibles):			
Accounts	65,616,604	33,470,351	99,086,955
Interest	710,073	232,062	942,135
Property taxes	816,293	-	816,293
Notes (note 6)	118,828,035	-	118,828,035
Other governments	10,463,622	-	10,463,622
Internal balances	15,992,575	(15,992,575)	-
Inventory	-	2,007,922	2,007,922
Due from Successor Agency (note 11)	1,080,136	-	1,080,136
Deposits	61,785	-	61,785
Prepays	770,693	52,853	823,546
Net pension asset (note 16)	13,931,950	4,091,040	18,022,990
Restricted cash and investments (note 5)	156,997,701	31,019,920	188,017,621
Restricted cash and investments with fiscal agent (note 5)	32,821,539	182,825	33,004,364
Advances to Successor Agency (note 11)	32,796,127	-	32,796,127
Bond issuance costs, net	1,286,847	333,492	1,620,339
Capital assets (note 7):			
Capital assets not being depreciated:			
Land	199,875,024	71,422,212	271,297,236
Land held under easement	72,237,823	-	72,237,823
Construction in progress	97,775,717	31,698,203	129,473,920
Capital assets being depreciated:			
Buildings	286,691,221	148,140,137	434,831,358
Improvements other than buildings	91,508,905	27,551,915	119,060,820
Utility systems	1,742,913	-	1,742,913
Machinery and equipment	39,230,284	166,539,407	205,769,691
Infrastructure	331,410,087	204,438,070	535,848,157
Intangibles	-	88,399,787	88,399,787
Less accumulated depreciation	(336,077,693)	(268,036,285)	(604,113,978)
Total capital assets, net	784,394,281	470,153,446	1,254,547,727
TOTAL ASSETS	1,580,707,309	663,348,318	2,244,055,627
LIABILITIES			
Accounts payable	18,266,044	5,338,591	23,604,635
Accrued liabilities	9,586,164	3,700,513	13,286,677
Accrued interest payable	1,147,179	311,612	1,458,791
Contracts payable (retained percentage)	3,621,545	98,568	3,720,113
Unearned revenue (note 8)	26,545,525	4,360,531	30,906,056
Deposits payable from restricted assets	629,328	10,109,770	10,739,098
Long-term liabilities:			
Compensated absences due within one year (note 9)	7,233,696	2,429,328	9,663,024
Compensated absences due in more than one year (note 9)	4,821,706	1,102,949	5,924,655
Claims payable due within one year (notes 9 and 15)	7,677,548	2,149,840	9,827,388
Claims payable due in more than one year (notes 9 and 15)	25,501,386	1,794,183	27,295,569
Due to Successor Agency within one year (note 17)	14,196,057	-	14,196,057
Due to Successor Agency in more than one year (note 17)	42,588,172	-	42,588,172
Loans and bonds payable due within one year (note 9)	6,120,000	2,055,151	8,175,151
Loans and bonds payable due in more than one year (note 9)	93,837,586	17,753,091	111,590,677
Pollution remediation obligation due within one year (note 4)	574,009	3,080,986	3,654,995
Pollution remediation obligation due in more than one year (note 4)	99,671,601	18,173,922	117,845,523
Other long-term liability (note 4)	8,704,750	-	8,704,750
Accrued OPEB liability (note 16)	8,480,000	-	8,480,000
TOTAL LIABILITIES	379,202,296	72,459,035	451,661,331
NET POSITION			
Net investment in capital assets	702,392,065	450,345,204	1,152,737,269
Restricted for (note 12):			
Housing and community development	79,675,159	-	79,675,159
Clean beaches and ocean parcel tax	4,055,361	-	4,055,361
Miscellaneous grants	12,758,159	-	12,758,159
Debt service	5,038,416	-	5,038,416
Development projects	15,080,757	-	15,080,757
Perpetual care - nonexpendable	10,220,091	-	10,220,091
Rail system and Prop 1B	-	13,739,411	13,739,411
Unrestricted	372,285,005	126,804,668	499,089,673
TOTAL NET POSITION	\$ 1,201,505,013	590,889,283	1,792,394,296

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
Statement of Activities
For the fiscal year ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 56,319,178	51,075,759	1,533,319	-	(3,710,100)	-	(3,710,100)
Public safety	103,594,567	21,329,504	2,135,118	10,126	(80,119,819)	-	(80,119,819)
General services	64,654,131	2,463,402	3,417,208	4,399,335	(54,374,186)	-	(54,374,186)
Cultural and recreation services	94,635,112	17,921,711	1,655,282	-	(75,058,119)	-	(75,058,119)
Library	16,179,779	486,204	3,344	-	(15,690,231)	-	(15,690,231)
Housing and community development	54,539,141	28,217,736	17,054,609	673,386	(8,593,410)	-	(8,593,410)
Interest on long-term debt	3,898,325	-	-	-	(3,898,325)	-	(3,898,325)
Total governmental activities	393,820,233	121,494,316	25,798,880	5,082,847	(241,444,190)	-	(241,444,190)
Business-Type Activities:							
Water	20,244,099	22,254,867	-	-	-	2,010,768	2,010,768
Resource recovery and recycling	22,743,427	23,526,423	-	-	-	782,996	782,996
Pier	6,145,567	4,589,503	-	-	-	(1,556,064)	(1,556,064)
Wastewater	16,853,861	21,126,054	-	-	-	4,272,193	4,272,193
Civic auditorium	4,691,051	1,468,300	-	-	-	(3,222,751)	(3,222,751)
Airport	5,188,707	4,185,172	-	-	-	(1,003,535)	(1,003,535)
Storm water management	406,721	1,439,522	-	-	-	1,032,801	1,032,801
Cemetery	1,852,839	1,315,119	-	-	-	(537,720)	(537,720)
Big Blue Bus	79,238,668	16,869,809	38,229,718	21,489,216	-	(2,649,925)	(2,649,925)
Parking authority	295,651	-	-	-	-	(295,651)	(295,651)
Total business-type activities	157,660,591	96,774,769	38,229,718	21,489,216	-	(1,166,888)	(1,166,888)
Total Primary Government	\$ 551,480,824	218,269,085	64,028,598	26,572,063	(241,444,190)	(1,166,888)	(242,611,078)
General revenues:							
Taxes:							
Business					28,467,477	-	28,467,477
Property					43,477,118	-	43,477,118
Transient occupancy					40,997,090	-	40,997,090
Utility users					31,449,862	-	31,449,862
Real property transfer					6,026,515	-	6,026,515
Parking facility tax					9,954,296	-	9,954,296
Other taxes					2,908,722	-	2,908,722
Settlement income					9,608,247	-	9,608,247
Motor vehicle in lieu, unrestricted					47,521	-	47,521
Sales and use taxes					47,880,634	-	47,880,634
Other revenues					19,917,250	12,540,746	32,457,996
Investment income					1,431,317	11,259	1,442,576
Extraordinary loss (note 17)					(48,185,126)	-	(48,185,126)
Transfers					(10,863,258)	10,863,258	-
Total general revenues, extraordinary loss and transfers					183,117,665	23,415,263	206,532,928
Change in net position					(58,326,525)	22,248,375	(36,078,150)
Net position, beginning					1,259,831,538	568,640,908	1,828,472,446
Net position, ending					\$ 1,201,505,013	590,889,283	1,792,394,296

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Major Governmental Fund Financial Statements

General Fund – To account for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General Fund supports essential City services such as police and fire protection, street maintenance, libraries, parks and open space management.

Special Revenue Source Fund (Capital Projects Fund Type) – To account for receipt and expenditure of monies restricted, committed or assigned for specific uses, primarily capital projects.

CITY OF SANTA MONICA, CALIFORNIA

Balance Sheet Governmental Funds June 30, 2013

		Capital Projects Fund		
	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
ASSETS				
Cash and investments (note 5)	\$ 235,213,619	30,048,618	26,266,752	291,528,989
Restricted cash and investments (note 5)	143,319,680	-	13,678,021	156,997,701
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	60,617,642	20,343	719,802	61,357,787
Notes (note 6)	10,570,360	34,341,141	73,916,534	118,828,035
Property taxes	816,293	-	-	816,293
Interest	514,469	2,797	118,789	636,055
Other governments	1,419,605	-	9,044,017	10,463,622
Due from other funds (note 11)	761,420	-	7,077,119	7,838,539
Due from Successor Agency (note 11)	1,080,136	-	-	1,080,136
Deposits	58,528	-	3,257	61,785
Prepays	652,427	-	33,863	686,290
Restricted cash and investments with fiscal agent (note 5)	14,060,201	-	18,761,338	32,821,539
Advances to other funds (note 11)	17,406,692	-	-	17,406,692
Advances to Successor agency (note 11)	22,759,012	-	10,037,115	32,796,127
Total assets	<u>\$ 509,250,084</u>	<u>64,412,899</u>	<u>159,656,607</u>	<u>733,319,590</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 15,873,412	670,017	1,611,415	18,154,844
Accrued liabilities	9,030,457	-	371,519	9,401,976
Contracts payable (retained percentage)	3,331,754	3,870	285,921	3,621,545
Due to other funds (note 11)	5,919,525	-	1,898,989	7,818,514
Due to Successor Agency (note 11)	16,875,634	-	5,919,526	22,795,160
Deferred revenue (note 8)	73,502,364	19,089,730	15,563,218	108,155,312
Deposits payable	475,843	-	153,485	629,328
Advances from other funds (note 11)	-	-	3,842,973	3,842,973
Total liabilities	<u>125,008,989</u>	<u>19,763,617</u>	<u>29,647,046</u>	<u>174,419,652</u>
Fund balances (note 13)				
Nonspendable	22,179,119	19,400,000	12,124,610	53,703,729
Restricted	23,808,940	15,080,757	109,772,105	148,661,802
Committed	519,506	4,320,854	51,975	4,892,335
Assigned	220,409,168	5,847,671	9,209,803	235,466,642
Unassigned	117,324,362	-	(1,148,932)	116,175,430
Total fund balances	<u>384,241,095</u>	<u>44,649,282</u>	<u>130,009,561</u>	<u>558,899,938</u>
Total liabilities and fund balances	<u>\$ 509,250,084</u>	<u>64,412,899</u>	<u>159,656,607</u>	<u>733,319,590</u>

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position
June 30, 2013

Fund balances - total governmental funds	\$ 558,899,938
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Amounts reported for governmental activities in the statement of net position are different because (Note 3):

- | | |
|--|---------------|
| (1) Capital assets used in governmental activities are not current financial resources and therefore are not reported in the balance sheet. | 784,070,339 |
| (2) Bond issuance costs to be amortized over the life of the debt. | 1,286,847 |
| (3) The net pension asset for governmental activities is not a current financial resource and therefore is not reported in the balance sheet. | 13,823,748 |
| (4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the balance sheet. | (264,579,596) |
| (5) Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the statement of activities. | 85,868,604 |
| (6) Internal service funds are used by management to charge the costs of vehicle management, information technology and risk management to individual funds. The assets and liabilities of the information technology and risk management (excluding bus) internal service funds are included in the governmental activities in the statement of net position. | 22,135,133 |

Net position of governmental activities	<u>\$ 1,201,505,013</u>
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See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2013

		Capital Projects Fund		
	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
Revenues:				
Property taxes	\$ 44,392,416	-	-	44,392,416
Sales taxes	47,880,634	-	-	47,880,634
Other taxes	116,011,858	-	2,971,663	118,983,521
Licenses and permits	33,692,704	-	84,863	33,777,567
Intergovernmental	362,434	-	26,057,826	26,420,260
Charges for services	34,495,715	1,029,909	15,242,321	50,767,945
Fines and forfeitures	15,303,990	-	-	15,303,990
Investment income	(2,906)	(12,101)	1,534,583	1,519,576
Rental income	8,603,344	-	1,240,289	9,843,633
Settlement income	23,433,176	28,854,228	-	52,287,404
Other	8,071,504	15,331,323	2,116,138	25,518,965
Total revenues	332,244,869	45,203,359	49,247,683	426,695,911
Expenditures:				
Current:				
General government	61,881,527	-	368,948	62,250,475
Public safety	103,593,583	206	872,402	104,466,191
General services	42,425,213	5,574,057	10,015,235	58,014,505
Cultural and recreation services	51,717,096	24,667	12,362,962	64,104,725
Library	14,862,099	-	18,835	14,880,934
Housing and community development	72,159,786	10,636,230	24,903,023	107,699,039
Debt service expenditures:				
Principal	-	-	3,365,000	3,365,000
Interest	-	-	3,942,925	3,942,925
Total expenditures	346,639,304	16,235,160	55,849,330	418,723,794
Excess (deficiency) of revenues over (under) expenditures	(14,394,435)	28,968,199	(6,601,647)	7,972,117
Other financing sources (uses):				
Transfers in (note 11)	9,214,611	3,500,000	9,191,672	21,906,283
Transfers out (note 11)	(12,640,305)	(13,141,040)	(6,228,743)	(32,010,088)
Total other financing sources (uses)	(3,425,694)	(9,641,040)	2,962,929	(10,103,805)
Special and extraordinary items:				
Special item - pollution remediation obligation (note 4)	-	(21,254,908)	-	(21,254,908)
Extraordinary item - payment to the Successor Agency (note 17)	(14,196,057)	-	-	(14,196,057)
Total special and extraordinary items	(14,196,057)	(21,254,908)	-	(35,450,965)
Net change in fund balances	(32,016,186)	(1,927,749)	(3,638,718)	(37,582,653)
Fund balances at the beginning of year	416,257,281	46,577,031	133,648,279	596,482,591
Fund balances at end of year	\$ 384,241,095	44,649,282	130,009,561	558,899,938
See accompanying notes to basic financial statements.				

CITY OF SANTA MONICA, CALIFORNIA

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities

For the fiscal year ended June 30, 2013

Net change in fund balances – total governmental funds	\$	(37,582,653)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets:

- | | | |
|--|--|--------------|
| 1) The acquisition of capital assets requires the use of current financial resources but has no effect on net position. | | 65,054,429 |
| 2) The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities. | | (23,296,063) |
| 3) The loss on disposal of capital assets is recorded as an expense in the statement of activities but is not recorded in the fund statements. | | (27,361,415) |
| 4) The transfer of capital assets used to support the operations of a governmental fund to an enterprise fund is recorded as a transfer in the statement of activities but is not recorded in the fund statements. | | (3,232,396) |
| 5) The transfer of capital assets from an enterprise fund to support the activities of a governmental fund is recorded as a transfer on the statement of activities but is not recorded on the fund statements. | | 2,173,673 |

Measurement focus:

- | | | |
|--|--|--------------|
| 6) Change in accrued interest payable. | | 44,598 |
| 7) Principal payments on long-term bonded debt use current financial resources but have no effect on net position. | | 3,365,000 |
| 8) Bond premiums are recorded as other financing sources in the fund statements but are amortized in the statement of activities. | | 373,311 |
| 9) Bond discounts are recorded as other financing uses in the fund statements but are amortized in the statement of activities. | | (2,450) |
| 10) Costs of issuance are recorded as an expenditure in the fund statements but are amortized in the statement of activities. | | (167,975) |
| 11) Deferred loss on refunding is amortized in the statement of activities. | | (67,817) |
| 12) The increase in compensated absences liability does not use current financial resources but is recorded as an increase in expense in the statement of activities. | | (723,877) |
| 13) Interest income related to interfund loans is recorded as revenue in the statement of activities but are deferred in the fund statements. | | 5,260,848 |
| 14) Revenue previously recognized on fund statements from pollution remediation resources are not recognized as revenue in the statements of activities. | | (23,433,176) |
| 15) The increase in OPEB liability does not require the use of current financial resources but is recorded as an expense in the statement of activities. | | (1,740,000) |
| 16) Pollution remediation liability activity, which was recorded in a prior year and reduced the liability in the statement of net position. | | 557,291 |
| 17) Transfer of net pension assets from an enterprise fund to a governmental fund is recorded as transfers on the statement of activities but is not recorded in the fund statements. | | 182,482 |
| 18) Prepaid pension assets are recorded as retirement expenditures in the fund statements but are amortized in the statement of activities. | | 13,641,266 |
| 19) An increase in due to the Successor Agency does not use current financial resources but is recorded as an extraordinary loss on the statement of activities. | | (33,989,069) |
| 20) Residual revenue due the City from the County from future Successor Agency settlement payments does not provide any current financial resources but is recorded as revenue on the statement of activities. | | 4,258,817 |

Internal service funds:

- | | | |
|--|--|--|
| 21) Certain internal service funds are used by management to charge the costs of information technology and risk management to individual funds. | | |
|--|--|--|

The net expense of certain internal service funds is reported with governmental activities.		(1,641,349)
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Change in net position (statement of activities, governmental activities)	\$	<u>(58,326,525)</u>
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See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)

General Fund

For the fiscal year ended June 30, 2013

	Original budget	Final budget	Actual	Less 2011-2012 encumbered expenditures	Plus 2012-2013 encumbrances	Actual, budgetary basis	Variance with final budget
Revenues:							
Property taxes	\$ 36,267,954	41,172,117	44,392,416	-	-	44,392,416	3,220,299
Sales tax	43,432,000	46,612,122	47,880,634	-	-	47,880,634	1,268,512
Other taxes	109,539,580	113,627,000	116,011,858	-	-	116,011,858	2,384,858
Licenses and permits	29,497,902	31,522,902	33,692,704	-	-	33,692,704	2,169,802
Intergovernmental	640,020	465,020	362,434	-	-	362,434	(102,586)
Charges for services	40,450,773	34,641,722	34,495,715	-	-	34,495,715	(146,007)
Fines and forfeitures	17,679,100	15,054,100	15,303,990	-	-	15,303,990	249,890
Investment income	5,393,000	2,004,000	(2,906)	-	-	(2,906)	(2,006,906)
Rental income	7,781,295	7,916,129	8,603,344	-	-	8,603,344	687,215
Settlement income	-	-	23,433,176	-	-	23,433,176	23,433,176
Other	2,328,574	4,186,464	8,071,504	-	-	8,071,504	3,885,040
Total revenues	<u>293,010,198</u>	<u>297,201,576</u>	<u>332,244,869</u>	<u>-</u>	<u>-</u>	<u>332,244,869</u>	<u>35,043,293</u>
Expenditures:							
General government:							
City council	670,458	696,310	632,781	-	123	632,904	63,406
City manager	9,453,550	9,522,724	9,453,855	474,260	175,677	9,155,272	367,452
Record and election services	2,724,139	2,755,331	2,504,315	12,163	33,178	2,525,330	230,001
Finance	21,993,712	23,157,913	22,860,066	331,979	86,006	22,614,093	543,820
City attorney	8,992,998	8,975,830	9,353,013	16,508	-	9,336,505	(360,675)
Human resources	3,688,130	4,028,600	3,923,112	501	-	3,922,611	105,989
Information systems	6,679,958	7,597,071	6,922,449	18,400	365,347	7,269,396	327,675
Other	703,712	1,528,018	1,528,018	-	-	1,528,018	-
Capital improvement	5,514,620	11,609,518	4,703,918	-	1,671,526	6,375,444	5,234,074
Total general government	<u>60,421,277</u>	<u>69,871,315</u>	<u>61,881,527</u>	<u>853,811</u>	<u>2,331,857</u>	<u>63,359,573</u>	<u>6,511,742</u>
Public safety:							
Police	71,958,578	73,636,146	71,204,545	44,167	139,021	71,299,399	2,336,747
Fire	31,325,617	31,487,861	31,664,066	102,607	69,786	31,631,245	(143,384)
Capital improvement	4,188,942	4,733,411	724,972	-	1,851,488	2,576,460	2,156,951
Total public safety	<u>107,473,137</u>	<u>109,857,418</u>	<u>103,593,583</u>	<u>146,774</u>	<u>2,060,295</u>	<u>105,507,104</u>	<u>4,350,314</u>

See accompanying notes to basic financial statements.

(Continued)

CITY OF SANTA MONICA, CALIFORNIA

Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Non-GAAP Basis)

General Fund

For the fiscal year ended June 30, 2013

	Original budget	Final budget	Actual	Less 2011-2012 encumbered expenditures	Plus 2012-2013 encumbrances	Actual, budgetary basis	Variance with final budget
General services:							
Public works	27,152,331	26,762,849	25,580,393	132,032	112,603	25,560,964	1,201,885
Capital improvement	8,445,230	30,426,607	16,844,820	-	6,497,855	23,342,675	7,083,932
Total general services	35,597,561	57,189,456	42,425,213	132,032	6,610,458	48,903,639	8,285,817
Cultural and recreation services:							
Community and cultural services	35,535,236	35,839,946	34,990,807	495,648	302,176	34,797,335	1,042,611
Other	14,091,824	14,856,972	15,949,372	538,800	-	15,410,572	(553,600)
Capital improvement	6,119,495	7,216,823	776,917	-	161,616	938,533	6,278,290
Total cultural and recreation services	55,746,555	57,913,741	51,717,096	1,034,448	463,792	51,146,440	6,767,301
Library:							
Library	11,402,404	11,451,905	11,045,049	150,901	300,830	11,194,978	256,927
Capital improvement	9,538,414	11,122,834	3,817,050	-	4,630,849	8,447,899	2,674,935
Total library	20,940,818	22,574,739	14,862,099	150,901	4,931,679	19,642,877	2,931,862
Housing and community development:							
Planning and community development	16,130,690	16,258,050	16,126,754	351,637	424,628	16,199,745	58,305
Housing and economic development	7,026,645	7,001,264	5,645,480	43,970	21,630	5,623,140	1,378,124
Other	2,562,744	2,562,744	2,562,744	-	-	2,562,744	-
Capital improvement	806,264	153,780,269	47,824,808	-	100,701,714	148,526,522	5,253,747
Total housing and community development	26,526,343	179,602,327	72,159,786	395,607	101,147,972	172,912,151	6,690,176
Total expenditures	306,705,691	497,008,996	346,639,304	2,713,573	117,546,053	461,471,784	35,537,212
Excess (deficiency) of revenues over (under) expenditures	(13,695,493)	(199,807,420)	(14,394,435)	(2,713,573)	(117,546,053)	(129,226,915)	70,580,505
Other financing sources (uses):							
Transfers in	11,554,382	9,392,306	9,214,611	-	-	9,214,611	(177,695)
Transfers out	(10,878,664)	(13,055,902)	(12,640,305)	-	-	(12,640,305)	415,597
Total other financing sources (uses)	675,718	(3,663,596)	(3,425,694)	-	-	(3,425,694)	237,902
Extraordinary item :							
Payment to the Successor Agency	-	-	(14,196,057)	-	-	(14,196,057)	(14,196,057)
Total extraordinary item	-	-	(14,196,057)	-	-	(14,196,057)	(14,196,057)
Net change in fund balance	(13,019,775)	(203,471,016)	(32,016,186)	(2,713,573)	(117,546,053)	(146,848,666)	56,622,350
Fund balance at beginning of year	416,257,281	416,257,281	416,257,281	-	-	416,257,281	-
Fund balance at end of year	<u>\$ 403,237,506</u>	<u>212,786,265</u>	<u>384,241,095</u>	<u>(2,713,573)</u>	<u>(117,546,053)</u>	<u>269,408,615</u>	<u>56,622,350</u>

See accompanying notes to basic financial statements.

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CITY OF SANTA MONICA, CALIFORNIA

Proprietary Fund Financial Statements

Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services.

Water Fund – To account for revenues and expenses of providing water service to the citizens of the City.

Wastewater Fund – To account for revenues and expenses associated with maintaining the sanitary sewer and storm drain systems within the City.

Airport Fund – To account for revenues and expenses connected with management of the Santa Monica Municipal Airport.

Big Blue Bus Fund – To account for revenues and expenses related to operation of the City's municipal bus lines.

Internal Service Funds – 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.

CITY OF SANTA MONICA, CALIFORNIA
Statement of Net Position
Proprietary Funds
June 30, 2013

	Water	Wastewater	Airport	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	Total internal service funds
ASSETS							
Current assets:							
Cash and investments (note 5)	\$ 49,107,313	31,017,368	2,994,149	6,480,379	15,010,692	104,609,901	85,797,140
Restricted cash and investments (note 5)	363,204	-	380,855	13,783,158	520,271	15,047,488	-
Restricted cash and investments with fiscal agent (note 5)	-	182,825	-	-	-	182,825	-
Receivables (net, where applicable, of allowances for uncollectibles):							
Accounts	3,781,443	4,223,214	91,733	21,469,016	3,904,945	33,470,351	-
Interest	59,012	47,259	3,326	35,630	43,615	188,842	117,238
Inventory	-	-	-	1,935,828	-	1,935,828	72,094
Prepays	390,381	150,918	103,946	2,568,283	722,930	3,936,458	400,040
Total current assets	<u>53,701,353</u>	<u>35,621,584</u>	<u>3,574,009</u>	<u>46,272,294</u>	<u>20,202,453</u>	<u>159,371,693</u>	<u>86,386,512</u>
Noncurrent assets:							
Restricted cash and investments (note 5)	1,484,684	3,621,722	-	-	10,866,026	15,972,432	-
Capital assets (note 7):							
Land	21,006	3,189,132	8	60,276,362	7,935,704	71,422,212	-
Buildings	1,532,511	251,447	8,018,906	129,417,341	8,919,932	148,140,137	-
Improvements other than buildings	932,149	421,868	12,558,166	7,400,307	6,239,425	27,551,915	-
Machinery and equipment	1,932,924	1,308,408	478,617	123,159,331	2,677,050	129,556,330	39,355,994
Infrastructure	36,111,962	149,150,701	-	-	19,175,407	204,438,070	-
Intangibles	3,575,000	84,824,787	-	-	-	88,399,787	-
Construction in progress	5,302,471	3,142,230	443,441	14,389,631	8,420,430	31,698,203	-
Less: accumulated depreciation	(25,764,081)	(65,448,090)	(15,677,236)	(118,485,798)	(18,770,293)	(244,145,498)	(25,939,762)
Net capital assets	<u>23,643,942</u>	<u>176,840,483</u>	<u>5,821,902</u>	<u>216,157,174</u>	<u>34,597,655</u>	<u>457,061,156</u>	<u>13,416,232</u>
Advances to other funds (note 11)	-	274,566	-	-	-	274,566	-
Bond issuance costs, net	-	333,492	-	-	-	333,492	-
Total noncurrent assets	<u>25,128,626</u>	<u>181,070,263</u>	<u>5,821,902</u>	<u>216,157,174</u>	<u>45,463,681</u>	<u>473,641,646</u>	<u>13,416,232</u>
TOTAL ASSETS	<u>78,829,979</u>	<u>216,691,847</u>	<u>9,395,911</u>	<u>262,429,468</u>	<u>65,666,134</u>	<u>633,013,339</u>	<u>99,802,744</u>
LIABILITIES							
Current liabilities:							
Accounts payable	1,520,878	66,301	283,907	2,026,991	1,204,872	5,102,949	346,842
Accrued liabilities	258,937	78,635	54,677	2,754,158	451,309	3,597,716	177,071
Contracts payable (retained percentage)	15,515	-	3,578	8,626	70,849	98,568	-
Compensated absences-current (note 9)	211,453	82,732	64,830	1,630,853	334,818	2,324,686	163,644
Claims payable-current (notes 9 and 15)	-	-	-	-	-	-	9,827,388
Accrued interest payable	-	293,888	-	-	17,724	311,612	-
Current portion of long-term obligations (note 9)	-	1,785,000	-	-	270,151	2,055,151	-
Due to other funds (note 11)	-	-	-	-	20,025	20,025	-
Liabilities payable from restricted assets - deposits	363,204	-	380,855	-	9,365,711	10,109,770	-
Pollution remediation obligation - current (note 4)	3,080,986	-	-	-	-	3,080,986	-
Total current liabilities	<u>5,450,973</u>	<u>2,306,556</u>	<u>787,847</u>	<u>6,420,628</u>	<u>11,735,459</u>	<u>26,701,463</u>	<u>10,514,945</u>
Noncurrent liabilities:							
Compensated absences-noncurrent (note 9)	209,368	28,323	25,889	307,575	454,523	1,025,678	128,183
Advances from other funds (note 11)	-	-	13,563,719	-	274,566	13,838,285	-
Claims payable-noncurrent (notes 9 and 15)	-	-	-	-	-	-	27,295,569
Unearned revenue (note 8)	-	-	-	4,360,531	-	4,360,531	-
Long-term obligations net of current portion (note 9)	-	15,978,126	-	-	1,774,965	17,753,091	-
Pollution remediation obligation-noncurrent (note 4)	18,173,922	-	-	-	-	18,173,922	-
Total noncurrent liabilities	<u>18,383,290</u>	<u>16,006,449</u>	<u>13,589,608</u>	<u>4,668,106</u>	<u>2,504,054</u>	<u>55,151,507</u>	<u>27,423,752</u>
TOTAL LIABILITIES	<u>23,834,263</u>	<u>18,313,005</u>	<u>14,377,455</u>	<u>11,088,734</u>	<u>14,239,513</u>	<u>81,852,970</u>	<u>37,938,697</u>
NET POSITION							
Net investment in capital assets	23,643,942	159,077,357	5,821,902	216,157,174	32,552,539	437,252,914	13,416,232
Restricted for Rail Reserve and Prop 1B (note 12)	-	-	-	13,739,411	-	13,739,411	-
Unrestricted	31,351,774	39,301,485	(10,803,446)	21,444,149	18,874,082	100,168,044	48,447,815
TOTAL NET POSITION	<u>\$ 54,995,716</u>	<u>198,378,842</u>	<u>(4,981,544)</u>	<u>251,340,734</u>	<u>51,426,621</u>	<u>551,160,369</u>	<u>61,864,047</u>
Net position, business-type activities - internal service funds						42,137,745	
Net adjustment to reflect the allocation of the internal service funds net loss						(2,408,831)	
Net position of business-type activities						<u>\$590,889,283</u>	

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the fiscal year ended June 30, 2013

	Water	Wastewater	Airport	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	Total internal service funds
Operating revenues							
Charges for services	\$ 22,254,867	21,126,054	4,185,172	16,869,809	32,338,867	96,774,769	27,211,774
Total operating revenues	<u>22,254,867</u>	<u>21,126,054</u>	<u>4,185,172</u>	<u>16,869,809</u>	<u>32,338,867</u>	<u>96,774,769</u>	<u>27,211,774</u>
Operating expenses							
Personnel services	4,882,720	1,879,480	1,195,911	40,578,474	12,578,568	61,115,153	4,123,345
Administrative indirect	1,142,516	588,691	939,228	4,877,198	1,811,905	9,359,538	681,382
Contractual services	967,553	4,035,069	308,350	3,108,011	5,204,793	13,623,776	292,389
Repairs and maintenance	848,669	780,861	368,118	1,369,655	2,687,655	6,054,958	1,158,541
Materials and supplies	2,444,691	764,469	346,254	11,229,597	6,535,861	21,320,872	3,704,790
Utilities	730,299	8,857	248,301	389,165	505,915	1,882,537	61,761
Water purchases	6,334,786	-	-	-	-	6,334,786	-
Casualty property and liability costs	327,332	389,375	128,362	2,811,081	571,902	4,228,052	50,672
Claims expense net of claims reserve adjustment	-	-	-	-	-	-	13,960,055
Insurance and bonds	-	-	-	-	-	-	4,260,096
Miscellaneous fees and costs	7,825	17,270	944	10,659	4,079	40,777	555,534
Depreciation	1,096,572	6,421,630	419,884	12,237,870	1,508,961	21,684,917	3,259,234
Other	1,292,094	1,389,501	663,555	536,286	1,446,066	5,327,502	414,121
Total operating expenses	<u>20,075,057</u>	<u>16,275,203</u>	<u>4,618,907</u>	<u>77,147,996</u>	<u>32,855,705</u>	<u>150,972,868</u>	<u>32,521,920</u>
Operating income (loss)	<u>2,179,810</u>	<u>4,850,851</u>	<u>(433,735)</u>	<u>(60,278,187)</u>	<u>(516,838)</u>	<u>(54,198,099)</u>	<u>(5,310,146)</u>
Nonoperating revenues (expenses)							
Operating grants	-	-	-	1,905	-	1,905	-
Shared sales tax proceeds	-	-	-	38,227,813	-	38,227,813	-
Investment income	(14,565)	5,179	11,972	35,153	(23,822)	13,917	(31,850)
Interest expense	(6,755)	(578,480)	(488,681)	-	(57,737)	(1,131,653)	-
Gain (loss) on disposal of capital assets	-	-	-	3,895,065	(2,200,531)	1,694,534	(256,283)
Other nonoperating revenue (expenses)	673,019	229,404	157,504	2,959,299	1,743,892	5,763,118	1,008,353
Total nonoperating revenues (expenses) net	<u>651,699</u>	<u>(343,897)</u>	<u>(319,205)</u>	<u>45,119,235</u>	<u>(538,198)</u>	<u>44,569,634</u>	<u>720,220</u>
Income (loss) before capital contributions and transfers	<u>2,831,509</u>	<u>4,506,954</u>	<u>(752,940)</u>	<u>(15,158,952)</u>	<u>(1,055,036)</u>	<u>(9,628,465)</u>	<u>(4,589,926)</u>
Capital contributions	3,232,396	-	-	21,489,216	-	24,721,612	-
Transfers in (note 11)	12,415,014	1,382,922	-	643,916	2,445,970	16,887,822	1,880,467
Transfers out (note 11)	(1,390,399)	(982,063)	-	(94,239)	(4,179,016)	(6,645,717)	(2,018,767)
Change in net position	<u>17,088,520</u>	<u>4,907,813</u>	<u>(752,940)</u>	<u>6,879,941</u>	<u>(2,788,082)</u>	<u>25,335,252</u>	<u>(4,728,226)</u>
Net position at beginning of year	<u>37,907,196</u>	<u>193,471,029</u>	<u>(4,228,604)</u>	<u>244,460,793</u>	<u>54,214,703</u>	<u>525,825,117</u>	<u>66,592,273</u>
Net position at end of year	<u>\$ 54,995,716</u>	<u>198,378,842</u>	<u>(4,981,544)</u>	<u>251,340,734</u>	<u>51,426,621</u>	<u>551,160,369</u>	<u>61,864,047</u>
Change in net position						\$ 25,335,252	
Net adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(3,086,877)	
Change in net position of business-type activities						<u>\$ 22,248,375</u>	

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Proprietary Funds

For the fiscal year ended June 30, 2013

	Water	Wastewater	Airport	Big Blue Bus	Nonmajor enterprise funds	Total enterprise funds	Total internal service funds
Cash flows from operating activities:							
Cash received from customers	\$ 21,473,400	19,960,363	4,226,890	9,987,361	33,253,903	88,901,917	27,216,550
Cash payments for materials and services	(14,659,556)	(8,001,172)	(2,933,103)	(26,683,178)	(19,375,830)	(71,652,839)	(11,833,323)
Cash paid for claims and related services	-	-	-	-	-	-	(8,575,395)
Cash payments to employees for services	(4,914,797)	(1,894,468)	(1,200,724)	(40,263,657)	(12,698,916)	(60,972,562)	(4,123,345)
Other revenue received	673,018	229,404	157,504	2,959,299	2,196,372	6,215,597	1,008,353
Net cash provided by (used in) operating activities	<u>2,572,065</u>	<u>10,294,127</u>	<u>250,567</u>	<u>(54,000,175)</u>	<u>3,375,529</u>	<u>(37,507,887)</u>	<u>3,692,840</u>
Cash flows from noncapital financing activities:							
Sales tax proceeds	-	-	-	38,227,813	-	38,227,813	-
Advances from other funds	-	-	228,680	-	294,590	523,270	-
Repayment of advances from other funds	-	-	-	-	(1,072,814)	(1,072,814)	-
Advances to other funds	-	(274,566)	-	-	-	(274,566)	-
Other operating grants	-	-	-	1,905	-	1,905	-
Transfer of pollution remediation recovery asset	33,413,430	-	-	-	-	33,413,430	-
Transfers in	256,491	1,382,922	-	643,916	2,445,970	4,729,299	1,880,467
Transfers out	(1,390,399)	(982,063)	-	(94,239)	(4,361,498)	(6,828,199)	(2,018,767)
Net cash provided by (used in) noncapital financing activities	<u>32,279,522</u>	<u>126,293</u>	<u>228,680</u>	<u>38,779,395</u>	<u>(2,693,752)</u>	<u>68,720,138</u>	<u>(138,300)</u>
Cash flows from capital and related financing activities:							
Capital contributions received	-	-	-	21,489,216	-	21,489,216	-
Acquisition and construction of capital assets	(500,574)	(4,229,035)	(443,441)	(16,052,125)	(3,081,081)	(24,306,256)	(1,366,597)
Proceeds from sale of capital assets	-	-	-	4,704,266	-	4,704,266	420,400
Reduction in long-term obligations	-	(1,819,173)	-	-	(263,305)	(2,082,478)	-
Reduction in advance from other funds	-	-	-	-	(62,081)	(62,081)	-
Interest paid on long-term obligations	(6,755)	(509,917)	(488,681)	-	(60,019)	(1,065,372)	-
Net cash provided by (used in) capital and related financing activities	<u>(507,329)</u>	<u>(6,558,125)</u>	<u>(932,122)</u>	<u>10,141,357</u>	<u>(3,466,486)</u>	<u>(1,322,705)</u>	<u>(946,197)</u>
Cash flows from investing activities – interest received (paid) on investments	<u>(30,518)</u>	<u>20,873</u>	<u>11,435</u>	<u>47,231</u>	<u>9,458</u>	<u>58,479</u>	<u>28,386</u>
Net cash provided by (used in) investing activities	<u>(30,518)</u>	<u>20,873</u>	<u>11,435</u>	<u>47,231</u>	<u>9,458</u>	<u>58,479</u>	<u>28,386</u>
Net increase (decrease) in cash and cash equivalents	34,313,740	3,883,168	(441,440)	(5,032,192)	(2,775,251)	29,948,025	2,636,729
Cash and cash equivalents at beginning of year	<u>16,641,461</u>	<u>30,938,747</u>	<u>3,816,444</u>	<u>25,295,729</u>	<u>29,172,240</u>	<u>105,864,621</u>	<u>83,160,411</u>
Cash and cash equivalents at end of year	<u>\$ 50,955,201</u>	<u>34,821,915</u>	<u>3,375,004</u>	<u>20,263,537</u>	<u>26,396,989</u>	<u>135,812,646</u>	<u>85,797,140</u>
Cash and investments	\$ 49,107,313	31,017,368	2,994,149	6,480,379	15,010,692	104,609,901	85,797,140
Restricted cash and investments	<u>1,847,888</u>	<u>3,804,547</u>	<u>380,855</u>	<u>13,783,158</u>	<u>11,386,297</u>	<u>31,202,745</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 50,955,201</u>	<u>34,821,915</u>	<u>3,375,004</u>	<u>20,263,537</u>	<u>26,396,989</u>	<u>135,812,646</u>	<u>85,797,140</u>

(Continued)

CITY OF SANTA MONICA, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

For the fiscal year ended June 30, 2013

	<u>Water</u>	<u>Wastewater</u>	<u>Airport</u>	<u>Big Blue Bus</u>	<u>Nonmajor enterprise funds</u>	<u>Total enterprise funds</u>	<u>Total internal service funds</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	\$ 2,179,810	4,850,851	(433,735)	(60,278,187)	(516,838)	(54,198,099)	(5,310,146)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Add depreciation	1,096,572	6,421,630	419,884	12,237,870	1,508,961	21,684,917	3,259,234
Add amortization	-	310,328	-	-	-	310,328	-
Less other non-cash adjustments	-	-	-	-	(270,000)	(270,000)	-
Other nonoperating revenue received	673,019	229,404	157,504	2,959,299	2,196,374	6,215,600	1,008,353
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	(810,977)	(1,165,692)	40,807	(10,183,438)	1,121,393	(10,997,907)	4,776
(Increase) in prepaids	(383,056)	(143,593)	(103,946)	(2,481,424)	(722,930)	(3,834,949)	(390,515)
(Increase) in inventory	-	-	-	(324,037)	-	(324,037)	(20,748)
Increase (decrease) in accounts payable	(97,906)	(186,268)	170,378	875,044	38,083	799,331	(242,937)
Increase (decrease) in deposits	29,510	-	910	(8,338)	69,988	92,070	-
Increase (decrease) in contracts payable	(82,830)	(7,546)	3,578	(421,117)	70,849	(437,066)	-
Increase in unearned revenue	-	-	-	3,309,331	-	3,309,331	-
Increase (decrease) in accrued liabilities	(21,701)	34,766	19,912	258,812	(157,840)	133,949	163
Increase in claims payable	-	-	-	-	-	-	5,384,660
Increase (decrease) in noncurrent accrued liabilities	(10,376)	(49,753)	(24,725)	56,010	37,489	8,645	-
Total adjustments	392,255	5,443,276	684,302	6,278,012	3,892,367	16,690,212	9,002,986
Net cash provided by (used in) operating activities	\$ 2,572,065	10,294,127	250,567	(54,000,175)	3,375,529	(37,507,887)	3,692,840

Noncash investing, capital, and financing activities:

\$3.2 million in intangible assets, specifically water rights to Charnock basin, was transferred from Special Revenue Source Fund to the Water Fund.

See accompanying notes to basic financial statements

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CITY OF SANTA MONICA, CALIFORNIA

Fiduciary Fund Financial Statements

Private-Purpose Trust Fund is fiduciary in nature and used to distribute the assets of the dissolved Redevelopment Agency of the City of Santa Monica to the affected tax entities after the payment of enforceable obligations. The Redevelopment Agency of the City of Santa Monica was dissolved on February 1, 2012.

Agency Funds are custodial in nature and used to receive and disburse funds for an entity/individual, which is not part of the City.

CITY OF SANTA MONICA, CALIFORNIA

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	Total Private-Purpose Trust Fund	Total Agency Funds
	<hr/>	<hr/>
ASSETS		
Restricted cash and investments (note 5)	\$ 29,090,855	6,429,746
Restricted cash with fiscal agent (note 5)	9,955,268	-
Accounts receivable	-	70,047
Due from City of Santa Monica (notes 11 and 17)	22,795,160	-
Noncurrent receivable from the City of Santa Monica (note 17)	33,989,069	-
Bond issuance costs, net	1,509,584	-
	<hr/>	<hr/>
Total assets	97,339,936	6,499,793
	<hr/>	<hr/>
LIABILITIES		
Accounts payable and accrued liabilities	247	6,499,793
Accrued interest payable	5,077,310	-
Due to the City of Santa Monica	1,080,136	-
Due to other governments	61,242,767	-
Long-term liabilities:		
Promissory notes payable to the City due within one year (notes 11 and 17)	4,537,597	-
Promissory notes payable to the City due in more than one year (notes 11 and 17)	28,258,530	-
Due within one year (note 17)	15,026,732	-
Due in more than one year (note 17)	219,563,030	-
	<hr/>	<hr/>
Total liabilities	334,786,349	6,499,793
	<hr/>	<hr/>
NET POSITION		
Restricted for dissolution of Former Redevelopment Agency	<u>\$ (237,446,413)</u>	<u>-</u>

See accompanying notes to basic financial statements.

CITY OF SANTA MONICA, CALIFORNIA

Statement of Revenues, Expenses and Changes in Fiduciary Net Position

Fiduciary Fund

For the fiscal year ended June 30, 2013

	Private-Purpose Trust Fund
Additions:	
Property tax distribution	\$ 34,041,176
Investment income	109,308
Payment from the City of Santa Monica	114,014
Other revenue	1,142
Total additions	34,265,640
Deductions:	
Administrative expenses	1,120,566
Amortization of deferred offering costs	286,063
Interest expense	12,043,740
Total deductions	13,450,369
Extraordinary items:	
Settlement expense	(56,784,229)
Other revenue from the City of Santa Monica	48,185,126
Change in net position	12,216,168
Net position at beginning of year	(249,662,581)
Net position at end of year	<u><u>\$ (237,446,413)</u></u>

See accompanying notes to basic financial statements.

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CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements
For the fiscal year ended June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. THE REPORTING ENTITY

The City of Santa Monica, California (City) was incorporated November 30, 1886. The City operates under a Council-Manager form of government and provides traditional municipal services as authorized by its charter as well as various enterprise services. As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements present the activities of the City and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The following entities are reported as blended component units because they have substantively the same governing board as the primary government and there is either a financial benefit or burden relationship between the City and the component unit or the City's management has operational responsibility for the component unit.

Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Additional detailed information and/or separately issued financial statements for these component units can be obtained from the City's Director of Finance.

The *Parking Authority of the City of Santa Monica* (Authority) was established by the City in 1950 and maintains and operates parking lots and parking structures.

The *Housing Authority of the City of Santa Monica* (Housing Authority) was established by the City in 1975 to address unsanitary and unsafe inhabited dwelling accommodations and the shortage of affordable safe and sanitary dwelling accommodations for persons with low incomes. Since January 1, 1989, the Housing Authority has administered the Section 8 Housing Assistance Payments Program funded by the United States Department of Housing and Urban Development on behalf of the City.

The *Santa Monica Public Financing Authority* (PFA) was established in 1995 for the purpose of financing and assisting local agencies in financing capital improvements, working capital, and liability or other insurance needs or projects.

The *Successor Agency for the Redevelopment Agency of the City of Santa Monica* (Successor Agency) was established on February 1, 2012 by resolution of City Council. The Successor Agency is primarily responsible for winding down the operations of the former Redevelopment Agency and makes payments and performs existing obligations of the former Redevelopment Agency. The Successor Agency is a fiduciary component unit and is presented as a private-purpose trust fund.

Following are brief descriptions of organizations created in 1984 as nonprofit public benefit corporations. These basic financial statements do not present these entities for which the City may meet criteria for discrete presentation because the economic resources received or held by an individual organization are not significant to the primary government. Each of the governing bodies acts on behalf of the City through members appointed by the City of Santa Monica City Council for

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

the benefit of the citizens of Santa Monica. Separate financial statements for each can be obtained from the City's Director of Finance.

The *Santa Monica Pier Corporation* maintains and operates the public educational and recreational facility in the City commonly known as the Santa Monica Pier.

The *Downtown Santa Monica*, formerly Bayside District Corporation and Third Street Development Corporation, combats community deterioration by developing and improving the aging areas in and around the City's central business district and coordinating public and private sector activities.

The *Santa Monica Arts Foundation* promotes the arts by raising funds to finance art programs. On June 8, 1990, the City Council merged the City's Arts Commission with the Santa Monica Arts Foundation.

B. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the non-fiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. Exceptions to this general rule are charges between the City's Water Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety (police and fire), streets, public improvements, library, cultural, recreation and parks, planning and zoning, housing and community development and general administrative support services. The business-type activities of the City include water, wastewater, storm water, resource recovery and recycling, pier, civic auditorium, airport, special aviation services, cemetery, bus lines, and parking structures and lots.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

For the year ended June 30, 2013, the City implemented the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 60 improves consistency in financial reporting for service concession arrangements. GASB Statement No. 61 modifies existing requirements for determining which component units should be included in the financial reporting entity and the related display and disclosure requirements. GASB Statement No. 62 incorporates certain accounting and financial reporting guidance in FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins into GASB's authoritative literature. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The implementation of these standards did not have a significant impact on the City's basic financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds financial statements. Agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 60 days. Additionally, grants and similar items are recognized as receivables as soon as all eligibility requirements have been met and are recognized as revenue when amounts are considered available. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when payment is due.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

Property taxes, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period subject to availability. Entitlements and shared revenues are recorded at the time of receipt or earlier if susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other eligibility requirements have been met and are recorded at the time of receipt or earlier, and the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. 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 consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City, except those required to be accounted for in other specialized funds.

The **Special Revenue Source Fund (Capital Projects Fund type)** accounts for receipt and expenditure of monies restricted, committed or assigned for specific uses, primarily capital projects.

The City reports the following major Enterprise funds:

The **Water Fund** accounts for the activities of the City's water service to the citizens.

The **Wastewater Fund** accounts for the activities of maintaining sanitary sewer and storm drain systems within the City.

The **Airport Fund** accounts for the activities of the Santa Monica Municipal Airport.

The **Big Blue Bus Fund** accounts for the activities of the City's municipal bus lines.

Additionally, the City reports the following fund types:

Special Revenue Funds account for proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Funds account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Internal Service Funds account for vehicle operations, risk management, and information technology and communications operations that provide services to other departments of the City on a cost reimbursement basis.

Fiduciary Funds consist of a Private-purpose Trust fund and Agency funds. The **Private-purpose Trust fund** is established by the City to succeed the former redevelopment agency. The City serves as a custodian for the assets of the dissolved redevelopment agency pending distribution to the affected tax entities after the payment of enforceable obligations. The **Agency funds** account for assets held by the City as a trustee or as an agent for individuals or other government units. Agency funds are custodial in nature and do not involve measurement of results of operations. These funds account for assets held by the City in an agency capacity for development fees collected on behalf of the school district, various employee payroll deductions that will be remitted to various agencies and other assets held by the City in an agency capacity.

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, NET POSITION OR FUND BALANCE

Cash and Investments

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal and escrow agents in accordance with related bond indentures and agreements. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of its equity from the pool by a particular fund, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on quarter-end balances and is adjusted at year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

The City's investments are carried at fair value, except for guaranteed investment contracts, which are carried at cost because they are not transferable and they have terms that are not affected by changes in market interest rates. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from Securities and Exchange Commission (SEC) registered securities exchanges or National Association of Securities Dealers Automated Quotations (NASDAQ) dealers. The fair value of the City's share of Local Agency Investment Fund (LAIF) is reported to the City on a quarterly basis. LAIF operates in accordance with laws and regulations of the State of California. The reported value of the pool is the same as the fair value of pool shares. Changes in fair value are allocated to each participating fund on an annual basis.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted, non-pooled investments with initial maturities of three months or less.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *interfund receivables/interfund payables*, i.e., *due to/due from other funds*, the current portion of interfund loans or *advances to/from other funds*, the non-current portion of interfund loans. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as *internal balances*.

Advances between funds and notes receivables, as reported in the fund financial statements, are offset by nonspendable fund balance in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. However, if the use of the proceeds from the collection of those receivables is restricted, committed, or assigned, they will be included in the appropriate fund balance classification, rather than nonspendable fund balance.

All trade receivables are shown net of an allowance for uncollectible accounts and estimated refunds due. As of June 30, 2013, the allowance for uncollectible accounts for governmental and business-type activities is \$531,026 and \$324,718, respectively.

Unbilled service receivables are accrued for at year-end.

Property Taxes

Assessed property values are determined on an annual basis for the period July 1 to June 30 by the Los Angeles County Assessor as of January 1. Article XIII A of the State Constitution (Proposition 13, approved by voters in June 1978) limits the real property tax rate to 1% of the full market cash value plus rates imposed to fund indebtedness approved by the voters. Locally assessed property is appraised at the 1975-76 full cash value, the base year value, and is adjusted each year after 1975 by the change in the consumer price index, not to exceed an increase of 2%. Property is reappraised to current full value upon either a change in ownership or new construction. If property values decline below the base year value, the value is adjusted to reflect the lower value. Taxes are levied annually in September and become a lien on real property at January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively, at which time applicable penalties and interest are assessed.

Inventory and Prepaid Items

All materials and supplies inventory is valued at cost using the average cost method. The costs of such inventories are recorded as expenditures/expenses when consumed rather than when purchased.

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

In the absence of specific statutory provisions governing the issuance of bonds, certificates or leases, these bond monies may be invested in accordance with the ordinance, resolutions or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

Net Pension Asset

The net pension asset represents payments to the City's defined benefit plans in excess of the annual required contributions. The net pension asset is amortized in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, intangibles, utility systems and infrastructure assets (e.g., roads, sidewalks, curbs and gutters and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets other than buildings, improvements, and infrastructure are defined by the City as assets with an initial individual cost of \$50,000 or more and an estimated useful life of more than one year except for the Big Blue Bus fund, which follows transit funding guidelines by capitalizing any expenditure, which is funded by capital grant subsidies not related to bus repairs and maintenance. The City defines buildings, improvements other than buildings, and infrastructure as assets with an individual cost of \$100,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, net of interest earned on unspent proceeds of tax-exempt borrowings, during the construction phase of capital assets of business-type and enterprise funds activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2013.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

Capital assets of the City are depreciated using a straight-line method, with a mid-year convention (only half a year's depreciation is recorded in the first and last year of the asset) over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	5 to 85
Improvements other than buildings	2 to 50
Infrastructure	15 to 75
Utility systems	20
Intangibles	40 to 100
Machinery and equipment	2 to 30

The City has elected not to capitalize its collection of artwork. GASB Statement No. 34 waives the requirement for artwork capitalization if the collection meets all the following conditions:

- The collection is held for reasons other than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for collections.

The City's artwork collection meets the above criteria and therefore qualifies for the exemption from the capitalization requirement. The collection includes both permanent and portable artworks, artworks integrated into overall projects, murals, and stand-alone permanently installed paintings and sculptures, art integrated into the design of public works projects (not stand-alone), and a contemporary collection of almost 100 portable artworks, which are on display in public areas of City facilities.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has no items that qualify for reporting in this category for this fiscal period.

Lease Obligations

The City leases various assets under operating lease agreements.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits up to a maximum determined by bargaining unit agreements. Employees are paid 100% of their accumulated vacation when they terminate employment for any reason. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. Additionally, employees of the United Transportation Union are able to exchange unused sick days balances for equal dollars of medical insurance premiums. In

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

order to qualify, the employee must have 10 years of service at retirement and at least 50 days of unused sick leave.

Long-Term Liabilities

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount or deferred amount on refunding. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts and deferred amounts on refunding are included in interest expense.

In the governmental funds financial statements, bond premiums, discounts and issuance costs are recognized during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Interest and principal payments are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has no items that qualify for reporting in this category for this fiscal period.

Net Position and Fund Balance

In the government-wide financial statements and proprietary funds financial statements, net position is reported in three categories: net investment in capital assets, restricted net position and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets. The nonexpendable portion of permanent funds is reported as a component of restricted net position. The City's other components of restricted net position are temporarily restricted (ultimately expendable) assets. All other components of net position are considered unrestricted.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as needed.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent based on the adopted City Council policy in the City's most recently adopted budget. As of June 30, 2013, fund balances for governmental funds include nonspendable, restricted, committed, assigned and unassigned balances.

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are restricted for specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Both ordinances and resolutions can create committed fund balance. Amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the government's highest level of decision making authority, City Council, are reported as committed fund balance. Ordinances make up the local laws of the City. An ordinance is a legislative act prescribing general rules of organization or conduct relating to the corporate affairs of the municipality. Council action shall be taken by ordinance when required by law, or where prescribed conduct may be enforced by penalty. Once adopted, ordinances become effective upon publication, unless otherwise set forth. A resolution is an administrative act, which is a formal statement of policy concerning matters of special or temporary character. Resolutions are often limited to expressions of opinion. The adoption of a resolution by the City Council can also establish, modify, or rescind a fund balance commitment previously created by resolution. Assigned fund balance are amounts that are constrained by the government's intent by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The City Council, in the City's most recently adopted budget, which included the fiscal policies contained in the fund balance policies, has delegated the authority to assign fund balances to the City Manager or their designee. Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance can also be used in other governmental funds where the fund balance is negative, because a negative amount should not be reported for restricted, committed or assigned in any fund. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Self-Insurance Program

The City has self-insurance programs to provide for general liability, bus and automobile liability, and workers' compensation claims. These activities are accounted for in self-insurance internal service funds.

Premiums are charged to individual funds and are designed to cover current and future expenses. The City's Risk Manager oversees the self-insurance programs. It is his or her duty to ensure that programs are operated in accordance with City policies. The City's Risk Manager also provides budget guidance and case reserves and claims analysis. It is the City's intent to maintain cash reserves in the self-insurance funds equal to or greater than estimated losses.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Use of Estimates

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

(2) BUDGETARY AND LEGAL COMPLIANCE

The City Council is required to adopt an annual budget resolution by June 30 each fiscal year for the General Fund, each special revenue fund and each capital projects fund, except the Rent Control Fund and the Asset Seizure Fund. The legal level of budgetary control is by department. The City Council also approves annual operating budgets for the City's proprietary and internal service funds to facilitate management evaluation and control.

The budget is prepared on a non-GAAP budgetary basis, which considers encumbrances outstanding at year-end as an expenditure of that year. Encumbrances outstanding at the beginning of a fiscal year, which were recognized as budgetary expenditures in the prior year, are recognized as GAAP-basis expenditures but not as budgetary expenditures unless re-appropriated. It is the City's policy to only re-appropriate capital encumbrances and unencumbered balances of specific capital appropriations. In addition, capital leases are budgeted on a cash basis, whereas GAAP requires the full amount of the leased asset purchased to be shown as an expenditure of the current year. Appropriations in governmental funds outstanding at year-end lapse, except for encumbered amounts, for which fund balances are restricted, committed or assigned at year-end for governmental funds.

A Comprehensive Annual Financial Report Budget Supplement is prepared to reconcile expenditures/expenses at the legal level of control to the summarized amounts presented in the Comprehensive Annual Financial Report and can be obtained from the Finance Department.

For the fiscal year ended June 30, 2013, expenditures exceeded appropriations in the following funds/departments/functions: General Fund – City Attorney, Fire, Other (Non-departmental), Other (General Government) and Extraordinary Item; and Special Revenue Source Fund – Other Financing Uses (Transfers out) and Special item. Other funds reporting expenditures in excess of budget include the following: Housing Authority Fund – Housing and Economic Development; Tenant Ownership Rights Charter Amendment Fund (TORCA) – Housing and Economic Development; Disaster Relief Fund – Finance; and Community Development Block Grant Fund (CDBG) – General Government (other) and Other Financing Uses (Transfers out).

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

(3) RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Amounts reported for governmental activities in the government-wide statement of net position are different from those reported for governmental funds in the funds balance sheet. The following provides a reconciliation of those differences:

Assets	Total governmental funds	Long-term assets and liabilities (1)	Total governmental activities internal service funds (2)	Other adjustments and eliminations (3)	Statement of net assets totals
Cash and investments	\$ 291,528,989	-	52,610,059	-	344,139,048
Restricted cash and investments	156,997,701	-	-	-	156,997,701
Receivables (net, where applicable, of allowances for uncollectibles):					
Accounts	61,357,787	4,258,817	-	-	65,616,604
Notes	118,828,035	-	-	-	118,828,035
Property taxes	816,293	-	-	-	816,293
Interest	636,055	-	74,018	-	710,073
Other governments	10,463,622	-	-	-	10,463,622
Internal balances	-	-	2,408,831	13,583,744	15,992,575
Due from other funds	7,838,539	-	-	(7,838,539)	-
Due from Successor Agency	1,080,136	-	-	-	1,080,136
Deposits	61,785	-	-	-	61,785
Prepays	686,290	-	192,605	(108,202)	770,693
Net pension asset	-	13,823,748	-	108,202	13,931,950
Cash with fiscal agent	32,821,539	-	-	-	32,821,539
Advances to other funds	17,406,692	-	-	(17,406,692)	-
Advances to Successor Agency	32,796,127	-	-	-	32,796,127
Bond issuance costs, net	-	1,286,847	-	-	1,286,847
Capital assets, net	-	784,070,339	323,942	-	784,394,281
Total assets	<u>\$ 733,319,590</u>	<u>803,439,751</u>	<u>55,609,455</u>	<u>(11,661,487)</u>	<u>1,580,707,309</u>
Liabilities and Fund Balances/Net Assets					
Liabilities:					
Accounts payable	\$ 18,154,844	-	111,200	-	18,266,044
Accrued liabilities	9,401,976	109,914	74,274	-	9,586,164
Accrued interest payable	-	1,147,179	-	-	1,147,179
Contracts payable (retained percentage)	3,621,545	-	-	-	3,621,545
Due to other funds	7,818,514	-	-	(7,818,514)	-
Deferred revenue	108,155,312	-	-	(81,609,787)	26,545,525
Deposits payable from restricted assets	629,328	-	-	-	629,328
Compensated absences due within one year	-	7,174,694	59,002	-	7,233,696
Compensated absences due in more than one year	-	4,770,794	50,912	-	4,821,706
Claims payable due within one year	-	-	7,677,548	-	7,677,548
Claims payable due in more than one year	-	-	25,501,386	-	25,501,386
Due to Successor Agency within one year	22,795,160	(8,599,103)	-	-	14,196,057
Due to Successor Agency in more than one year	-	42,588,172	-	-	42,588,172
Loans and bonds payable due within one year	-	5,920,000	-	-	5,920,000
Loans and bonds payable due in more than one year	-	94,037,586	-	-	94,037,586
Pollution remediation obligation due within one year	-	574,009	-	-	574,009
Pollution remediation obligation due in more than one year	-	99,671,601	-	-	99,671,601
Other long term liability	-	8,704,750	-	-	8,704,750
Accrued OPEB liability	-	8,480,000	-	-	8,480,000
Advances from other funds	3,842,973	-	-	(3,842,973)	-
Total liabilities	<u>174,419,652</u>	<u>264,579,596</u>	<u>33,474,322</u>	<u>(93,271,274)</u>	<u>379,202,296</u>
Total fund balances/net assets	<u>558,899,938</u>	<u>538,860,155</u>	<u>22,135,133</u>	<u>81,609,787</u>	<u>1,201,505,013</u>
Total liabilities and fund balance/net assets	<u>\$ 733,319,590</u>	<u>803,439,751</u>	<u>55,609,455</u>	<u>(11,661,487)</u>	<u>1,580,707,309</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet. Capital assets of internal service funds of \$323,942, net of accumulated depreciation, are not included in this amount.	\$ 1,118,099,057
Less accumulated depreciation	(334,028,718)
	<u>784,070,339</u>
Accounts receivable related to residual revenue from Successor Agency payments	4,258,817
Net pension asset	13,823,748
Bond issue costs to be amortized over the life of the debt	1,286,847
Accrued liabilities, OPEB costs, are not due and payable in the current period and, therefore, are not reported in the balance sheet	(8,480,000)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet.	
Accrued liabilities	(109,914)
Due to Successor Agency in more than one year	(33,989,069)
General obligation bonds	(11,325,000)
Revenue bonds	(84,265,000)
Loans payable	(400,000)
Deferred loss on refunding	429,513
Accrued interest on long-term debt	(1,147,179)
Unamortized premium on long-term debt	(4,404,240)
Unamortized issue discount on long-term debt	7,141
Employee compensated absences	(11,945,488)
Accrued pollution remediation costs	(100,245,610)
Other long term liabilities	(8,704,750)
Total long-term liabilities	(256,099,596)
	<u>\$ 538,860,155</u>
2) Internal service funds are used by management to charge the costs of information technology and communications operations, self-insurance comprehensive, auto and workers' compensation to individual funds. The assets and liabilities of these internal service funds are included in the governmental activities on the statement of net position.	\$ 19,726,302
Adjustments for Internal Service Funds are necessary to "close" those funds by recording charges to and payments from business-type activities to completely cover the Internal Service Funds' costs for the year.	2,408,831
	<u>\$ 22,135,133</u>
3) Other adjustments and eliminations:	
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the statement of activities.	\$ 81,609,787

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

Amounts reported for business-type activities in the government-wide statement of net position are different from those reported for enterprise funds in the fund statement of net position. The following provides a reconciliation of those differences:

Assets	Total enterprise funds	Total business- type internal service funds (1)	Other adjustments and eliminations	Statement of net assets totals
Cash and investments	\$ 104,609,901	33,187,081	-	137,796,982
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts	33,470,351	-	-	33,470,351
Interest	188,842	43,220	-	232,062
Internal balances	-	(2,408,831)	(13,583,744)	(15,992,575)
Inventory	1,935,828	72,094	-	2,007,922
Prepays	3,936,458	207,435	(4,091,040)	52,853
Net pension asset	-	-	4,091,040	4,091,040
Restricted cash and investments	31,019,920	-	-	31,019,920
Restricted cash and investments with fiscal agent	182,825	-	-	182,825
Advances	274,566	-	(274,566)	-
Bond issuance costs, net	333,492	-	-	333,492
Capital assets, net	457,061,156	13,092,290	-	470,153,446
Total assets	<u>\$ 633,013,339</u>	<u>44,193,289</u>	<u>(13,858,310)</u>	<u>663,348,318</u>
Liabilities				
Accounts payable	\$ 5,102,949	235,642	-	5,338,591
Accrued liabilities	3,597,716	102,797	-	3,700,513
Accrued interest payable	311,612	-	-	311,612
Contracts payable (retained percentage)	98,568	-	-	98,568
Due to other funds	20,025	-	(20,025)	-
Unearned revenue	4,360,531	-	-	4,360,531
Liabilities payable from restricted assets	10,109,770	-	-	10,109,770
Advances from other funds	13,838,285	-	(13,838,285)	-
Compensated absences due within one year	2,324,686	104,642	-	2,429,328
Compensated absences due in more than one year	1,025,678	77,271	-	1,102,949
Claims payable due within one year	-	2,149,840	-	2,149,840
Claims payable due in more than one year	-	1,794,183	-	1,794,183
Loans and bonds payable due within one year	2,055,151	-	-	2,055,151
Loans and bonds payable due in more than one year	17,753,091	-	-	17,753,091
Pollution remediation obligation due within one year	3,080,986	-	-	3,080,986
Pollution remediation obligation due in more than one year	18,173,922	-	-	18,173,922
Total liabilities	<u>81,852,970</u>	<u>4,464,375</u>	<u>(13,858,310)</u>	<u>72,459,035</u>
Net Assets	<u>\$ 551,160,369</u>	<u>39,728,914</u>	<u>-</u>	<u>590,889,283</u>

- 1) Internal service funds are used by management to charge the costs of vehicle management, information technology and risk management to individual funds. The assets and liabilities of the vehicle management and self-insurance bus internal service funds are included in business-type activities in the statement of net position.

\$ 42,137,745

Adjustment for Internal Service Funds are necessary to "close" those funds for charges to and payments from participating governmental-type activities to completely cover the Internal Service Funds' costs for the year.

\$ (2,408,831)

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

(4) POLLUTION REMEDIATION

The City follows the guidance of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

On December 1, 2006, the City amended a settlement agreement that it had entered into in 2004 with a consortium of oil companies in relation to methyl tertiary butyl ether ("MTBE") contamination that had occurred at the City's Charnock Well Field. The Charnock Well Field is used to supply drinking water to the City. The amended 2006 agreement called for the oil companies to pay the City \$131.0 million in exchange for the City's agreement to treat to applicable drinking water standards any water produced from the Charnock Well Field, which contains MTBE, tertiary butyl alcohol ("tBA") and related petroleum hydrocarbons. Prior to this amended 2006 agreement and under the terms of other settlement agreements with other companies, the City received an additional \$141.0 million also related to MTBE contamination of the City's Charnock Well Field. The City has received all of the proceeds from each of these agreements, including the amended 2006 agreement.

To meet its Charnock Well Field water treatment obligation, the City has constructed and is operating a water treatment remediation plant using the proceeds of the 2006 and the other earlier settlements.

The City measured the liability by the actual cost of construction/remediation contracts, which included a contingency of 10% for unforeseen costs and therefore, the City's expected outlays were determined to be \$85,481,000, which was the present value of the cost of the contracts plus the cost of the plant operations.

On June 30, 2013 the pollution remediation liability was revised based on current cost estimates and the outstanding liability as of June 30, 2013 increased from \$14,744,410 to \$21,254,908. The liability was then reassigned to the Water fund of the City, which will oversee the remaining remediation activities. Due to the unusual and the infrequent nature of the reassignment, the transaction has been reported as a special item on the fund financial statements.

On November 13, 2009, the City entered into a settlement and release agreement with The Gillette Company (Gillette), guaranteed by The Procter & Gamble Company, in relation to ground water contamination of the City's Olympic Well Field. The Olympic Well Field is used to supply drinking water to the City. The agreement calls for Gillette to make payments to the City ranging from \$150,000 to \$11,183,175 annually, totaling \$68,000,000 to be made over 30 years which included the City receiving title to property valued at \$3,250,000. To date the City has received cash payments of \$33,162,700 which has been recorded as revenue in the fund financial statements. Under the agreement, the City has agreed to treat to applicable drinking water standards any water that it produces from the Olympic Well Field.

The agreement also includes a provision that provides for Gillette to potentially share in the proceeds of settlement agreements, if any, that the City may receive from other parties related to their contamination of the Olympic Well Field. Under this sharing provision, in 2021 Gillette may recoup up to a maximum of \$8,704,750 of the funds it pays to the City from the proceeds of these other settlement agreements.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

On May 15, 2012, the City entered into a settlement and release agreement with The Boeing Company (Boeing) also in relation to ground water contamination of the City's Olympic Well Field. The agreement calls for Boeing to make payments to the City ranging from \$150,000 to \$5,000,000 annually to be made over a ten year period, totaling \$39,500,000. On December 12, 2012, the agreement was modified with \$21,000,000 being due from Boeing in January 2013 and payments of \$3,670,000 being due from Boeing annually beginning in 2017 through 2021. The City received Boeing's payment of \$21,000,000 on January 7, 2013. Under the agreement, the City has agreed to treat to applicable drinking water standards any water that it produces from the Olympic Well Field. To date, \$21,150,000 has been recognized as income in the fund financial statements.

Using the expected cash flow technique, the City has measured the potential water treatment liability under the Gillette and Boeing agreements by the anticipated cost of construction/remediation contracts, which include a contingency of 10% for unforeseen costs and therefore, the City's expected outlays were determined to be up to \$95,545,250, which is the anticipated value of the cost of the contracts plus the cost of the plant operations for the duration of remediation and decommissioning costs at the end of remediation. This pollution remediation obligation calculation is an estimate and is subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

A total of \$95,545,250 has previously been reported as a non-current accrued pollution remediation liability. Additionally, \$8,704,750 due to Gillette under their agreement, has been reported as other long term liabilities in the citywide financial statements.

Additionally, the City engages in an ongoing program of pollution remediation related to its various properties. Two such sites are currently undergoing remediation in the form of either soil or vaporous contaminant removal or containment. By State law these occurrences are required to be reported to California Department of Health Services.

The balance of the pollution remediation liability is \$100,245,610 in the governmental activities of which \$574,009 is due within one year and \$21,254,908 in the business type activities, of which \$3,080,986 is due within one year.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

(5) CASH AND INVESTMENTS

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 481,936,030
Restricted cash and investments	188,017,621
Restricted cash with fiscal agent	33,004,364
Fiduciary funds:	
Restricted cash and investments	45,475,869
Total cash and investments	<u>\$ 748,433,884</u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 53,124
Deposits with financial institutions	67,391,052
Investments	680,989,708
Total cash and investments	<u>\$ 748,433,884</u>

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

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate 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. The table also does not address certain escrow accounts established for purposes such as construction project retention, which are governed by the specific escrow agreement(s).

Investment types authorized by state law	Authorized by investment policy	*Maximum maturity	*Maximum percentage of portfolio	*Maximum investment in one issuer
Local agency bonds	Yes	5 years	None	None
U.S. Treasury obligations	Yes	5 years	None	None
U.S. agency securities/obligations	Yes	5 years	None	50%
State obligations – California and others	Yes	5 years	None	None
CA Local Agency obligations	Yes	5 Years	None	None
Banker's acceptances	Yes	180 days	10%	30%
Commercial paper-Select Agencies	Yes	270 days	15%	10%
Commercial paper-Other Agencies	Yes	270 days	15%	10%
Negotiable certificates of deposit	Yes	5 years	30%	10%
CD Placement Services	Yes	5 years	30%	None

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Investment types authorized by state law	Authorized by investment policy	*Maximum maturity	*Maximum percentage of portfolio	*Maximum investment in one issuer
Repurchase agreements	Yes	1 year	None	None
Reverse repurchase agreements	Yes	92 days	20% of base value	None
Corporate medium-term notes	Yes	5 years	30%	None
Mutual funds	Yes	N/A	20%	10%
Money market mutual funds	Yes	N/A	20%	10%
Mortgage pass-through securities	Yes	5 years	20%	None
Time deposits	Yes	5 years	None	None
Collateralized certificates of deposit	Yes	5 years	None	None
County pooled investment funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA pools (other investment pools)	Yes	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are generally authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
U.S. Treasury obligations	None	None	None
Federal Housing Administration debentures	None	None	None
U.S. agency securities	None	None	None
Time deposits	None	None	None
Unsecured certificates of deposit	180 days	None	None
Banker's acceptances	180 days	None	None
State obligations	None	None	None
Repurchase agreements	1 year	None	None
Pre-refunded municipal obligations	None	None	None
Commercial paper	270 days	None	None
Money market mutual funds	None	None	None
Investment contracts	30 years	None	None

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Investments Authorized by Actions of the City Council

Cemetery and Mausoleum Perpetual Care funds are received from Woodlawn Cemetery users for the perpetual care of cemetery grounds and of the mausoleum. The funds are legally restricted to the extent that only earnings, and not principal, can be used for restricted perpetual care purposes. These funds represent the accumulation of unspent monies from non-government sources and are not considered by the City to constitute "surplus funds" of a local government. Accordingly, these funds are not considered by the City to be subject to the provisions of the California Government Code Section 53601 or the City's investment policy. These funds have been invested per instructions of the City Council. The table below identifies the investment types generally authorized for these investments. Current City Council instructions limit amount invested in equities (common stock) to 60% of the total portfolio with the balance to be invested in fixed income securities. The table also identifies certain provisions of these agreements that address interest rate risk and concentration of credit risk.

Authorized investment type	Maximum maturity	Maximum percentage allowed	Maximum investment in one issuer
U.S. Treasury obligations	None	None	None
U.S. agency securities	None	None	None
Common stock	None	60%	None
Corporate bonds	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The fair value of callable securities is also sensitive to market changes in that if interest rates decrease between the time of purchase and the call date, the likelihood that a bond will be called and reinvested at a lower interest rate increases. The City's portfolio also includes certain callable structured investments for which the coupon interest rate increases if the investments are not called on or before certain pre-determined dates. The fair value of these investments, which falls into the Federal Agency Security category, is also sensitive to market changes. 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 (including investments held by bond trustees, Wells Fargo loan proceeds held in a custodial account with another party, and other funds held jointly with another party in escrow account) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity. For purposes of the schedule shown below, any callable securities are assumed to be held to maturity.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

Investment type	Amount	Remaining maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Held by City:					
Federal agency securities	\$ 463,817,937	163,402,543	96,157,278	204,258,116	-
Corporate medium term notes	41,826,794	5,329,803	6,238,070	30,258,921	-
Treasury Bills	37,999,962	37,999,962	-	-	-
State investment pool	49,378,138	49,378,138	-	-	-
Money market funds	5,002,041	5,002,041	-	-	-
Held by others:					
Treasury notes/ bonds	1,579,591	201,047	-	1,083,413	295,131
Federal agency securities	6,825,818	6,825,818	-	-	-
Corporate medium term notes	2,223,382	-	299,088	1,450,071	474,223
Municipal Bonds	3,060,000	-	1,190,000	1,470,000	400,000
Money market funds	63,187,758	63,187,758	-	-	-
Total	\$ 674,901,421	331,327,110	103,884,436	238,520,521	1,169,354

Common stock of \$6,088,287 not included.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments as of June 30, 2013 (including investments held by bond trustees) do not include any investments that are highly sensitive to interest rate fluctuations to a greater degree than already indicated in the information provided above.

Disclosures Relating to Credit Risk

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

The Cemetery and Mausoleum perpetual care funds are funds held in trust by the City to pay for perpetual care costs at the City-owned cemetery. Investment of these funds is not covered by the State Government Code. The guidelines for investment of these funds are set by the City Council, and the funds are managed by an outside investment firm using those guidelines.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2013

Investment type	Amount	Minimum legal rating	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Not rated
Federal agency securities	\$ 463,817,937	N / A	-	463,817,937	-	-	-	-	-	-	-	-	-
Treasury Bills	37,999,962	N / A	-	37,999,962	-	-	-	-	-	-	-	-	-
Corporate medium term notes	41,826,794	A	10,825,090	10,551,991	11,366,886	2,984,370	6,098,457	-	-	-	-	-	-
State investment pool	49,378,138	N / A	-	-	-	-	-	-	-	-	-	-	49,378,138
Money market funds	5,002,041	AAA	5,002,041	-	-	-	-	-	-	-	-	-	-
	<u>598,024,872</u>												
Held by others:													
Treasury notes/bonds	1,579,591	N / A	-	1,579,591	-	-	-	-	-	-	-	-	-
Federal agency securities	6,825,818	N / A	-	6,825,818	-	-	-	-	-	-	-	-	-
Corporate medium term notes	2,223,382	N / A	-	-	99,573	97,027	83,781	192,581	586,283	587,487	283,850	292,800	-
Municipal Bonds	3,060,000	N / A	400,000	-	-	650,000	-	1,310,000	700,000	-	-	-	-
Money market funds	63,187,758	AAA	63,187,758	-	-	-	-	-	-	-	-	-	-
	<u>\$ 674,901,421</u>		<u>79,414,889</u>	<u>520,775,299</u>	<u>11,466,459</u>	<u>3,731,397</u>	<u>6,182,238</u>	<u>1,502,581</u>	<u>1,286,283</u>	<u>587,487</u>	<u>283,850</u>	<u>292,800</u>	<u>49,378,138</u>

Common stock of \$6,088,287 not included.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Concentration of Credit Risk

In regards to limitations on the amount that can be invested in any one issuer, the City's investment policy generally follows stipulations by the California Government Code. However, the City's policy adds an additional stipulation that no more than 50% of the portfolio may be invested in a single issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments (excluding investments held by others) are as follows:

<u>Issuer</u>	<u>Investment type</u>	<u>Reported amount</u>	<u>% of Investment</u>
FNMA (Fannie Mae)	Federal agency securities	\$ 138,199,579	23.1 %
Federal Farm Credit Bank	Federal agency securities	98,799,586	16.5
FHLMC (Freddie Mac)	Federal agency securities	108,741,748	18.2
Federal Home Loan Bank	Federal agency securities	112,178,185	18.8

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2013, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment type</u>	<u>Reported amount</u>
Federal agencies	\$ 2,721,066

For investments identified herein as held by bond trustee, the bond trustee, under direction of the City/Parking Authority selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the applicable agency.

Investment in State Investment Pool

Both the City and the Successor Agency are voluntary participants in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of City investments 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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2013, no funds were invested in the SA account.

(6) NOTES RECEIVABLE

Notes receivable related to governmental activities total \$118,828,035 as follows:

	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
General Fund				
Mountain View Mobile Inn Residents Assoc. (a)	\$ 124,977	-	124,977	-
Employee housing (b)	988,149	-	2,676	985,473
Community Corporation of Santa Monica (c)	2,521,176	565,101	-	3,086,277
Community Corporation of Santa Monica (d)	448,280	-	-	448,280
Community Corporation of Santa Monica (e)	4,164,622	256,076	-	4,420,698
FAME Santa Monica Senior Apartments (f)	1,178,003	-	-	1,178,003
Step Up (g)	164,276	287,353	-	451,629
Total General Fund	<u>9,589,483</u>	<u>1,108,530</u>	<u>127,653</u>	<u>10,570,360</u>
Special Revenue Source Fund				
Community Corporation of Santa Monica (h)	6,774,763	-	-	6,774,763
Community Corporation of Santa Monica (i)	3,350,000	-	-	3,350,000
Community Corporation of Santa Monica (j)	2,503,129	2,313,249	-	4,816,378
Santa Monica Housing Partners (k)	12,287,266	7,112,734	-	19,400,000
Total Special Revenue Source Fund	<u>24,915,158</u>	<u>9,425,983</u>	<u>-</u>	<u>34,341,141</u>
Nonmajor Governmental Funds				
Community Corporation of Santa Monica (l)	681,080	-	-	681,080
Community Corporation of Santa Monica (m)	2,900,000	-	-	2,900,000
Community Corporation of Santa Monica (n)	7,100,000	-	-	7,100,000
Low- and moderate-income housing (DRPLP) (o)	200,000	-	-	200,000
Low- and moderate-income housing (DRPLP) (o)	200,000	-	-	200,000
Low- and moderate-income housing (p)	1,158,335	-	51,000	1,107,335
Ocean Park Community Center (q)	1,200,000	-	-	1,200,000
Community Corporation of Santa Monica (r)	6,345,807	-	-	6,345,807
Community Corporation of Santa Monica (s)	956,395	26,584	-	982,979
Step Up (t)	7,170,000	-	-	7,170,000
Community Corporation of Santa Monica (u)	4,234,506	-	-	4,234,506
Community Corporation of Santa Monica (v)	841,600	-	-	841,600
Santa Monica Housing Partners (w)	5,684,455	-	-	5,684,455
Community Corporation of Santa Monica (x)	3,044,820	-	-	3,044,820
Community Corporation of Santa Monica (y)	8,958,823	-	-	8,958,823
Community Corporation of Santa Monica (z)	4,786,704	-	-	4,786,704
FAME Santa Monica Senior Apartments (aa)	4,058,652	-	-	4,058,652
MERL Program (bb)	11,553,978	-	271,931	11,282,047
Step Up (cc)	2,407,860	-	-	2,407,860
Community Corporation of Santa Monica (dd)	-	729,866	-	729,866
Total nonmajor governmental funds	<u>73,483,015</u>	<u>756,450</u>	<u>322,931</u>	<u>73,916,534</u>
Total notes receivable	<u>\$ 107,987,656</u>	<u>11,290,963</u>	<u>450,584</u>	<u>118,828,035</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

General Fund

- a. A promissory note dated April 3, 1996 in the amount of \$272,000, interest free, was executed with Mountain View Mobile Inn Residents Association for pre-development loan funds to assist in the acquisition and subsequent conversion of the mobile home park located at 1930 Stewart Street to tenant ownership. As of June 30, 2013, \$124,977 had been disbursed to the borrower. Since the goal of preserving Mountain View as affordable housing was achieved, the City Council was asked to forgive this loan in FY 2012-13. As of June 30, 2013, the total outstanding balance of the loan was \$0.
- b. On June 11, 2010, the City made a housing loan to Rodney S. Gould, City Manager, in the amount of \$1,000,000 for the purchase of a home within the City limits. The loan is secured by a deed of trust and has a term of 30 years with an interest rate of 3.27%. The outstanding principal, together with any outstanding interest, is due and payable in full on or before the 30-year anniversary date of the loan. Monthly interest payments are due on the first calendar day of each month. The City Manager must repay any outstanding balance of the loan within two years of ending employment with the City. As of June 30, 2013, the total outstanding balance of the loan was \$985,473.
- c. A promissory note dated January 12, 2009 in the amount of \$6,223,333 was executed with Community Corporation of Santa Monica for an affordable housing project located at 430-508 Pico Boulevard. This was a 0% loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated January 26, 2012, which increased the note to \$10,947,475, changed the interest rate to 3% and the term to 55 years. As of June 30, 2013, \$3,086,277 had been disbursed to the borrower.
- d. A promissory note dated February 1, 2011 in the amount of \$9,407,103 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2602 Broadway. This is a 55-year loan with an interest rate of 3% per annum. As of June 30, 2013, \$448,280 had been disbursed to the borrower.
- e. A promissory note dated February 2, 2009 in the amount of \$5,595,897 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2802 Pico Boulevard. This was a 0% loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated November 29, 2011, which increased the note to \$9,207,402, changed the interest rate to 3% and the term to 55 years. As of June 30, 2013, \$4,420,698 had been disbursed to the borrower.
- f. A promissory note dated June 16, 2009 in the amount of \$4,424,711 was executed with FAME Santa Monica Senior Apartments, L.P. for an affordable housing project located at 1754 19th Street. This loan was superseded by a loan in the amount of \$11,475,000 dated November 17, 2011 and it is 0% interest for 55 years. As of June 30, 2013, \$1,178,003 had been disbursed to the borrower.
- g. A promissory note dated December 15, 2010 in the amount of \$3,645,422 was executed with Step Up on Second Street, Inc. for an affordable housing project at 520 Colorado Avenue. The loan is for the acquisition and predevelopment of the site. This loan was superseded by a loan in the amount of \$5,041,255 dated January 25, 2012. It is 3% interest for 55 years after the project is built. As of June 30, 2013, \$451,629 had been disbursed to the borrower.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

Special Revenue Source Capital Projects Fund

- h. A revised promissory note dated March 9, 2005 in the amount of \$6,774,763 was executed with Pacific Court Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 2209 Main Street. Forty-three low- and moderate-income housing units were constructed on the site. This is a 55-year loan with 1% interest rate per annum. Payments are to be made from residual receipts. As of June 30, 2013, \$6,774,763 had been disbursed to the borrower.
- i. A revised promissory note dated October 26, 2004 in the amount of \$3,350,000 was executed with 1424 Broadway Apartments Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 1424 Broadway/1512 15th Street. This is a 55-year loan with 3% interest rate per annum. Payments are to be made from residual receipts. As of June 30, 2013, \$3,350,000 had been disbursed to the borrower.
- j. A promissory note dated January 12, 2009 in the amount of \$6,223,333 was executed with Community Corporation of Santa Monica for the acquisition and predevelopment expenses for an affordable housing project located at 430-508 Pico Boulevard. This was a 0% loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated January 26, 2012, which increased the note to \$10,947,475, changed the interest rate to 3% and the term to 55 years. As of June 30, 2013, \$4,816,378 had been disbursed to the borrower.
- k. A promissory note dated December 8, 2011 in the amount of \$19,400,000, was executed with Santa Monica Housing Partners for the acquisition and predevelopment expenses for an affordable housing project located at 1725 Ocean Ave. This is a 0% loan with the principal amount due and payable after 55-year anniversary of conversion to permanent financing. As of June 30, 2013, \$19,400,000 had been disbursed to the borrower.

Nonmajor Governmental Funds

- l. On March 1, 1997, the City executed a promissory note with Community Corporation of Santa Monica for the construction of a twenty unit, large family, affordable housing complex located at 708 Pico Boulevard. \$579,000 is funded from the City's Pico Neighborhood Trust Fund, while \$221,000 is funded from the Community Development Block Grant (CDBG) Fund. This note is a 0% loan to be repaid from residual receipts of the project and is due on October 22, 2053. As of June 30, 2013, the outstanding balance is \$681,080.
- m. A revised promissory note dated October 26, 2004 in the amount of \$2,900,000 was executed with 1424 Broadway Apartments Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 1424 Broadway/1512 15th Street. This is a 55-year loan with 3% interest rate per annum. Payments are to be made from residual receipts. As of June 30, 2013, \$2,900,000 had been disbursed to the borrower.
- n. Promissory notes dated October 26, 2004, October 26, 2004 and June 12, 2007 in the amount of \$4,458,033, \$1,691,967 and \$950,000, respectively for a total of \$7,100,000 were executed with 26th and Santa Monica Family Housing Limited Partnership, c/o Community Corporation of Santa Monica, for an affordable housing project located at 1349 26th Street. Forty-four low- and moderate-income housing units are to be constructed on the site. They are 55-year loans with 3% interest rate

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

per annum. Payments are to be made from residual receipts. As of June 30, 2013, \$7,100,000 had been disbursed to the borrower.

- o. Two promissory notes dated December 22, 1988 and December 29, 1989, for \$200,000 each, one for 3 Vicente Terrace and one for 2020/30 Cloverfield Boulevard, were executed with the owners of certain rental properties. The first note was for five years at 3% interest per year, and could be renewed for five additional five-year terms as long as the rental properties are maintained for low- and moderate-income households. The first note was due December 22, 1993, and has been extended for the fourth time to December 22, 2013; the second note was due December 29, 1994, and has been extended to December 29, 2019 under the same interest rate and similar terms and conditions. The promissory notes are payable in full upon sale or transfer of the property (whichever occurs first) or upon expiration of the term of the promissory notes. Upon payment to the City, proceeds must be paid to the State of California as repayment for two \$200,000 State Department of Housing and Urban Development Deferred Payment Rehabilitation Loan Program (DPRLP) loans. There were no changes in the loan balances during the fiscal year ended June 30, 2013.
- p. These represent non-interest bearing, limited appreciation and shared appreciation loans made between 1991 and 2001 pursuant to Tenant Ownership Rights Charter Amendment (TORCA) Program guidelines to assist low- and moderate-income households to purchase their rental units. The loans are due the earlier of 20 years or 30 years as applicable or upon resale, transfer or default. As of June 30, 2013, the outstanding balances of such loans total \$1,107,335.
- q. A promissory note dated September 30, 2003 in the amount of \$1,200,000 was executed with Ocean Park Community Center for congregate housing and emergency shelter for very low-income use, located at 1751 Cloverfield Boulevard. This loan is for the acquisition and rehabilitation of the site. This is a 55-year loan with 5.98% interest rate per annum with a two-year deferral period. Payments are to be made from residual receipts. As of June 30, 2013, \$1,200,000 had been disbursed to the borrower.
- r. A revised promissory note dated February 8, 2006 in the amount of \$6,745,807 was executed with Community Corporation of Santa Monica for an affordable housing project located at 3021-3031 Santa Monica Boulevard. This loan is for the acquisition, predevelopment expenses and construction of future low- and moderate-income housing. This is a 0% loan with the principal amount due and payable February 8, 2061, 55-years from February 8, 2006. As of June 30, 2013, \$6,345,807 had been disbursed to the borrower.
- s. A promissory note dated February 10, 2004, in the amount of \$1,161,185 was executed with Community Corporation of Santa Monica for the purchase of land for an affordable housing project located at 1342 Berkeley Street. This 0% loan was due and payable August 6, 2008, and is secured by the land at 1342 Berkeley. City Council extended the loan until December 2014. As of June 30, 2013, \$982,979 had been disbursed to the borrower.
- t. Two promissory notes dated February 13, 2007, one in the amount of \$5,870,000 and one for \$1,300,000 were, executed with Step Up on Fifth, L.P. for an affordable housing project located at 1548 Fifth Street. These loans are for the acquisition and construction of the site. This is a 55-year loan with a simple interest rate of 5% per annum. Payments are to be made from residual receipts. As of June 30, 2013, \$7,170,000 had been disbursed to the borrower.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

- u. A promissory note dated July 24, 2006 in the amount of \$4,234,507 was executed with The Tahiti, L.P. c/o Community Corporation of Santa Monica for an affordable housing project located at 2411-2423 Centinela Avenue. The loan is for the construction of 36 affordable rental housing units. This is a 55-year loan with a simple interest rate of 3% per annum. Payments are to be made from residual receipts. As of June 30, 2013, \$4,234,506 had been disbursed to the borrower.
- v. A promissory note dated December 22, 1988 in the amount of \$841,600 was executed with Community Corporation of Santa Monica for low- and moderate-income housing at 2020-2030 Cloverfield Boulevard. This is a 35-year loan with 10.44% interest rate per annum. As of June 30, 2013, \$841,600 had been disbursed to the borrower.
- w. An amended promissory note dated February 22, 2008, in the amount of \$5,207,314 and a promissory note dated March 15, 2011 for \$477,142 were executed with the Santa Monica Housing Partners, L.P. for the development of 20 units of affordable senior housing at 1458 14th Street. The loans represents land acquisition financing that achieves site control. These are 55-year loans with an interest rate of 3% per annum on the \$5,207,314 loan and 4.36% on the \$477,141 loan. As of June 30, 2013, the outstanding balance is \$5,684,455.
- x. A promissory note dated January 12, 2009 in the amount of \$6,223,333 was executed with Community Corporation of Santa Monica for an affordable housing project located at 430-508 Pico Boulevard. This was a 0% loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated January 26, 2012, which increased the note to \$10,947,475, changed the interest rate to 3% and the term to 55 years. As of June 30, 2013, \$3,044,820 had been disbursed to the borrower.
- y. A promissory note dated February 1, 2011 in the amount of \$9,407,103 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2602 Broadway. This is a 55-year loan with an interest rate of 3% per annum. As of June 30, 2013, \$8,958,823 had been disbursed to the borrower.
- z. A promissory note dated February 2, 2009 in the amount of \$5,595,897 was executed with Community Corporation of Santa Monica for an affordable housing project located at 2802 Pico Boulevard. This was a 0% loan with the principal amount due and payable after a two-year deferral period. It was superseded by a new loan dated November 29, 2011, which increased the note to \$9,207,402, changed the interest rate to 3% and the term to 55 years. As of June 30, 2013, \$4,786,704 had been disbursed to the borrower.
- aa. A promissory note dated June 16, 2009 in the amount of \$4,424,711 was executed with FAME Santa Monica Senior Apartments, L.P. for an affordable housing project located at 1754 19th Street. This loan was superseded by a loan in the amount of \$11,475,000 dated November 17, 2011. It is 0% interest for 55 years. As of June 30, 2013, \$4,058,652 had been disbursed to the borrower.
- bb. The January 17, 1994 Northridge Earthquake resulted in damaged multifamily residences in the City. To facilitate repair of damaged multifamily residences, the U.S. Department of Housing and Urban Development awarded the City a total of \$33,388,000 in emergency funds to finance the City's Multifamily Earthquake Repair Loan (MERL) Program.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

The funds were allocated as follows: \$2,027,000 – HOME Program Emergency Supplemental Fund, \$6,361,000 – HOME Program Presidential Contingency Fund, and \$25,000,000 – CDBG Program Emergency Supplemental Fund.

Loans were made between 1995 and 2001. As of June 30, 2013, the following summarizes the total loan amount authorized, amount disbursed since inception of the loan program, the amounts repaid by the borrowers, and the loan balances:

Fund	Loan amount authorized	Loan amount disbursed	Amounts repaid/forgiven	Loan balance at June 30, 2013
Miscellaneous Grants	\$ 7,790,695	7,790,695	3,188,205	4,602,490
CDBG	21,739,088	21,727,929	15,048,372	6,679,557
Total	<u>\$ 29,529,783</u>	<u>29,518,624</u>	<u>18,236,577</u>	<u>11,282,047</u>

cc. A promissory note dated December 15, 2010 in the amount of \$3,645,422 was executed with Step Up on Second Street, Inc. for an affordable housing project at 520 Colorado Avenue. The loan is for the acquisition and predevelopment of the site. This loan was superseded by a loan in the amount of \$5,041,255 dated January 25, 2012. It is 3% interest for 55 years after the project is built. As of June 30, 2013, the outstanding balance is \$2,407,860.

dd. A promissory note dated October 21, 1987 in the amount of \$778,603 was executed with Community Corporation of Santa Monica for affordable housing projects located at 504 Ashland, 518 Pier, 536 Ashland, 642 Marine, and 3005 Highland. The overall project is called Ocean Park 43 (OP43). This is a 40 year loan with an interest rate of 5% per annum. As of June 30, 2013, \$729,866 had been disbursed to the borrower.

Due to the length of the repayment plan and uncertainty of collection of housing loans, the City's policy is not to record interest until received.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

(7) CAPITAL ASSETS

Capital assets activity for the primary government for fiscal year ended June 30, 2013 is as follows:

	Balance at July 1, 2012	Increases	Decreases	Transfers	Balance at June 30, 2013
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 199,875,024	-	-	-	199,875,024
Land held under easement	72,237,823	-	-	-	72,237,823
Construction in progress	76,620,830	58,857,065	(27,361,417)	(10,340,761)	97,775,717
Total capital assets, not being depreciated	<u>348,733,677</u>	<u>58,857,065</u>	<u>(27,361,417)</u>	<u>(10,340,761)</u>	<u>369,888,564</u>
Capital assets, being depreciated:					
Buildings	280,335,067	168,157	-	6,187,997	286,691,221
Improvements other than buildings	78,625,572	2,111,792	-	10,771,541	91,508,905
Intangibles	3,575,000	-	-	(3,575,000)	-
Utility systems	1,742,913	-	-	-	1,742,913
Machinery and equipment	35,324,722	2,097,646	(126,067)	1,933,983	39,230,284
Infrastructure	329,590,318	1,819,769	-	-	331,410,087
Total capital assets being depreciated	<u>729,193,592</u>	<u>6,197,364</u>	<u>(126,067)</u>	<u>15,318,521</u>	<u>750,583,410</u>
Less accumulated depreciation for:					
Buildings	(62,560,444)	(9,039,220)	-	(4,686,111)	(76,285,775)
Improvements other than buildings	(48,034,129)	(2,368,429)	-	(319,116)	(50,721,674)
Intangibles	(306,854)	(35,750)	-	342,604	-
Utility systems	(388,046)	(87,146)	-	-	(475,192)
Machinery and equipment	(26,502,327)	(1,479,661)	126,069	(1,373,860)	(29,229,779)
Infrastructure	(168,857,090)	(10,508,183)	-	-	(179,365,273)
Total accumulated depreciation	<u>(306,648,890)</u>	<u>(23,518,389)</u>	<u>126,069</u>	<u>(6,036,483)</u>	<u>(336,077,693)</u>
Total capital assets, being depreciated, net	<u>422,544,702</u>	<u>(17,321,025)</u>	<u>2</u>	<u>9,282,038</u>	<u>414,505,717</u>
Subtotal governmental activities	<u>771,278,379</u>	<u>41,536,040</u>	<u>(27,361,415)</u>	<u>(1,058,723)</u>	<u>784,394,281</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	72,231,413	-	(809,201)	-	71,422,212
Construction in progress	25,566,686	9,322,663	(26,856)	(3,164,290)	31,698,203
Total capital assets, not being depreciated	<u>97,798,099</u>	<u>9,322,663</u>	<u>(836,057)</u>	<u>(3,164,290)</u>	<u>103,120,415</u>
Capital assets, being depreciated:					
Buildings	153,144,518	-	-	(5,004,381)	148,140,137
Improvements other than buildings	26,556,833	-	-	995,082	27,551,915
Intangibles	82,597,091	2,227,696	-	3,575,000	88,399,787
Machinery and equipment	166,477,802	14,122,494	(12,681,715)	(1,379,174)	166,539,407
Infrastructure	204,438,070	-	-	-	204,438,070
Total capital assets being depreciated	<u>633,214,314</u>	<u>16,350,190</u>	<u>(12,681,715)</u>	<u>(1,813,473)</u>	<u>635,069,316</u>
Less accumulated depreciation for:					
Buildings	(42,048,945)	(4,201,395)	-	4,686,113	(41,564,227)
Improvements other than buildings	(20,128,994)	(441,304)	-	319,116	(20,251,182)
Intangibles	(21,189,744)	(2,201,055)	-	(342,604)	(23,733,403)
Machinery and equipment	(113,223,530)	(12,294,780)	12,005,030	1,373,861	(112,139,419)
Infrastructure	(64,764,763)	(5,583,291)	-	-	(70,348,054)
Total accumulated depreciation	<u>(261,355,976)</u>	<u>(24,721,825)</u>	<u>12,005,030</u>	<u>6,036,486</u>	<u>(268,036,285)</u>
Total capital assets, being depreciated, net	<u>371,858,338</u>	<u>(8,371,635)</u>	<u>(676,685)</u>	<u>4,223,013</u>	<u>367,033,031</u>
Subtotal business-type activities	<u>469,656,437</u>	<u>951,028</u>	<u>(1,512,742)</u>	<u>1,058,723</u>	<u>470,153,446</u>
Total	<u>\$ 1,240,934,816</u>	<u>42,487,068</u>	<u>(28,874,157)</u>	<u>-</u>	<u>1,254,547,727</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,011,870
Public safety	2,077,580
General services	13,178,519
Cultural and recreation services	3,814,558
Library	1,303,765
Housing and community development	1,909,771
Capital assets held by the government's internal service funds are charged to the various functions based on their assets' usage	222,326
Total depreciation and amortization expense - governmental activities	<u>\$ 23,518,389</u>
Business-type activities:	
Water	\$ 1,096,572
Resource Recovery and Recycling	8,643
Pier	505,874
Wastewater	6,421,630
Civic auditorium	267,161
Airport	419,884
Stormwater management	301,816
Cemetery	161,260
Big Blue Bus	12,237,870
Parking authority	264,207
Capital assets held by the government's internal service funds are charged to the various programs based on their assets' usage	3,036,908
Total depreciation and amortization expense - business-type activities	<u>\$ 24,721,825</u>

Note that depreciation and amortization expense does not equal amounts shown on enterprise fund statements because internal service fund amounts relating to business-type activities are included in functions/programs.

The City's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide statements as required by GASB Statement No. 34.

(8) DEFERRED/UNEARNED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned (unearned revenue).

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

The interest on advances reported in the General Fund and the nonmajor governmental funds represent interfund activity eliminated in the government-wide financial statements. This interest is earned and included in promissory note balances at year-end. GASB Statement No. 34 requires the City to recognize and present interfund activity between governmental and business-type funds on the government-wide financial statements. Interest on advances of \$488,681 is deferred on the fund financial statements but is recognized on the government-wide financial statements because it relates to General Fund (governmental-type fund) loans to the Airport Fund (business-type fund).

The components of deferred and unearned revenue are as follows:

	<u>Fund financial statements</u>	<u>Eliminate interfund activity</u>	<u>Recognized in government- wide financials</u>	<u>Government- wide financial statements</u>
Governmental funds:				
General Fund:				
Residual payment from Dept of Finance	\$ 1,419,605	-	(1,419,605)	-
Interest on advances	19,624,485	(17,759,028)	(1,865,457)	-
Settlement proceeds	51,437,300	-	(51,437,300)	-
Unearned user fees	1,020,974	-	-	1,020,974
Total General Fund	<u>73,502,364</u>	<u>(17,759,028)</u>	<u>(54,722,362)</u>	<u>1,020,974</u>
Special Revenue Source Fund:				
Civic Center advanced lease payments	19,089,730	-	-	19,089,730
Total Special Revenue Source Fund	<u>19,089,730</u>	<u>-</u>	<u>-</u>	<u>19,089,730</u>
Nonmajor governmental funds:				
Grant advances (1)	7,307,932	-	(961,937)	6,345,995
Interest on advances	8,166,460	(7,152,611)	(1,013,849)	-
Unearned user fees	88,826	-	-	88,826
Total nonmajor governmental funds:	<u>15,563,218</u>	<u>(7,152,611)</u>	<u>(1,975,786)</u>	<u>6,434,821</u>
Total governmental funds	<u>108,155,312</u>	<u>(24,911,639)</u>	<u>(56,698,148)</u>	<u>26,545,525</u>
Enterprise funds:				
Big Blue Bus Fund:				
Unredeemed fare media	83,043	-	-	83,043
Unearned contract revenue	311,336	-	-	311,336
LACMTA funds received prior to				
meeting all eligibility requirements	3,966,152	-	-	3,966,152
Total Big Blue Bus Fund	<u>4,360,531</u>	<u>-</u>	<u>-</u>	<u>4,360,531</u>
Total enterprise funds	<u>4,360,531</u>	<u>-</u>	<u>-</u>	<u>4,360,531</u>
Total deferred and unearned revenue	<u>\$ 112,515,843</u>	<u>(24,911,639)</u>	<u>(56,698,148)</u>	<u>30,906,056</u>

(1) Represents grant advances for which all of the eligibility requirements have not been met.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

(9) LONG-TERM LIABILITIES

Changes in long-term liabilities:

Long-term liability activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Due within one year	Due beyond one year
Governmental Activities:						
Loans and notes payable	\$ 400,000	-	-	400,000	200,000	200,000
Revenue bonds	87,630,000	-	3,365,000	84,265,000	4,695,000	79,570,000
General obligation bonds	11,325,000	-	-	11,325,000	1,225,000	10,100,000
Less deferred amounts:						
For issuance discounts	(9,591)	-	(2,450)	(7,141)	-	(7,141)
For issuance premiums	4,777,551	-	373,311	4,404,240	-	4,404,240
Deferred loss on refunding	(497,330)	-	(67,817)	(429,513)	-	(429,513)
Total loans and bonds payable	103,625,630	-	3,668,044	99,957,586	6,120,000	93,837,586
Compensated absences (1)	11,331,525	7,529,432	6,805,555	12,055,402	7,233,696	4,821,706
Claims payable	29,025,241	11,683,481	7,529,788	33,178,934	7,677,548	25,501,386
Subtotal governmental activities	143,982,396	19,212,913	18,003,387	145,191,922	21,031,244	124,160,678
Business-type activities:						
Loans payable	2,308,422	-	263,305	2,045,117	270,151	1,774,966
Revenue bonds	20,250,000	-	1,700,000	18,550,000	1,785,000	16,765,000
Less deferred amounts:						
For issuance premiums	1,082,349	-	119,173	963,176	-	963,176
Loss on refunding	(2,012,534)	-	(262,483)	(1,750,051)	-	(1,750,051)
Total loans and bonds payable	21,628,237	-	1,819,995	19,808,242	2,055,151	17,753,091
Compensated absences	3,272,911	2,471,138	2,211,772	3,532,277	2,429,328	1,102,949
Claims payable	2,713,056	1,971,415	740,448	3,944,023	2,149,840	1,794,183
Subtotal business-type activities	27,614,204	4,442,553	4,772,215	27,284,542	6,634,319	20,650,223
Total	\$ 171,596,600	23,655,466	22,775,602	172,476,464	27,665,563	144,810,901

(1) Compensated absences are predominately liquidated by General Fund resources.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

A summary of long-term bonds and loans outstanding at year-end is as follows:

	<u>Date of issue</u>	<u>Original issue</u>	<u>Final maturity date</u>	<u>Interest rate</u>	<u>Balance at June 30, 2013</u>
Governmental activities:					
Revenue bonds (1):					
Parking Authority Refunding 2002	May 1, 2002	\$ 10,480,000	July 1, 2016	3.50-4.50%	\$ 4,070,000
Public Finance Authority 2011	Nov 16, 2011	32,065,000	June 1, 2031	4.00-5.00%	32,065,000
Public Finance Authority Refunding 2009	Dec 16, 2009	9,155,000	July 1, 2021	2.00-5.00%	7,255,000
Public Finance Authority Refunding 2011	Nov 16, 2011	8,625,000	Dec 1, 2020	2.00-4.00%	7,330,000
Public Finance Authority 2004	Dec 14, 2004	38,930,000	July 1, 2033	3.35-5.00%	33,545,000
Subtotal revenue bonds - governmental activities					<u>84,265,000</u>
General obligation bonds (1):					
Main Library Improvements 2012	May 30, 2012	11,325,000	July 1, 2022	0.20-4.00%	11,325,000
Subtotal general obligation bonds - governmental activities					<u>11,325,000</u>
Loans and notes:					
State Dept. of Housing and Community Development loan (2)	Dec 22, 1988	200,000	Dec 22, 2013	0.00%	200,000
State Dept. of Housing and Community Development loan (2)	Dec 29, 1989	200,000	Dec 29, 2019	0.00%	200,000
Subtotal loans payable					<u>400,000</u>
Subtotal governmental activities					<u>95,990,000</u>
Business-type activities (3):					
Revenue bonds:					
Hyperion Project Revenue Refunding 2012	May 30, 2012	8,955,000	Feb 1, 2022	2.00-4.00%	8,955,000
Hyperion Project Revenue Refunding 2005	Oct 13, 2005	20,305,000	Jan 1, 2018	3.00-5.00%	9,595,000
Subtotal revenue bonds - business-type activities					<u>18,550,000</u>
Loans:					
State Water Resources Control Board loan	Jan 29, 1999	5,000,000	July 1, 2019	2.60%	2,045,117
Subtotal business-type activities					<u>20,595,117</u>
Total					<u>\$ 116,585,117</u>

- (1) For construction of City facilities.
- (2) To fund promissory note receivable from the owner of certain rental property.
- (3) To fund capital contribution towards wastewater treatment facility.

Management believes it is in compliance with all debt covenants. See Note 17.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued

For the fiscal year ended June 30, 2013

Annual debt service requirements to maturity are as follows:

Governmental Activities								
Fiscal year ending June 30,	Revenue bonds		General obligation bonds		Loans payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 4,695,000	3,640,291	1,225,000	326,205	200,000	-	6,120,000	3,966,496
2015	4,865,000	3,462,426	1,210,000	323,165	-	-	6,075,000	3,785,591
2016	5,070,000	3,264,051	1,165,000	309,700	-	-	6,235,000	3,573,751
2017	5,270,000	3,056,623	1,135,000	275,350	-	-	6,405,000	3,331,973
2018	4,350,000	2,864,344	1,130,000	230,050	200,000	-	5,680,000	3,094,394
2019-2023	19,870,000	10,560,125	5,460,000	512,425	-	-	25,330,000	11,072,550
2024-2028	18,100,000	7,811,235	-	-	-	-	18,100,000	7,811,235
2029-2033	17,300,000	3,217,439	-	-	-	-	17,300,000	3,217,439
2034-2038	4,745,000	240,125	-	-	-	-	4,745,000	240,125
	<u>\$ 84,265,000</u>	<u>38,116,659</u>	<u>11,325,000</u>	<u>1,976,895</u>	<u>400,000</u>	<u>-</u>	<u>95,990,000</u>	<u>40,093,554</u>

Business-type activities						
Fiscal year ending June 30,	Revenue bonds		Loans payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,785,000	632,200	270,151	53,173	2,055,151	685,373
2015	1,845,000	569,725	277,174	46,149	2,122,174	615,874
2016	1,910,000	505,150	284,381	38,943	2,194,381	544,093
2017	1,990,000	428,750	291,775	31,549	2,281,775	460,299
2018	2,065,000	349,150	299,361	23,963	2,364,361	373,113
2019-2023	8,955,000	609,750	622,275	24,373	9,577,275	634,123
	<u>\$ 18,550,000</u>	<u>3,094,725</u>	<u>2,045,117</u>	<u>218,150</u>	<u>20,595,117</u>	<u>3,312,875</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

Pledged Revenue

The City has a number of debt issues that involve the pledging of revenues. The amounts and terms of the remainder of these commitments and the purposes for which the proceeds of the debt issuances are utilized are indicated in the summary of long-term bonds and loans and notes outstanding at year-end presented in this note. For the current year, debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so specified in debt covenants) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of pledged revenue/debt:	Annual amount of pledged revenue (net of expenses, where required)	Annual debt service payments (of all debt secured by this revenue)	Debt service as a percentage of pledged revenue	Future amount of pledged revenue
Base rental payments				
Parking Authority Refunding 2002	\$ 1,128,491	1,128,491	100%	3,401,526
Public Finance Authority 2011, Refunding 2009	2,022,700	2,022,700	100%	16,266,075
Public Finance Authority 2004	2,551,505	2,551,505	100%	51,022,237
Public Finance Authority 2011	1,450,930	1,450,930	100%	48,030,288
Library bond tax revenue				
Main Library Improvements Refunding 2012	1,606,665	1,580,625	98%	11,913,180
Wastewater charges for services				
Hyperion Project Revenue Refunding 2012, 2005	12,637,426	2,286,590	18%	21,461,900

(10) FUND DEFICITS

Capital Projects Funds. A deficit fund balance in the amount of \$1,148,932 exists in the Disaster Relief Fund. This fund balance deficit is primarily due to timing of revenue and expenditure recognition.

Proprietary Funds. A net deficit in the amount of \$4,981,544 exists in the Airport Fund due to reductions in revenue and increased expenses compared to previous years. The deficit is expected to be funded by increased future fees.

Internal Service Funds. A net deficit in the amount of \$798,471 exists in the Self-Insurance Workers' Compensation Fund due to adverse development on new and existing claims related to prior years. Management expects to alleviate this deficit fund balance through future user charges, instituting cost containment measures, and continuing evaluation of reserve balances.

(11) INTERFUND TRANSACTIONS

The following tables summarize the due to/from other funds, interfund advances to/from, and transfers in/out as of and for the fiscal year ended June 30, 2013.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Advances to/from

Advances to/from other funds at June 30, 2013 are as follows:

Advances to (receivable fund)	Advances from (payable fund)	Amount
General Fund	Nonmajor governmental funds	\$ 3,842,973
	Private-purpose trust fund	22,759,012
	Airport fund	13,563,719
	Total General Fund	40,165,704
Non-Major Governmental Fund	Private-purpose trust fund	10,037,115
Wastewater Fund	Non-Major Proprietary Fund	274,566
	Total advances to/from	<u>\$ 50,477,385</u>

Advances represent loans made to provide financing resources for capital projects. These amounts are expected to be repaid in future years, subject to the various loan terms. None of the above balances are expected to be repaid within one year.

Due from/to

Balances due to/from other funds at June 30, 2013 are as follows:

Due from (receivable fund)	Due to (payable fund)	Amount
General Fund	Private-purpose trust fund	\$ 1,080,136 (1)
	Nonmajor governmental funds	741,395
	Nonmajor enterprise funds	20,025
	Total General Fund	1,841,556
Nonmajor governmental funds	General Fund	5,919,525
	Nonmajor governmental funds	1,157,594
	Total Nonmajor governmental fund:	7,077,119
Private-purpose trust fund	General Fund	16,875,634 (1)
	Nonmajor governmental funds	5,919,526 (1)
	Total private-purpose trust fund	22,795,160
	Total due to/from	<u>\$ 31,713,835</u>

(1) Represents interfund receivables/payables due to/from the Successor Agency based on the California State Department of Finance Due Diligence Reviews and outstanding pass-through payments due taxing entities per the Recognized Obligation Payment Schedule as of June 30, 2013.

Due to/from other funds are primarily short term loans made to eliminate negative cash balances at year-end. Due to/from private-purpose trust fund are payments due to/from the Successor Agency. The City and the Successor Agency entered into a settlement agreement with the California Department of Finance and State Board of Equalization. Because the Successor Agency has insufficient funds to make the settlement payments, the City will need to transfer funds to the Successor Agency to offset the Successor Agency's obligations. See note 17. These amounts are expected to be repaid in one year.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Transfers

Transfers to/from other funds for the fiscal year ended June 30, 2013 are as follows:

Transfer in (receivable fund)	Transfer out (payable fund)	Amount
General Fund	Special Revenue Source Fund	\$ 815,659 (1)
	Nonmajor governmental funds	3,008,657 (2)
	Water Fund	1,379,599 (3)
	Big Blue Bus Fund	94,239 (4)
	Wastewater Fund	982,063 (5)
	Nonmajor enterprise funds	2,796,094 (6)
	Internal service funds	138,300 (7)
	Total General Fund	<u>9,214,611</u>
Special Revenue Source Fund	General Fund	3,500,000 (8)
	Total Special Revenue Source Fund	<u>3,500,000</u>
Nonmajor governmental funds	General Fund	9,050,672 (9)
	Nonmajor governmental funds	141,000 (10)
	Total nonmajor governmental funds	<u>9,191,672</u>
Water Fund	General Fund	89,633 (11)
	Special Revenue Source Fund	12,325,381 (12)
	Total Water Fund	<u>12,415,014</u>
Wastewater Fund	Nonmajor enterprise funds	1,382,922 (13)
	Total Wastewater Fund	<u>1,382,922</u>
Big Blue Bus Fund	Nonmajor governmental funds	643,916 (14)
	Total Big Blue Bus Fund	<u>643,916</u>
Nonmajor enterprise funds	Water Fund	10,800 (15)
	Nonmajor governmental funds	2,435,170 (16)
	Total nonmajor enterprise funds	<u>2,445,970</u>
Internal service funds	Internal service funds	1,880,467 (17)
	Total internal service funds	<u>1,880,467</u>
	Total transfers	<u><u>\$40,674,572</u></u>

- (1) Transfer of monies to subsidize housing, homeless programs and transportation management project expenditures.
- (2) Transfer to subsidize current and future housing, streets and roads, senior nutrition, library, transportation management, and various operating expenditures.
- (3) Transfer to subsidize environmental program expenditures.
- (4) Transfer to subsidize transit officers' salaries and transit mall maintenance.
- (5) Transfer to subsidize environmental program expenditures.
- (6) Transfer of net position from Civic Auditorium Fund to General Fund and to subsidize environmental program expenditures.
- (7) Transfer to subsidize Workers' Compensation Self-Insurance Fund staff time.
- (8) Transfer to subsidize housing program expenditures.
- (9) Transfer for the payment of debt service and to subsidize housing program expenditures.
- (10) Transfer to subsidize housing program expenditures.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

- (11) Transfer to subsidize environmental program expenses.
- (12) Transfer of a portion of net position from the Special Revenue Source Fund to the Water Fund.
- (13) Transfer to subsidize operating expenses associated with the Santa Monica Urban Runoff Recycling Facility and stormwater-related activities performed by Public Works Management Department's Wastewater Division.
- (14) Transfer to subsidize transportation related expenses.
- (15) Transfer to subsidize water and environmental program expenses.
- (16) Transfer to subsidize stormwater and cemetery management expenses.
- (17) Transfer to subsidize Risk Management staff time.

(12) RESTRICTED NET POSITION

Restricted components of net position are subject to external legal constraints. The following categories of net position are restricted as to use by agreements with creditors, developers, grantors, or laws or regulations of other governments: debt service, Clean Beaches and Ocean Parcel Tax, Housing Authority, Community Development Block Grant, Citizens Option for Public Safety, Air Quality Management District, development projects, Asset Seizure, streets projects, low- and moderate-income housing, MTBE settlement, perpetual care, miscellaneous medical coverage and construction of rail system. The remaining categories of funds, Tenant Ownership Rights Charter Amendment and Rent Control, are restricted as to use by law.

Net position for governmental activities at June 30, 2013, is restricted as follows:

Housing Authority	\$	814,224	(1)
Tenant Ownership Rights Charter Amendment		10,041,791	(2)
Community Development Block Grant		10,112,973	(1)
Citizens Option for Public Safety		216,518	(1)
Rent control		736,975	(2)
Air Quality Management District		813,621	(1)
Asset seizure		387,103	(1)
Streets projects		419,441	(2)
Housing Projects Fund		<u>56,132,513</u>	(1)
Total housing and community development		79,675,159	
Clean Beaches and Ocean Parcel Tax		4,055,361	(2)
Miscellaneous grants		12,758,159	(1)
Debt service		5,038,416	
Development projects		15,080,757	(1)
Perpetual care - nonexpendable		<u>10,220,091</u>	
Total restricted net position	\$	<u>126,827,943</u>	

Of the net position for business-type activities at June 30, 2013 totaling \$590,889,283, \$1,741,420 is restricted for construction of a rail system and \$11,997,991 is restricted for Prop 1B and ARRA.

- (1) Net position restricted by grantors.
- (2) Net position restricted by enabling legislation

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

(13) FUND BALANCES

In the fund financial statements, nonspendable, restricted for, committed to, assigned to, and unassigned segregate portions of fund balances that are either not available or have been earmarked for specific purposes. These fund balance categories are in accordance with GASB Statement No. 54.

In governmental funds, nonspendable fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<u>Nonspendable</u>				
Prepays	\$ 652,427	-	33,863	686,290
Advances	20,541,220	-	1,870,656	22,411,876
Perpetual care	-	-	10,220,091	10,220,091
Notes receivable	985,472	19,400,000	-	20,385,472
Total nonspendable	<u>\$ 22,179,119</u>	<u>19,400,000</u>	<u>12,124,610</u>	<u>53,703,729</u>

Prepays

Since these assets are goods or services already purchased, they do not represent available expendable resources.

Advances to other funds

Reflects the balances due, net of deferred interest revenues, from other funds that are long-term in nature and do not represent available expendable resources of the City.

Perpetual care

Represents balance of funds held by the City restricted for use for expenditures associated with perpetual care of the City's cemetery and mausoleum.

Notes receivable

Reflects the balances due on loans that are long-term in nature and do not represent available expendable resources of the City.

In governmental funds, restricted fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<u>Restricted for</u>				
Notes receivable	\$ 9,585,797	14,941,141	73,916,534	98,443,472
Special purposes	14,223,143	139,616	26,773,784	41,136,543
Low-and moderate-income housing	-	-	9,081,787	9,081,787
Total restricted	<u>\$ 23,808,940</u>	<u>15,080,757</u>	<u>109,772,105</u>	<u>148,661,802</u>

Notes Receivable

Reflects the balances due on loans that are long-term in nature. Amounts, when collected, will be restricted as to use.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

Special purposes

Represents amounts restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Low- and moderate-income housing

Represents funds restricted for low- and moderate-income housing.

In governmental funds, committed fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<u>Committed to</u>				
Overnight accommodations	\$ 519,506	4,320,854	-	4,840,360
Lifeguard headquarters	-	-	10,000	10,000
Legal costs	-	-	41,975	41,975
Total committed	<u>\$ 519,506</u>	<u>4,320,854</u>	<u>51,975</u>	<u>4,892,335</u>

Overnight accommodations

Represents funds committed to overnight accommodations per the 1990 Low Cost Lodging Mitigation Fee Ordinance.

Lifeguard headquarters

Represents funds committed to the lifeguard headquarters.

Legal costs

Represents funds committed to legal expenses.

In governmental funds, assigned fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<u>Assigned to</u>				
Continuing capital projects	\$ 37,879,077	5,772,075	8,405,392	52,056,544
Future capital projects	14,277,657	-	-	14,277,657
Expenditure control budget	3,595,795	-	-	3,595,795
Encumbrances	2,706,211	-	205,980	2,912,191
RDA	80,371,831	-	-	80,371,831
Pollution remediation	58,844,642	-	-	58,844,642
Other purposes	22,733,955	75,596	598,431	23,407,982
Total assigned	<u>\$ 220,409,168</u>	<u>5,847,671</u>	<u>9,209,803</u>	<u>235,466,642</u>

Continuing capital projects

Reflects the amount needed to fund the full cost of uncompleted capital projects at June 30, 2013.

Future capital projects

Represents funds for future capital project expenditures.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Expenditure control budget accounts

Represents expenditure control budget amounts for department use.

Encumbrances

Encumbrances outstanding at year-end are reported as a component of restricted, committed, or assigned fund balances since they do not constitute expenditures or liabilities.

RDA

Resources set aside for use related to RDA settlement.

Pollution remediation

Resources held for use in environmental and pollution remediation, involving Gillette and Boeing.

Other purposes

Represents funds assigned for other purposes including amounts set aside for future payments to CalPERS, compensated absences, City Hall renovations, Affordable housing, and other purposes.

In governmental funds, unassigned fund balances are presented as a component of fund balances as follows:

	General Fund	Special Revenue Source Fund	Nonmajor governmental funds	Total governmental funds
<u>Unassigned</u>				
Operating and				
capital contingency	\$ 46,777,597	-	-	46,777,597
Future expenditures	57,171,356	-	-	57,171,356
Economic uncertainty	9,700,000	-	-	9,700,000
Other unassigned	3,675,409	-	(1,148,932)	2,526,477
Total unassigned	<u>\$ 117,324,362</u>	<u>-</u>	<u>(1,148,932)</u>	<u>116,175,430</u>

Operating and capital contingency

Represents funds for operating and capital contingency.

Future expenditures

Represents funds for future expenditures.

Economic uncertainty

Represents funds to mitigate potential revenue losses due to economic uncertainty.

Other unassigned

Represents residual classification for the General Fund. In other governmental funds, expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned, therefore it was necessary to report a negative unassigned fund balance.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

(14) LITIGATION AND CONTINGENCIES

Litigation

The City is regularly subject to certain legal proceedings and claims that arise in the normal course of City operations. Many of these have not yet been fully adjudicated. In the opinion of the City Attorney, there are adequate legal defenses to these actions and it is not anticipated that there will be any adverse material effect on the financial position of the City.

Grants

The City recognizes as revenue, grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Although the City's Federal grant programs have been audited through June 30, 2012 in accordance with the requirements of the Federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133, these programs may be subject to financial and compliance audits by the reimbursing agencies. The amount, if any, of expenditures, which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Construction Commitments

The City has a number of construction projects currently underway. Purchase orders, contracts and other commitments for these projects are recorded in order to reserve the portion of the applicable appropriation and are recorded at year-end as assignments of fund balances. Approximately \$56.9 million will be payable upon future performance under these contracts.

Operating Lease Revenue/Expenses

The City has entered into operating lease arrangements as lessor for property. The following schedule is an analysis of the City's investment in property under operating leases by major classes as of June 30, 2013:

Land	\$ 144,038,074
Buildings	38,720,266
Improvements other than buildings	10,302,396
Machinery and equipment	1,782,774
Infrastructure	8,213,438
	<hr/>
	203,056,948
Less: Accumulated depreciation	(36,792,567)
	<hr/>
Total	<u>\$ 166,264,381</u>

CITY OF SANTA MONICA, CALIFORNIANotes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

The following is a schedule of both future minimum lease rental revenue to be received by the City as lessor and lease payments to be made by the City as lessee under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013:

<u>Fiscal year ending June 30</u>	<u>Rental revenue</u>	<u>Lease payments</u>
2014	\$ 9,791,453	2,335,277
2015	9,151,390	2,335,277
2016	5,461,016	2,335,277
2017	5,067,807	2,197,799
2018	3,788,390	1,612,325
2019 - 2023	15,308,282	5,370,224
2024 - 2028	12,642,690	400,142
2029 - 2033	10,593,617	-
2034 - 2038	6,019,627	-
2039 - 2043	6,019,627	-
2044 - 2048	5,149,828	-
2049 - 2053	3,932,109	-
2054 - 2058	3,143,709	-
2059 - 2063	3,056,109	-
2064 - 2068	1,375,249	-
Total	<u>\$ 100,500,903</u>	<u>16,586,321</u>

The total long-term lease rental revenues and expenditures/expenses for the year ended June 30, 2013 were \$9,865,774 and \$2,335,277, respectively.

(15) SELF-INSURANCE

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 others; and natural disasters. The City has chosen to establish risk financing internal service funds where assets are set aside for claim settlements associated with such risks of loss up to certain limits and has obtained excess liability coverage through the Authority for California Cities Excess Liability (ACCEL), a joint powers authority of twelve medium-size California municipalities. ACCEL is a member of the California State Association of Counties Excess Insurance Authority for the purpose of providing access to excess workers' compensation coverage for major employee injury risks through a program of pooled self-insurance/re-insurance and insurance on a risk sharing basis.

The City retains self-insurance up to \$1,000,000 for general liability, automobile liability, and bus operations liability. The ACCEL pool covers all general liability losses between \$1,000,000 and \$5,000,000, and purchases excess liability insurance to cover losses over \$5,000,000 and up to \$100,000,000. The City shares limits with another southern California city to cover losses over \$100,000,000 and up to \$140,000,000. The City retains self-insurance up to \$750,000 for workers' compensation. California State Association of Counties Excess Insurance Authority covers up to an additional \$4,000,000 for workers' compensation and arranges for excess of workers' compensation over \$5,000,000 and up to statutory limits. No claim settlements have exceeded insurance coverage in any of the past three years.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

In order to provide funds to pay claims, ACCEL collects premiums from each member. The premiums paid are credited with investment income at the rate earning on the Authority's investments. Based on ACCEL's June 30, 2013 audited financial statements, the net reserves amounts related to the City were \$4,456,316 (13.9% of ACCEL's total net reserves and IBNR). Total assets of ACCEL at June 30, 2013 were \$46,983,230. ACCEL has no capital contributions.

The City's unpaid claims liabilities are based on the results of actuarial studies. The unpaid claims liabilities are compiled by the Risk Manager of the City and include amounts for claims incurred but not reported as of year-end. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. Net present values of the unpaid claims liabilities are estimated for the year ended June 30, 2013, based on interest rates of 2.0% for General Liability and Automobile Transit and 5.0% for Workers' Compensation. Revenues of the risk management funds, together with funds to be provided in the future, are expected to provide adequate resources to meet liabilities as they come due. Nonincremental claims expenses have not been included as part of the liability for claims.

Changes in the liability for claims during the past two fiscal years for the self-insurance funds follow:

Fund (by fiscal year)	Beginning of year	Current-year claims and changes in estimates	Claims payments	End of year	Due within one year
June 30, 2012:					
General Liability and Automobile	\$ 2,953,934	1,783,915	(888,496)	3,849,353	1,426,274
Bus	2,643,173	1,017,658	(947,775)	2,713,056	1,524,563
Workers' Compensation	22,901,181	8,450,102	(6,175,395)	25,175,888	5,125,492
	<u>\$ 28,498,288</u>	<u>11,251,675</u>	<u>(8,011,666)</u>	<u>31,738,297</u>	<u>8,076,329</u>
June 30, 2013:					
General Liability and Automobile	\$ 3,849,353	1,268,545	(1,463,808)	3,654,090	1,422,314
Bus	2,713,056	1,971,415	(740,448)	3,944,023	2,149,840
Workers' Compensation	25,175,888	10,414,936	(6,065,980)	29,524,844	6,255,234
	<u>\$ 31,738,297</u>	<u>13,654,896</u>	<u>(8,270,236)</u>	<u>37,122,957</u>	<u>9,827,388</u>

(16) EMPLOYEE BENEFIT PROGRAMS

Santa Monica Public Employees' Retirement Plan

The City's defined benefit pension plan, Santa Monica Public Employees' Retirement Plan (Plan) provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City ordinance. CalPERS issues a separate comprehensive annual financial report available from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

Plan Description

All full-time employees of the City and part-time employees who have worked over 1,000 hours during a fiscal year are eligible to participate in the Plan. The City is authorized by statute to establish and amend all plan provisions. Related benefits vest after five years of service. Upon five years of service, employees who retire at or after age 50 are entitled to receive an annual retirement benefit.

The defined pension benefit is payable monthly for life, in an amount that varies, for employees hired before July 1, 2012, from 2.4% at age 50 to a maximum of 3% at age 55 for fire safety employees, 3% at age 50 for police safety employees and 2% at age 50 to a maximum of 2.7% at age 55 for miscellaneous employees, of the employee's single highest year's salary for each year of credited service. The Plan also provides death and disability benefits.

In 2012, the City and miscellaneous employees agreed to create a second tier benefit for those hired July 1, 2012 through December 31, 2012. The benefits vary from 1.4% at age 50 to a maximum of 2.4% at age 63.

The Governor, in September 2012, signed AB 340 and AB 197, two bills which enacted the California Public Employees' Pension Reform Act of 2013 (PEPRA). AB 340 made several changes to the pension benefits that may be offered to employees hired on or after January 1, 2013, including setting a new maximum benefit, a lower-cost pension formula for safety and non-safety employees with requirements to work longer in order to reach full retirement age and a cap on the amount used to calculate a pension. Among other things, AB 340 also enacted pension spiking reform for new and existing employees, required three-year averaging of final compensation for new employees, and provided employers with new authority to negotiate cost-sharing agreements with current employees. AB 340 also contained limitations on the use of retired annuitants, requiring that an annuitant have a six-month break in service prior to returning to work.

The legislation created mandatory benefits tiers for new employees who have not worked for another CalPERS agency hired beginning January 1, 2013 ranging from 2.0% at age 50 to a maximum of 2.7% at age 57 for police safety and fire safety employees and 1.1% at age 50 to a maximum of 2.4% at age 62 for miscellaneous employees.

Funding Policy

Active full-time members in the Plan are required to contribute 8% for miscellaneous employees and 9% for safety employees of their annual covered salary. The City makes such employee contributions on their behalf and for their account for those employees hired before January 1, 2013 for police safety and fire safety and July 1, 2012 for miscellaneous employees. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. CalPERS prepares separate actuarial valuations for miscellaneous, fire safety and police safety members. The required employer contribution rate for the fiscal year ended June 30, 2013 was 17.507% for miscellaneous members; 37.650% for police safety members and 26.722% for fire safety members. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The miscellaneous members reimburse the City for the cost of an enhanced benefit at a rate of 6.7%. Police safety and fire safety employees reimburse the City at a rate of 3.0%.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Annual Pension Cost

For the fiscal year ended June 30, 2013, the City's annual required contribution was \$36,439,469. Additionally, the City paid \$14,379,407 on behalf of employees. Total payments were \$50,818,876. Of this amount the City received reimbursements of \$10,926,136 from the miscellaneous members, \$1,557,563 from police safety members and \$736,705 from fire safety members for total reimbursements of \$13,220,404. The required contribution for the fiscal year ended June 30, 2013 was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percentage of payroll. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.3% to 14.2% for miscellaneous members, from 3.3% to 10.9% for safety members, and (c) 3.00% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments by computing an expected value of assets along with the actual market value of assets. The Plan's unfunded accrued liability (or excess assets) is being amortized as a level percentage of projected payrolls on a closed basis over a period not to exceed twenty years.

Changes in Valuation Assumptions

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will pay for all gains or losses over a fixed 30 year period with increases or decreases in the rate spread directly over a 5 year period.

Three Year Trend Information for the Annual Pension Cost Funding for the Plan

Fiscal year ended June 30	Annual pension cost (APC)*	Percentage of APC contributed	Net pension Asset
2013			
Miscellaneous	\$ 23,690,614	94%	13,619,161
Police	10,675,502	97%	2,810,775
Fire	4,050,364	96%	1,593,054
Total	<u>\$ 38,416,480</u>		<u>18,022,990</u>
2012			
Miscellaneous	\$ 21,801,583	100%	-
Police	9,838,662	100%	-
Fire	3,654,182	100%	-
Total	<u>\$ 35,294,427</u>		<u>-</u>
2011			
Miscellaneous	\$ 17,383,610	100%	-
Police	8,349,726	100%	-
Fire	2,889,559	100%	-
Total	<u>\$ 28,622,895</u>		<u>-</u>

* Employer contribution only

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

Pension Funding Information

As of June 30, 2012, the date of the latest actuarial valuation, the City's unfunded actuarial accrued liability was \$258,078,415 for all plans. This was determined with the same actuarial assumptions used to calculate the contribution rates. This unfunded liability was primarily the result of a decline in the value of the plan assets, less anticipated investment returns by CalPERS and an increase in benefits for public safety and miscellaneous employees. The City has addressed the unfunded liability through additional contributions, as determined by CalPERS, in excess of the amount required to fund the current normal cost liability in addition to cost sharing by all employee groups. Maintaining this funding schedule CalPERS has estimated that the underfunded balance will be amortized over 15 years. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Historical data for the funding progress of the Plans is presented as required supplementary information following the notes to the financial statements. This schedule presents multiyear trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The City made pension contributions of \$10,000,000 in excess of the annual required contribution in both FY 2011 and FY 2012. \$18,022,990 has been recorded as a Net Pension Asset on the statement of net position. The Net Pension Asset is being amortized over 30 years. Because of this amortization, the annual pension cost ("APC") reported in the table is higher than the annual required contribution calculated by CalPERS. This results in the percentage of the annual pension cost contributed that is less than 100%. The difference between 100% of the APC and the amount reported in the table is comprised of the amount of amortization of the Net Pension Asset as the City has fulfilled its obligation to CalPERS for the FY 6/30/2013.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

PENSION FUNDING INFORMATION

The funded status of the plans as of June 30, 2012 for the most current year are as follows:

**Miscellaneous Members
(dollars in thousands)**

Valuation Date (June 30)	Entry age normal accrued liability	Actuarial value of assets	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll
2012	\$ 757,193	\$ 604,495	\$ 152,698	79.8%	\$ 129,806	117.6%

**Fire Safety Members
(dollars in thousands)**

Valuation Date (June 30)	Entry age normal accrued liability	Actuarial value of assets	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll
2012	\$ 182,266	\$ 146,676	\$ 35,590	80.5%	\$ 14,362	247.8%

**Police Safety Members
(dollars in thousands)**

Valuation Date (June 30)	Entry age normal accrued liability	Actuarial value of assets	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll
2012	\$ 326,610	\$ 256,820	\$ 69,790	78.6%	\$ 27,208	256.5%

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Deferred Compensation Plans

The City offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees and allows participants to defer a portion of their current income until future years to shelter such funds and earnings from state and federal taxation until withdrawal. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The City offers an employer discretionary, defined contribution plan established and governed under Internal Revenue Code Section 401(a). Employee-only contributions are calculated based upon a percentage of employee compensation under agreements with employee bargaining groups and unions. For the fiscal year ended June 30, 2013 the total employee contributions were \$564,899.

The City offers to its as-needed employees a separate Section 457 deferred compensation plan under the Omnibus Budget Reconciliation Act (OBRA). This plan is available to all as-needed employees who are not eligible to participate in CalPERS. This plan requires equal employer and employee contributions based on a percentage of earnings. For the fiscal year ended June 30, 2013 the combined employee/employer contributions were \$176,751.

These plans are administered through third-party administrators. The City does not perform the investing function and has no fiduciary accountability for the plans. Thus, plan assets and any related liabilities to plan participants have been excluded from the City's basic financial statements.

Other Postemployment Benefits

In addition to providing pension benefits through CalPERS, the City, in accordance with agreements with various bargaining units and groups, provides medical insurance benefits that are considered other postemployment benefits (OPEB) to certain retired employees under a single employer benefit plan. Employees of the Executive Pay Plan group and management employees of the Rent Control Board are eligible for a City paid medical insurance benefit if their combined retirement age and years of City service equals or exceeds 70. Under the terms of a memorandum of understanding (MOU) between the City and a coalition of the various non-sworn bargaining units (Coalition), all non-sworn permanent retirees are allowed to continue participating in one of the City's health plans at the same rate as active employees. As with other MOU's, this benefit is subject to bargaining between the City and the Coalition. The City also maintains minimum benefits for public safety employees provided by the City's contract with its healthcare provider. Members of the United Transportation Union upon retirement after ten or more years of service and having accumulated fifty or more sick days are entitled to reimbursement for health insurance premiums up to the cumulative dollar equivalent of those sick days. The City pays for OPEB through employer only contributions on a pay-as-you-go basis and no contribution is required from employees. The Plan does not issue a stand-alone financial statement.

Annual OPEB Cost and Net OPEB Obligation

The City's OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance within the parameters of GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years utilizing the level percentage of projected payroll method. The amortization period is open. The

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

following table shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's OPEB obligation to the plan.

Net OPEB Obligation and Annual OPEB Cost (in thousands)

Annual required contribution	\$ 2,405
Interest on OPEB obligation	337
Adjustment to annual required contribution	(291)
Annual OPEB expense	2,451
Contributions made	(711)
Increase in net OPEB obligation	1,740
Net OPEB obligation - beginning of the year	6,740
Net OPEB obligation - end of the year	\$ 8,480

Schedule of Annual OPEB (in thousands)

Fiscal Year Ended June 30	Annual OPEB Costs	Annual Contribution	Percentage Contribution	Net OPEB Obligation
2013	\$ 2,451	\$ 711	29.0 %	\$ 8,480
2012	2,321	675	29.1	6,740
2011	1,962	586	29.9	5,094

Historical data for the funding progress of the Plan is presented as required supplementary information following the notes to the financial statements. This schedule presents multiyear trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

OPEB FUNDING INFORMATION (dollars in thousands):

Type of Valuation	Valuation date (July 1)	Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll	Interest rate	Salary Scale
Update	2012	\$ -	25,647	25,647	0%	173,175	14.81%	5.00%	3.25%

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and its employees and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan member at that point

In the July 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5.0% rate of return, which is a blended rate of expected long-term return on plan assets on the City's own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend of 9.5% initially, reduced by decrements to an ultimate rate of 5.0% after 11 years. Both rates include a 3.25% inflation assumption. The remaining amortization period at July 1, 2012 was thirty years. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Medical Trusts

The City contributes, consistent with bargaining unit agreements, monies to medical trusts that provide postemployment medical benefits to employees. The amount of benefits provided to employees under these plans is limited solely to the amount contributed, related investment earnings, and forfeitures. For the fiscal year ended June 30, 2013 the City contributed \$2,870,592 towards the retiree medical trusts. These are administered through third-party administrators and the City does not perform the investing function or have other significant responsibility relating to the management of plan assets. Thus, plan assets and any related liabilities have been excluded from the City's basic financial statements.

(17) SUCCESSOR AGENCY TRUST FUND FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld AB 1X26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Santa Monica that previously reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the City or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the Redevelopment Agency of the City of Santa Monica in accordance with the Bill as part of City resolution number 10647.

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

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

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

The Bill directs the State Controller of the State of California to review the propriety of any transfer of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. The assets and activities of the dissolved redevelopment agency are reported in a private-purpose trust fund in the financial statements of the City.

On June 27, 2012, AB 1484 was passed. The bill purports to clarify implementation procedures of AB 1X26.

Among other requirements, AB 1484 clarified the allowable uses of bond proceeds derived from indebtedness obligations that were issued for the purposes of affordable housing prior to January 1, 2011, and were backed by the Low and Moderate Income Housing Fund. The proceeds are allowed to be used for purposes that are consistent with the indebtedness obligation covenants.

Cash and Investments

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of Fiduciary Net Position:	
Restricted cash and investments	\$ 29,090,855
Restricted cash and investments with fiscal agent	<u>9,955,268</u>
Total cash and investments	<u><u>\$ 39,046,123</u></u>

Investments of the Successor Agency are governed by Government Code Section 53601, which restricts the term and types of investments that can be made. See Note 5.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Successor Agency's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S Treasury Obligations	None	None	None
Federal Housing Administration Debentures	None	None	None
U.S. Agency Securities	None	None	None
Time Deposits	None	None	None
Unsecured Certificates of Deposit	180 days	None	None
Banker's Acceptances	180 days	None	None
State Obligations	None	None	None
Repurchase Agreements	1 year	None	None
Pre-refunded Municipal Obligations	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	None	None	None
Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Successor Agency manages its exposure to interest rate risk is 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 Successor Agency's investments held by bond trustee to market interest rate fluctuations is provided by the following table that shows the distribution of these investments by maturity.

Investment Type	Maturity
	12 Months or less
Held by Successor Agency	
Money market funds	\$ 29,090,855
Held by bond trustee:	
Money market funds	8,206,914
U.S. agency securities	1,748,354
Total	\$ 39,046,123

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

Investment Type	Total	Minimum Legal Rating	AAA
Held by Successor Agency			
Money market funds	\$ 29,090,855	AA	29,090,855
Held by bond trustee:			
Money market funds	8,206,914	AA	8,206,914
U.S. agency securities	<u>1,748,354</u>	N/A	<u>1,748,354</u>
Total	\$ <u>39,046,123</u>		<u>39,046,123</u>

Concentration of Credit Risk

No investments in any one issuer (other than U.S Treasury securities, mutual funds, and investment pools) represent 5% or more of total investments.

Custodial Credit Risk

The Successor Agency does not have significant separate certificates of deposit or demand accounts held by bond trustee that have disclosable custodial credit risk (as defined by GASB Statement No. 40). For the investments held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

SUCCESSOR AGENCY LONG-TERM LIABILITIES

Changes in long-term liabilities:

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Due within one year	Due beyond one year
Loans and notes payable	\$ 96,782,306	-	8,571,429	88,210,877	8,571,430	79,639,447
Term loan	50,000,000	-	3,030,302	46,969,698	3,030,302	43,939,396
Tax allocation bonds	105,115,000	-	3,255,000	101,860,000	3,425,000	98,435,000
Promissory notes payable to the City of Santa Monica	30,405,503	2,390,624	-	32,796,127	4,537,597	28,258,530
Less deferred amounts:						
For issuance discounts	(137,416)	-	(8,083)	(129,333)	-	(129,333)
For issuance premiums	420,484	-	24,284	396,200	-	396,200
Deferred loss on refunding	<u>(2,899,139)</u>	<u>-</u>	<u>(181,459)</u>	<u>(2,717,680)</u>	<u>-</u>	<u>(2,717,680)</u>
Total loans, notes and bonds payable	\$ <u>279,686,738</u>	<u>2,390,624</u>	<u>14,691,473</u>	<u>267,385,889</u>	<u>19,564,329</u>	<u>247,821,560</u>

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

A summary of long-term bonds and loans outstanding at year end is as follows:

	<u>Date of issue</u>	<u>Original issue</u>	<u>Final maturity date</u>	<u>Interest rate</u>	<u>Balance at June 30, 2013</u>	
Tax allocation bonds:						
Ocean Park Redevelopment Refunding 2002	May 1, 2002	\$ 19,315,000	July 1, 2018	3.75-5.00%	\$ 8,865,000	
Earthquake Recovery Project 2011	June 7, 2011	41,050,000	July 1, 2042	5.00-5.875%	41,050,000	
Earthquake Recovery Project Refunding 2006	April 1, 2006	64,720,000	July 1, 2030	4.00-5.50%	51,945,000	
Subtotal tax allocation bonds					<u>101,860,000</u>	
Loans and notes:						
Wells Fargo Bank	Mar 11, 2011	60,000,000	Jan 1, 2018	70% LIBOR plus 1.5%	47,142,857	(1)
Bank of America Term Loan	May 1, 2008	50,000,000	July 15, 2028	LIBOR plus 1.25%	46,969,698	(2)
Promissory note to the City of Santa Monica	June 30, 1981	871,840	June 29, 2028	7%	1,783,651	(3)
Promissory note to the City of Santa Monica	Oct 24, 1978	4,400,000	June 29, 2028	7%	20,975,360	(3)
Promissory note to the City of Santa Monica	June 30, 1981	1,243,266	June 29, 2021	12%	8,406,939	(3)
Promissory note to the City of Santa Monica	Sept 14, 1983	280,837	June 29, 2021	12%	1,055,659	(3)
Promissory note to the City of Santa Monica	July 1, 1996	346,552	Demand	LAIF	574,518	(3)
Promissory notes	Nov 1, 2010	42,500,000	Jan 1, 2042	6.82%	41,068,020	(4)
Subtotal loans and notes					<u>167,976,702</u>	
Total					<u>\$ 269,836,702</u>	

- (1) To fund various capital projects
- (2) To fund low moderate income housing projects
- (3) For project area costs including the purchase of land and other capital assets
- (4) For purchase of real estate

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2013

Annual debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Tax allocation bonds		Loans payable		Promissory notes payable		Total	
	Principal	Interest	Principal	Interest	Principal*	Interest	Principal	Interest
2014	\$ 3,425,000	4,950,227	11,601,732	5,007,568	4,537,597	1,347,921	19,564,329	11,305,716
2015	3,595,000	4,783,421	11,862,577	4,540,596	440,284	2,486,716	15,897,861	11,810,733
2016	3,755,000	4,620,181	12,119,528	4,077,520	983,239	2,568,761	16,857,767	11,266,462
2017	3,920,000	4,446,063	12,154,831	3,838,234	1,177,023	2,480,737	17,251,854	10,765,034
2018	4,105,000	4,264,574	12,192,541	3,592,257	3,177,595	2,389,645	19,475,136	10,246,476
2019-2023	15,955,000	17,723,274	16,992,696	14,656,758	13,936,834	6,616,655	46,884,530	38,996,687
2024-2028	17,755,000	16,176,463	12,604,485	12,486,101	9,205,320	2,149,199	39,564,805	30,811,763
2029-2033	15,405,000	11,674,854	15,011,802	10,091,292	-	-	30,416,802	21,766,146
2034-2038	14,665,000	8,449,450	18,489,750	6,720,283	-	-	33,154,750	15,169,733
2039-2042	19,280,000	1,795,238	12,150,633	2,148,367	-	-	31,430,633	3,943,605
	<u>\$ 101,860,000</u>	<u>78,883,745</u>	<u>135,180,575</u>	<u>67,158,976</u>	<u>33,457,892</u>	<u>20,039,634</u>	<u>270,498,467</u>	<u>166,082,355</u>

* Principal balance increases during some periods due to negative amortization.

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

Pledged Revenue

The Former Redevelopment Agency had a number of debt issues that were assumed by the Successor Agency that involve the pledging of revenues. The amounts and terms of the remainder of these commitments and the purposes for which the proceeds of the debt issuances are utilized are indicated in the summary of long-term bonds and loans and notes outstanding at year end presented in this note. AB1X26 only allows sufficient tax revenues to be allocated to the Successor Agency in an amount equal to pay debt service that is deemed to be an enforceable obligation and debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so specified in debt covenants) will always be 100%. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment.

Description of pledged revenue/debt:	Annual amount of pledged revenue (net of expenses, where required)	Annual debt service payments (of all debt secured by this revenue)	Debt service as a percentage of pledged revenue	Future amount of pledged revenue
Tax increment				
Ocean Park Redevelopment Refunding 2002	\$ 1,718,635	\$ 1,718,635	100%	\$ 10,253,010
Earthquake Recovery Project Refunding 2006	4,397,429	4,397,429	100%	74,469,172
Earthquake Recovery Project 2011	2,262,413	2,262,413	100%	96,021,563
Loan Payable	9,392,304	9,392,304	100%	49,511,786
Note Payable	3,300,000	3,300,000	100%	98,099,989
Term Loan	3,964,617	3,964,617	100%	54,728,776

Bond Ratings

On May 21, 2013, Moody's upgraded the Earthquake Project Redevelopment Bonds Series 2006 to Baa1, which complied with the loan covenants and therefore the loan was no longer in default. At the same time, Moody's upgraded the Ocean Park Redevelopment Refunding 2002 bonds to Baa3 from Ba1.

Settlement with the Department of Finance

On October 28, 2013, the City and the Successor Agency entered into a settlement agreement with the Department of Finance, the State Controller and the Board of Equalization (collectively "the State"). The agreement resolves the lawsuit filed by the City and the Successor Agency against the State relating to the State's implementation of AB1X26 and AB 1484.

The agreement calls for the Successor Agency's payment of \$56,784,229 to the County Auditor-Controller, payable in equal installments due January 15, 2014, July 15, 2014, January 15, 2015 and July 15, 2015. Upon making the final payment the Department of Finance will issue a Finding of Completion to the Successor Agency. Among other things, the finding of completion allows the Successor Agency to:

- File a long-range property management plan
- Make certain loan repayments to the City
- Utilize proceeds from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants

CITY OF SANTA MONICA, CALIFORNIA

Notes to Basic Financial Statements, Continued For the fiscal year ended June 30, 2013

The payment of all installments represents the payment of all uncommitted or unobligated cash balances previously held by or paid to the Redevelopment Agency of the City of Santa Monica and the Santa Monica Successor Agency. Approximately 10% of the amounts paid will be returned to the City in the form of residual cash payments.

Additionally, the agreement authorized the Successor Agency to expend any remaining Bank of America loan proceeds on any affordable housing projects in accordance with the loan agreement. Because the Successor Agency has insufficient funds to make the payments, the City will make payments to the Successor Agency. The expense related to the payment from the City to the Successor Agency as well as the Successor Agency to the Auditor-Controller have been recorded as extraordinary items on the Statement of Revenues, Expenditures and Changes in Fund balance and the Statement of Revenues, Expenditures and Changes in Fiduciary Net Position.

(18) SUBSEQUENT EVENTS

On October 4, 2013 the Governor signed AB 1222 which exempts federally funded transportation employees from PEPRA until a specified federal district court decision on a certification by the United States Secretary of Labor, or until January 1, 2015. The economic impact of the bill on the City is not known at this time.

On October 28, 2013, the City and the Successor Agency entered into a settlement agreement with the Department of Finance, the State Controller and the Board of Equalization (collectively “the State”). The agreement resolves the lawsuit filed by the City and the Successor Agency against the State relating to the State’s implementation of AB1X26 and AB 1484. See note 17.

On December 16, 2013, Moody’s upgraded their rating on the 2005 Wastewater Refunding Bonds to Aa1 from Aa2.

City of Santa Monica, California
Year Ended June 30, 2013

Required Supplementary Information

CITY OF SANTA MONICA, CALIFORNIA

Required Supplementary Information – Pension Funding Information For the fiscal year ended June 30, 2013 (Unaudited)

PENSION FUNDING INFORMATION

The City's Pension Plan includes separate valuations for Miscellaneous Members, Fire Safety Members and Police Safety Members. The funded status of the Plan for each of these member groups for the actuarial valuations performed as of June 30, 2010 through 2012 are as follows (valuations for 2013 are not yet available):

Miscellaneous Members (dollars in thousands)

Valuation Date (June 30)	Entry age normal accrued liability	Actuarial value of assets	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll
2012	\$ 757,193	\$ 604,495	\$ 152,698	79.8%	\$ 129,806	117.6%
2011	700,594	553,563	147,031	79.0%	125,749	116.9%
2010	649,678	505,032	144,646	77.7%	119,583	121.0%

Fire Safety Members (dollars in thousands)

Valuation Date (June 30)	Entry age normal accrued liability	Actuarial value of assets	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll
2012	\$ 182,266	\$ 146,676	\$ 35,590	80.5%	\$ 14,362	247.8%
2011	173,591	140,675	32,916	81.0%	14,057	234.2%
2010	163,845	134,365	29,480	82.0%	13,752	214.4%

Police Safety Members (dollars in thousands)

Valuation Date (June 30)	Entry age normal accrued liability	Actuarial value of assets	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll
2012	\$ 326,610	\$ 256,820	\$ 69,790	78.6%	\$ 27,208	256.5%
2011	307,730	241,473	66,257	78.5%	25,800	256.8%
2010	289,882	226,716	63,166	78.2%	25,907	243.8%

CITY OF SANTA MONICA, CALIFORNIA

Required Supplementary Information – OPEB Funding Information For the fiscal year ended June 30, 2013 (Unaudited)

OPEB FUNDING INFORMATION (dollars in thousands):

Type of Valuation	Valuation date (July 1)	Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Annual covered payroll	UAAL as a percentage of payroll	Interest rate	Salary Scale
Update	2012	\$ -	25,647	25,647	0%	173,175	14.81%	5.00%	3.25%
Actual	2011	-	23,841	23,841	0%	167,724	14.21%	5.00%	3.25%
Update	2010	-	20,173	20,173	0%	161,290	12.51%	5.00%	3.25%

The schedule of funding progress, presents multi-year trend information, which shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

City of Santa Monica, California
Year Ended June 30, 2013

Supplementary Information

CITY OF SANTA MONICA, CALIFORNIA

Nonmajor Governmental Fund Financial Statements

Special Revenue Funds are used to account for specific revenue sources that are restricted or committed to expenditures for particular purposes. The nonmajor special revenue funds used in this report are listed below:

Beach Recreation Fund – To account for beach parking and concession revenues restricted or committed for expenditures related to beach maintenance and recreation activities.

Housing Authority Fund – To account for the receipt and expenditure of Federal and State funds related to housing programs.

Tenant Ownership Rights Charter Amendment (TORCA) Fund – To account for filing fee and conversion tax revenues and expenditures related to various housing programs authorized by Chapter XX of the City Charter.

Housing Projects Fund – To account for low- and moderate-income housing activities. The funds are used for the preservation of the City's existing stock of low- and moderate-income housing through acquisition and rehabilitation and to increase the supply of low- and moderate-income housing through new construction. Under Assembly Bill 1x 26, the City accepted responsibility of housing successor to the low- and moderate-income housing redevelopment fund upon the dissolution of the Redevelopment Agency of the City of Santa Monica on February 1, 2012.

Miscellaneous Grants Fund – To account for the receipt and expenditure of Federal, State and County awarded grants and special allocations provided to the City.

Asset Seizure Fund – To account for the receipt and expenditure of equitable sharing program funds.

Citizens Option for Public Safety Fund – To account for the receipt and expenditure of the Citizens Option for Public Safety program established by AB3229 of 1996.

Rent Control Fund – To account for revenues and expenditures that are restricted or committed for rent control activities.

Gas Tax Fund – To account for State and County gasoline tax allocations and any Federal funds provided to the City for street-related purposes.

Parks and Recreation Fund – To account for funds collected under the City's Unit Dwelling Tax. These funds are to be used for the acquisition, improvement and expansion of public parks, playgrounds and recreational facilities.

Capital Projects Funds are used to account for the accumulation of resources that are restricted, committed or assigned for the acquisition or construction of major capital facilities of the City other than those financed by proprietary funds and trust funds. The nonmajor capital projects funds used in this report are listed below:

Clean Beaches and Ocean Parcel Tax Fund – To account for activity related to implementation of Watershed Management Plan and the passage of Measure V in November 2006.

CITY OF SANTA MONICA, CALIFORNIA

Disaster Relief Fund – To account for Federal and State disaster relief revenues and expenditures associated with recovery from the January 17, 1994 Northridge Earthquake.

Community Development Block Grant (CDBG) Fund – To account for Federal entitlements under the Housing and Community Development Act of 1974, as amended. The City Council annually allocates CDBG funds to various programs.

Air Quality Management District (AQMD) Fund – To account for the receipt and expenditure of Air Quality Management District funds.

Debt Service Funds are used to accumulate resources that are restricted, committed, or assigned for, and the payment of, general long-term debt principal, interest and related costs. The debt service funds used by the City in this report are listed below:

City Fund – To account for accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs for library, public safety facility and parking authority bonds.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for restricted purposes. The specific permanent funds used by the City in this report are listed below:

Cemetery Perpetual Care Fund – To account for all funds received by the City from cemetery users for the perpetual care of the cemetery grounds.

Mausoleum Perpetual Care Fund – To account for all funds designated for perpetual care of the mausoleum located at the City cemetery.

CITY OF SANTA MONICA, CALIFORNIA

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Special Revenue					
	Beach Recreation	Housing Authority	TORCA	Housing Projects	Miscellaneous Grants	Asset Seizure
Assets						
Cash and investments	\$ 10,174,465	9,439	4,038,159	264,305	-	499,336
Restricted cash and investments	153,485	1,050,889	-	6,646,025	5,528,019	-
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	479,686	-	-	-	-	-
Notes	-	-	8,836,122	48,083,721	7,102,489	-
Interest	15,355	-	6,573	5,735	14,849	859
Other governments	-	1,167,361	-	-	1,364,789	-
Due from other funds	-	-	-	7,077,119	-	-
Deposits	-	-	-	-	-	-
Prepays	1,254	13,137	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Advances to Successor Agency	-	-	-	-	-	-
Total assets	<u>\$ 10,824,245</u>	<u>2,240,826</u>	<u>12,880,854</u>	<u>62,076,905</u>	<u>14,010,146</u>	<u>500,195</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 725,759	136,688	828	188	514,125	81,636
Accrued liabilities	157,337	47,681	-	-	7,088	-
Contracts payable (retained percentage)	-	-	-	-	19,709	-
Due to other funds	-	1,157,594	-	-	-	-
Due to Successor Agency	-	-	-	5,919,526	-	-
Deferred revenue	88,826	-	-	-	684,489	-
Deposits payable	153,485	-	-	-	-	-
Advances from other funds	3,842,973	-	-	-	-	-
Total liabilities	<u>4,968,380</u>	<u>1,341,963</u>	<u>828</u>	<u>5,919,714</u>	<u>1,225,411</u>	<u>81,636</u>
Fund balances (deficit)						
Nonspendable	1,254	13,137	-	-	-	-
Restricted	4,587,962	814,224	10,041,791	56,132,513	12,758,159	387,103
Committed	10,000	-	-	-	-	-
Assigned	1,256,649	71,502	2,838,235	24,678	26,576	31,456
Unassigned	-	-	-	-	-	-
Total fund balances (deficit)	<u>5,855,865</u>	<u>898,863</u>	<u>12,880,026</u>	<u>56,157,191</u>	<u>12,784,735</u>	<u>418,559</u>
Total liabilities and fund balances	<u>\$ 10,824,245</u>	<u>2,240,826</u>	<u>12,880,854</u>	<u>62,076,905</u>	<u>14,010,146</u>	<u>500,195</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Special Revenue				Capital Projects	
	Citizens Option for Public Safety	Rent Control	Gas Tax	Parks and Recreation	Clean Beaches and Ocean Parcel Tax	Disaster Relief
Assets						
Cash and investments	\$ 256,130	1,296,691	603,874	236,321	8,075,716	-
Restricted cash and investments	-	-	-	-	-	-
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	21,807	312	164,811	-	45,709	-
Notes	-	-	-	-	-	-
Interest	311	3,723	1,768	319	14,483	21
Other governments	-	-	-	-	-	6,483,767
Due from other funds	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Prepays	-	17,601	-	-	1,871	-
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Advances to Successor Agency	-	-	-	-	-	-
Total assets	<u>\$ 278,248</u>	<u>1,318,327</u>	<u>770,453</u>	<u>236,640</u>	<u>8,137,779</u>	<u>6,483,788</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 472	23,591	75	-	998	2,607
Accrued liabilities	-	159,413	-	-	-	-
Contracts payable (retained percentage)	-	-	937	-	-	265,275
Due to other funds	-	-	-	-	-	741,395
Due to Successor Agency	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	6,623,443
Deposits payable	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>472</u>	<u>183,004</u>	<u>1,012</u>	<u>-</u>	<u>998</u>	<u>7,632,720</u>
Fund balances (deficit)						
Nonspendable	-	17,601	-	-	1,871	-
Restricted	216,518	736,975	419,441	105,512	4,055,361	-
Committed	-	41,975	-	-	-	-
Assigned	61,258	338,772	350,000	131,128	4,079,549	-
Unassigned	-	-	-	-	-	(1,148,932)
Total fund balances (deficit)	<u>277,776</u>	<u>1,135,323</u>	<u>769,441</u>	<u>236,640</u>	<u>8,136,781</u>	<u>(1,148,932)</u>
Total liabilities and fund balances	<u>\$ 278,248</u>	<u>1,318,327</u>	<u>770,453</u>	<u>236,640</u>	<u>8,137,779</u>	<u>6,483,788</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2013

	Capital Projects		Debt Service	Permanent		Total nonmajor governmental funds
	Community Development Block Grant	AQMD	City	Cemetery Perpetual Care	Mausoleum Perpetual Care	
Assets						
Cash and investments	\$ 738	784,478	-	24,861	2,239	26,266,752
Restricted cash and investments	299,603	-	-	-	-	13,678,021
Receivables (net, where applicable, of allowances for uncollectibles):						
Accounts	7,477	-	-	-	-	719,802
Notes	9,894,202	-	-	-	-	73,916,534
Interest	430	1,043	-	47,878	5,442	118,789
Other governments	-	28,100	-	-	-	9,044,017
Due from other funds	-	-	-	-	-	7,077,119
Deposits	3,257	-	-	-	-	3,257
Prepays	-	-	-	-	-	33,863
Restricted cash and investments with fiscal agent	-	-	8,589,952	9,120,587	1,050,799	18,761,338
Advances to Successor Agency	10,037,115	-	-	-	-	10,037,115
Total assets	<u>\$ 20,242,822</u>	<u>813,621</u>	<u>8,589,952</u>	<u>9,193,326</u>	<u>1,058,480</u>	<u>159,656,607</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 92,733	-	-	28,232	3,483	1,611,415
Accrued liabilities	-	-	-	-	-	371,519
Contracts payable (retained percentage)	-	-	-	-	-	285,921
Due to other funds	-	-	-	-	-	1,898,989
Due to Successor Agency	-	-	-	-	-	5,919,526
Deferred revenue	8,166,460	-	-	-	-	15,563,218
Deposits payable	-	-	-	-	-	153,485
Advances from other funds	-	-	-	-	-	3,842,973
Total liabilities	<u>8,259,193</u>	<u>-</u>	<u>-</u>	<u>28,232</u>	<u>3,483</u>	<u>29,647,046</u>
Fund balances (deficit)						
Nonspendable	1,870,656	-	-	9,165,094	1,054,997	12,124,610
Restricted	10,112,973	813,621	8,589,952	-	-	109,772,105
Committed	-	-	-	-	-	51,975
Assigned	-	-	-	-	-	9,209,803
Unassigned	-	-	-	-	-	(1,148,932)
Total fund balances (deficit)	<u>11,983,629</u>	<u>813,621</u>	<u>8,589,952</u>	<u>9,165,094</u>	<u>1,054,997</u>	<u>130,009,561</u>
Total liabilities and fund balances	<u>\$ 20,242,822</u>	<u>813,621</u>	<u>8,589,952</u>	<u>9,193,326</u>	<u>1,058,480</u>	<u>159,656,607</u>

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2013

	Special Revenue					
	Beach Recreation	Housing Authority	TORCA	Housing Projects	Miscellaneous Grants	Asset Seizure
Revenues:						
Other taxes	\$ -	-	80,941	-	-	-
Licenses and permits	84,863	-	-	-	-	-
Intergovernmental	-	16,239,503	-	-	6,120,460	162,295
Charges for services	10,958,701	-	-	-	-	-
Investment income	3,304	(1,214)	107,677	(32,263)	88,593	(132)
Rental income	1,240,289	-	-	-	-	-
Other	570,810	-	119,601	1,182,779	241,486	-
Total revenues	12,857,967	16,238,289	308,219	1,150,516	6,450,539	162,163
Expenditures:						
Current:						
General government	-	-	-	-	336,498	-
Public safety	-	-	-	-	553,453	270,360
General services	1,430,695	-	-	-	4,980,817	-
Cultural and recreation services	10,265,411	-	-	-	842,129	-
Library	-	-	-	-	18,835	-
Housing and community development	-	17,430,445	1,144,795	808,052	1,062,640	-
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	11,696,106	17,430,445	1,144,795	808,052	7,794,372	270,360
Excess (deficiency) of revenues over (under) expenditures	1,161,861	(1,192,156)	(836,576)	342,464	(1,343,833)	(108,197)
Other financing sources (uses)						
Transfers in	-	228,410	-	-	266,943	-
Transfers out	-	-	(53,516)	(141,000)	(1,003,124)	-
Total other financing sources (uses)	-	228,410	(53,516)	(141,000)	(736,181)	-
Net change in fund balances	1,161,861	(963,746)	(890,092)	201,464	(2,080,014)	(108,197)
Fund balances (deficit) at the beginning of year	4,694,004	1,862,609	13,770,118	55,955,727	14,864,749	526,756
Fund balances (deficit) at end of year	\$ 5,855,865	898,863	12,880,026	56,157,191	12,784,735	418,559

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2013

	Special Revenue				Capital Projects	
	Citizens Option for Public Safety	Rent Control	Gas Tax	Parks and Recreation	Clean Beaches and Ocean Parcel Tax	Disaster Relief
Revenues:						
Other taxes	\$ -	-	-	55,409	2,835,313	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	135,671	-	2,155,482	-	-	-
Charges for services	-	4,120,565	-	-	-	-
Investment income	(199)	5,856	160	46	3,610	401
Rental income	-	-	-	-	-	-
Other	-	1,462	-	-	-	-
Total revenues	135,472	4,127,883	2,155,642	55,455	2,838,923	401
Expenditures:						
Current:						
General government	-	-	4,213	-	-	10,657
Public safety	48,589	-	-	-	-	-
General services	-	-	-	-	2,652,443	951,280
Cultural and recreation services	-	-	-	20,914	-	-
Library	-	-	-	-	-	-
Housing and community development	-	4,427,244	-	-	-	-
Debt service expenditures:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	48,589	4,427,244	4,213	20,914	2,652,443	961,937
Excess (deficiency) of revenues over (under) expenditures	86,883	(299,361)	2,151,429	34,541	186,480	(961,536)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	(2,155,481)	-	(2,315,574)	-
Total other financing sources (uses)	-	-	(2,155,481)	-	(2,315,574)	-
Net change in fund balances	86,883	(299,361)	(4,052)	34,541	(2,129,094)	(961,536)
Fund balances (deficit) at the beginning of year	190,893	1,434,684	773,493	202,099	10,265,875	(187,396)
Fund balances (deficit) at end of year	\$ 277,776	1,135,323	769,441	236,640	8,136,781	(1,148,932)

CITY OF SANTA MONICA, CALIFORNIA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
For the fiscal year ended June 30, 2013

	Capital Projects		Debt Service	Permanent		Total nonmajor governmental funds
	Community Development Block Grant	AQMD	City	Cemetery Perpetual Care	Mausoleum Perpetual Care	
Revenues:						
Other taxes	\$ -	-	-	-	-	2,971,663
Licenses and permits	-	-	-	-	-	84,863
Intergovernmental	1,136,255	108,160	-	-	-	26,057,826
Charges for services	-	-	-	131,495	31,560	15,242,321
Investment income	55,956	147	50,726	1,124,330	127,585	1,534,583
Rental income	-	-	-	-	-	1,240,289
Other	-	-	-	-	-	2,116,138
Total revenues	<u>1,192,211</u>	<u>108,307</u>	<u>50,726</u>	<u>1,255,825</u>	<u>159,145</u>	<u>49,247,683</u>
Expenditures:						
Current:						
General government	12,312	5,268	-	-	-	368,948
Public safety	-	-	-	-	-	872,402
General services	-	-	-	-	-	10,015,235
Cultural and recreation services	1,234,508	-	-	-	-	12,362,962
Library	-	-	-	-	-	18,835
Housing and community development	29,847	-	-	-	-	24,903,023
Debt service expenditures:						
Principal	-	-	3,365,000	-	-	3,365,000
Interest	-	-	3,942,925	-	-	3,942,925
Total expenditures	<u>1,276,667</u>	<u>5,268</u>	<u>7,307,925</u>	<u>-</u>	<u>-</u>	<u>55,849,330</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(84,456)</u>	<u>103,039</u>	<u>(7,257,199)</u>	<u>1,255,825</u>	<u>159,145</u>	<u>(6,601,647)</u>
Other financing sources (uses)						
Transfers in	-	-	8,696,319	-	-	9,191,672
Transfers out	(218,270)	-	-	(307,059)	(34,719)	(6,228,743)
Total other financing sources (uses)	<u>(218,270)</u>	<u>-</u>	<u>8,696,319</u>	<u>(307,059)</u>	<u>(34,719)</u>	<u>2,962,929</u>
Net change in fund balances	<u>(302,726)</u>	<u>103,039</u>	<u>1,439,120</u>	<u>948,766</u>	<u>124,426</u>	<u>(3,638,718)</u>
Fund balances (deficit) at the beginning of year	<u>12,286,355</u>	<u>710,582</u>	<u>7,150,832</u>	<u>8,216,328</u>	<u>930,571</u>	<u>133,648,279</u>
Fund balances (deficit) at end of year	<u>\$ 11,983,629</u>	<u>813,621</u>	<u>8,589,952</u>	<u>9,165,094</u>	<u>1,054,997</u>	<u>130,009,561</u>

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Beach Recreation Special Revenue Fund
For the fiscal year ended June 30, 2013

	Budget	Actual	Less 2011-2012 encumbered expenditures	Plus 2012-2013 encumbrances	Actual, budgetary basis	Variance with budget
Revenues:						
Licenses and permits	\$ 77,250	84,863	-	-	84,863	7,613
Charges for services	10,016,540	10,958,701	-	-	10,958,701	942,161
Investment income	149,000	3,304	-	-	3,304	(145,696)
Rental income	782,539	1,240,289	-	-	1,240,289	457,750
Other	492,872	570,810	-	-	570,810	77,938
Total revenues	11,518,201	12,857,967	-	-	12,857,967	1,339,766
Expenditures:						
General services:						
Public Works	1,674,227	1,419,563	-	-	1,419,563	254,664
Capital improvement	11,132	11,132	-	-	11,132	-
Total general services	1,685,359	1,430,695	-	-	1,430,695	254,664
Cultural and recreation services:						
Community and cultural services	9,673,621	9,398,041	24,171	-	9,373,870	299,751
Capital improvement	1,962,438	867,370	-	163,790	1,031,160	931,278
Total cultural and recreation services	11,636,059	10,265,411	24,171	163,790	10,405,030	1,231,029
Total expenditures	13,321,418	11,696,106	24,171	163,790	11,835,725	1,485,693
Excess (deficiency) of revenues over (under) expenditures	(1,803,217)	1,161,861	(24,171)	(163,790)	1,022,242	2,825,459
Net change in fund balance	(1,803,217)	1,161,861	(24,171)	(163,790)	1,022,242	2,825,459
Fund balance at beginning of year	4,694,004	4,694,004	-	-	4,694,004	-
Fund balance at end of year	\$ 2,890,787	5,855,865	(24,171)	(163,790)	5,716,246	2,825,459

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Housing Authority Special Revenue Fund
For the fiscal year ended June 30, 2013

	Budget	Actual	Less 2011-2012 encumbered expenditures*	Plus 2012-2013 encumbrances*	Actual, budgetary basis	Variance with budget
Revenues:						
Intergovernmental	\$ 16,337,026	16,239,503	-	-	16,239,503	(97,523)
Investment income	45,000	(1,214)	-	-	(1,214)	(46,214)
Total revenues	16,382,026	16,238,289	-	-	16,238,289	(143,737)
Expenditures:						
Housing and community development:						
Housing and economic development	17,311,128	17,418,175	-	-	17,418,175	(107,047)
Capital improvement	12,270	12,270	-	-	12,270	-
Total housing and community development	17,323,398	17,430,445	-	-	17,430,445	(107,047)
Total expenditures	17,323,398	17,430,445	-	-	17,430,445	(107,047)
Deficiency of revenues under expenditures	(941,372)	(1,192,156)	-	-	(1,192,156)	(250,784)
Other financing sources:						
Transfers in	228,410	228,410	-	-	228,410	-
Net change in fund balance	(712,962)	(963,746)	-	-	(963,746)	(250,784)
Fund balance at beginning of year	1,862,609	1,862,609	-	-	1,862,609	-
Fund balance at end of year	\$ 1,149,647	898,863	-	-	898,863	(250,784)

* No encumbrances were outstanding at June 30, 2012 and 2013.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Tenant Ownership Rights Charter Amendment
(TORCA) Special Revenue Fund
For the fiscal year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Less 2011-2012 encumbered expenditures*</u>	<u>Plus 2012-2013 encumbrances</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:						
Other taxes	\$ 100,000	80,941	-	-	80,941	(19,059)
Investment income	106,000	107,677	-	-	107,677	1,677
Other	-	119,601	-	-	119,601	119,601
Total revenues	<u>206,000</u>	<u>308,219</u>	<u>-</u>	<u>-</u>	<u>308,219</u>	<u>102,219</u>
Expenditures:						
Housing and community development:						
Housing and economic development	23,783	27,520	-	-	27,520	(3,737)
Capital improvement	<u>3,982,094</u>	<u>1,117,275</u>	<u>-</u>	<u>974,075</u>	<u>2,091,350</u>	<u>1,890,744</u>
Total housing and community development	<u>4,005,877</u>	<u>1,144,795</u>	<u>-</u>	<u>974,075</u>	<u>2,118,870</u>	<u>1,887,007</u>
Deficiency of revenues under expenditures	<u>(3,799,877)</u>	<u>(836,576)</u>	<u>-</u>	<u>(974,075)</u>	<u>(1,810,651)</u>	<u>1,989,226</u>
Other financing (uses):						
Transfers out	<u>(53,516)</u>	<u>(53,516)</u>	<u>-</u>	<u>-</u>	<u>(53,516)</u>	<u>-</u>
Net change in fund balance	<u>(3,853,393)</u>	<u>(890,092)</u>	<u>-</u>	<u>(974,075)</u>	<u>(1,864,167)</u>	<u>1,989,226</u>
Fund balance at beginning of year	<u>13,770,118</u>	<u>13,770,118</u>	<u>-</u>	<u>-</u>	<u>13,770,118</u>	<u>-</u>
Fund balance at end of year	<u>\$ 9,916,725</u>	<u>12,880,026</u>	<u>-</u>	<u>(974,075)</u>	<u>11,905,951</u>	<u>1,989,226</u>

* No encumbrances were outstanding at June 30, 2012.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Housing Projects Special Revenue Fund
For the fiscal year ended June 30, 2013

	Budget	Actual	Less 2011-2012 encumbered expenditures*	Plus 2012-2013 encumbrances*	Actual, budgetary basis	Variance with budget
Revenues:						
Investment income	\$ 25,000	(32,263)	-	-	(32,263)	(57,263)
Other income	-	1,182,779	-	-	1,182,779	1,182,779
Total project revenues	25,000	1,150,516	-	-	1,150,516	1,125,516
Expenditures:						
Housing and community development:						
Housing and economic development	1,312,000	561,117	-	-	561,117	750,883
Capital improvements	271,613	246,935	-	-	246,935	24,678
Total housing and community development	1,583,613	808,052	-	-	808,052	775,561
Debt service expenditures – interest	405,000	-	-	-	-	405,000
Total project expenditures	1,988,613	808,052	-	-	808,052	1,180,561
Excess (deficiency) of revenues under (over) expenditures	(1,963,613)	342,464	-	-	342,464	2,306,077
Other financing uses:						
Transfers out	(1,547,715)	(141,000)	-	-	(141,000)	1,406,715
Total other financing uses	(1,547,715)	(141,000)	-	-	(141,000)	1,406,715
Net change in fund balance	(3,511,328)	201,464	-	-	201,464	3,712,792
Fund balance at beginning of year	55,955,727	55,955,727	-	-	55,955,727	-
Fund balance at end of year	\$ 52,444,399	56,157,191	-	-	56,157,191	3,712,792

* No encumbrances were outstanding at June 30, 2012 and 2013.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance (Deficit) – Budget and Actual (Non-GAAP Basis)
Miscellaneous Grants Special Revenue Fund

For the fiscal year ended June 30, 2013

	Budget	Actual	Less 2011-2012 encumbered expenditures	Plus 2012-2013 encumbrances	Actual, budgetary basis	Variance with budget
Revenues:						
Intergovernmental	\$ 15,173,936	6,120,460	-	-	6,120,460	(9,053,476)
Investment income	202,000	88,593	-	-	88,593	(113,407)
Other	339,018	241,486	-	-	241,486	(97,532)
Total revenues	15,714,954	6,450,539	-	-	6,450,539	(9,264,415)
Expenditures:						
General government:						
City manager	342,437	336,498	106,306	-	230,192	112,245
Total general government	342,437	336,498	106,306	-	230,192	112,245
Public safety:						
Police	503,885	209,717	-	-	209,717	294,168
Fire	682,263	322,127	9,341	-	312,786	369,477
Other	37,994	13,257	-	-	13,257	24,737
Capital improvement	8,352	8,352	-	-	8,352	-
Total public safety	1,232,494	553,453	9,341	-	544,112	688,382
General services:						
Public works	30,686	-	-	-	-	30,686
Community and cultural services	263,500	-	-	-	-	263,500
Capital improvement	24,053,249	4,980,817	-	7,063,249	12,044,066	12,009,183
Total general services	24,347,435	4,980,817	-	7,063,249	12,044,066	12,303,369
Cultural and recreation services:						
Community and cultural services	843,542	842,129	56,290	-	785,839	57,703
Total cultural and recreation services	843,542	842,129	56,290	-	785,839	57,703
Library:	26,661	18,835	8,900	-	9,935	16,726
Housing and community development:						
Planning and community development	120,000	60,189	-	-	60,189	59,811
Capital improvement	6,855,130	1,002,451	-	204,853	1,207,304	5,647,826
Total housing and community development	6,975,130	1,062,640	-	204,853	1,267,493	5,707,637
Total expenditures	33,767,699	7,794,372	180,837	7,268,102	14,881,637	18,886,062
Deficiency of revenues under expenditures	(18,052,745)	(1,343,833)	(180,837)	(7,268,102)	(8,431,098)	9,621,647
Other financing sources (uses):						
Transfers in	-	266,943	-	-	266,943	266,943
Transfers out	(1,386,140)	(1,003,124)	-	-	(1,003,124)	383,016
Total other financing sources (uses)	(1,386,140)	(736,181)	-	-	(736,181)	649,959
Net change in fund balance	(19,438,885)	(2,080,014)	(180,837)	(7,268,102)	(9,167,279)	10,271,606
Fund balance at beginning of year	14,864,749	14,864,749	-	-	14,864,749	-
Fund balance (deficit) at end of year	\$ (4,574,136)	12,784,735	(180,837)	(7,268,102)	5,697,470	10,271,606

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Citizens Option for Public Safety Special Revenue Fund

For the fiscal year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Less 2011-2012 encumbered expenditures*</u>	<u>Plus 2012-2013 encumbrances</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:						
Intergovernmental	\$ 120,000	135,671	-	-	135,671	15,671
Investment income	1,000	(199)	-	-	(199)	(1,199)
Total revenues	<u>121,000</u>	<u>135,472</u>	<u>-</u>	<u>-</u>	<u>135,472</u>	<u>14,472</u>
Expenditures:						
Public safety:						
Police	<u>315,075</u>	<u>48,589</u>	<u>-</u>	<u>61,258</u>	<u>109,847</u>	<u>205,228</u>
Total public safety	<u>315,075</u>	<u>48,589</u>	<u>-</u>	<u>61,258</u>	<u>109,847</u>	<u>205,228</u>
Total expenditures	<u>315,075</u>	<u>48,589</u>	<u>-</u>	<u>61,258</u>	<u>109,847</u>	<u>205,228</u>
Net change in fund balance	(194,075)	86,883	-	(61,258)	25,625	219,700
Fund balance at beginning of year	<u>190,893</u>	<u>190,893</u>	<u>-</u>	<u>-</u>	<u>190,893</u>	<u>-</u>
Fund balance at end of year	<u>\$ (3,182)</u>	<u>277,776</u>	<u>-</u>	<u>(61,258)</u>	<u>216,518</u>	<u>219,700</u>

* No encumbrances were outstanding at June 30, 2012.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Gas Tax Special Revenue Fund

For the fiscal year ended June 30, 2013

	Budget	Actual	Less 2011-2012 encumbered expenditures*	Plus 2012-2013 encumbrances *	Actual, budgetary basis	Variance with budget
Revenues:						
Intergovernmental	\$ 2,395,940	2,155,482	-	-	2,155,482	(240,458)
Investment income	13,000	160	-	-	160	(12,840)
Total revenues	2,408,940	2,155,642	-	-	2,155,642	(253,298)
Expenditures:						
General services:						
Other	5,300	4,213	-	-	4,213	1,087
Capital improvements	350,000	-	-	350,000	350,000	-
Total general services	355,300	4,213	-	350,000	354,213	1,087
Excess of revenues over expenditures	2,053,640	2,151,429	-	(350,000)	1,801,429	(252,211)
Other financing (uses):						
Transfers out	(2,395,940)	(2,155,481)	-	-	(2,155,481)	240,459
Net change in fund balance	(342,300)	(4,052)	-	(350,000)	(354,052)	(11,752)
Fund balance at beginning of year	773,493	773,493	-	-	773,493	-
Fund balance at end of year	\$ 431,193	769,441	-	(350,000)	419,441	(11,752)

* No encumbrances were outstanding at June 30, 2012.

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Parks and Recreation Special Revenue Fund

For the fiscal year ended June 30, 2013

	Budget	Actual	Less 2011-2012 encumbered expenditures*	Plus 2012-2013 encumbrances	Actual, budgetary basis	Variance with budget
Revenues:						
Other taxes	\$ 16,000	55,409	-	-	55,409	39,409
Investment income	2,000	46	-	-	46	(1,954)
Total revenues	<u>18,000</u>	<u>55,455</u>	<u>-</u>	<u>-</u>	<u>55,455</u>	<u>37,455</u>
Expenditures:						
Cultural and recreation:						
Capital improvement	<u>152,041</u>	<u>20,914</u>	<u>-</u>	<u>13,526</u>	<u>34,440</u>	<u>117,601</u>
Total cultural and recreation	<u>152,041</u>	<u>20,914</u>	<u>-</u>	<u>13,526</u>	<u>34,440</u>	<u>117,601</u>
Net change in fund balance	(134,041)	34,541	-	(13,526)	21,015	155,056
Fund balance at beginning of year	<u>202,099</u>	<u>202,099</u>	<u>-</u>	<u>-</u>	<u>202,099</u>	<u>-</u>
Fund balance at end of year	<u>\$ 68,058</u>	<u>236,640</u>	<u>-</u>	<u>(13,526)</u>	<u>223,114</u>	<u>155,056</u>

* No encumbrances were outstanding at June 30, 2012.

CITY OF SANTA MONICA, CALIFORNIA

Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Special Revenue Source Capital Projects Fund

For the fiscal year ended June 30, 2013

	Original budget	Final budget	Actual	Less 2011-2012 encumbered expenditures	Plus 2012-2013 encumbrances	Actual, budgetary basis	Variance with final budget
Revenues:							
Charges for services	400,000	400,000	1,029,909	-	-	1,029,909	629,909
Investment income	85,000	85,000	(12,101)	-	-	(12,101)	(97,101)
Settlement income	4,679,338	5,154,213	28,854,228	-	-	28,854,228	23,700,015
Other	1,105,625	14,255,625	15,331,323	-	-	15,331,323	1,075,698
Total revenues	6,269,963	19,894,838	45,203,359	-	-	45,203,359	25,308,521
Expenditures:							
Public safety:							
Police	-	21,456	-	-	-	-	21,456
Fire	-	3,700,000	206	-	-	206	3,699,794
Total public safety	-	3,721,456	206	-	-	206	3,721,250
General services:							
Public works	4,679,338	4,679,338	3,032,878	358,606	-	2,674,272	2,005,066
Capital improvement	977,817	6,654,277	2,541,179	-	1,081,850	3,623,029	3,031,248
Total general services	5,657,155	11,333,615	5,574,057	358,606	1,081,850	6,297,301	5,036,314
Cultural and recreation services:							
Community and cultural services	20,500	43,075	24,667	-	-	24,667	18,408
Capital improvement	-	785	-	-	-	-	785
Total cultural and recreation services	20,500	43,860	24,667	-	-	24,667	19,193
Housing and community development:							
Capital improvement	500,000	30,322,582	10,636,230	-	3,440,274	14,076,504	16,246,078
Total housing and community development	500,000	30,322,582	10,636,230	-	3,440,274	14,076,504	16,246,078
Total expenditures	6,177,655	45,421,513	16,235,160	358,606	4,522,124	20,398,678	25,022,835
Excess (deficiency) of revenues over (under) expenditures	92,308	(25,526,675)	28,968,199	(358,606)	(4,522,124)	24,804,681	50,331,356
Other financing (uses):							
Transfers in	-	3,500,000	3,500,000	-	-	3,500,000	-
Transfers out	(588,200)	(588,200)	(13,141,040)	-	-	(13,141,040)	(12,552,840)
Total other financing sources (uses)	(588,200)	2,911,800	(9,641,040)	-	-	(9,641,040)	(12,552,840)
Special item:							
Pollution remediation obligation	-	-	(21,254,908)	-	-	(21,254,908)	(21,254,908)
Total special item	-	-	(21,254,908)	-	-	(21,254,908)	(21,254,908)
Net change in fund balance	(495,892)	(22,614,875)	(1,927,749)	(358,606)	(4,522,124)	(6,091,267)	37,778,516
Fund balance at beginning of year	46,577,031	46,577,031	46,577,031	-	-	46,577,031	-
Fund balance at end of year	\$ 46,081,139	23,962,156	44,649,282	(358,606)	(4,522,124)	40,485,764	37,778,516

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Clean Beaches and Ocean Parcel Tax Capital Projects Fund

For the fiscal year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Less 2011-2012 encumbered expenditures</u>	<u>Plus 2012-2013 encumbrances</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:						
Other taxes	\$ 2,880,000	2,835,313	-	-	2,835,313	(44,687)
Investment income	89,000	3,610	-	-	3,610	(85,390)
Total revenues	<u>2,969,000</u>	<u>2,838,923</u>	<u>-</u>	<u>-</u>	<u>2,838,923</u>	<u>(130,077)</u>
Expenditures:						
General services:						
Public works	466,078	102,694	4,900	113,267	211,061	255,017
Capital improvement	6,516,031	2,549,749	-	1,548,075	4,097,824	2,418,207
Total general services	<u>6,982,109</u>	<u>2,652,443</u>	<u>4,900</u>	<u>1,661,342</u>	<u>4,308,885</u>	<u>2,673,224</u>
Total expenditures	<u>6,982,109</u>	<u>2,652,443</u>	<u>4,900</u>	<u>1,661,342</u>	<u>4,308,885</u>	<u>2,673,224</u>
Excess (deficiency) of revenues over (under) expenditures	(4,013,109)	186,480	(4,900)	(1,661,342)	(1,469,962)	2,543,147
Other financing (uses):						
Transfers out	<u>(2,327,418)</u>	<u>(2,315,574)</u>	<u>-</u>	<u>-</u>	<u>(2,315,574)</u>	<u>11,844</u>
Net change in fund balance	<u>(6,340,527)</u>	<u>(2,129,094)</u>	<u>(4,900)</u>	<u>(1,661,342)</u>	<u>(3,785,536)</u>	<u>2,554,991</u>
Fund balance at beginning of year	<u>10,265,875</u>	<u>10,265,875</u>	<u>-</u>	<u>-</u>	<u>10,265,875</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,925,348</u>	<u>8,136,781</u>	<u>(4,900)</u>	<u>(1,661,342)</u>	<u>6,480,339</u>	<u>2,554,991</u>

CITY OF SANTA MONICA, CALIFORNIA

Statement of Revenues, Expenditures and Changes in
Fund (Deficit) – Budget and Actual (Non-GAAP Basis)
Disaster Relief Capital Projects Fund

For the fiscal year ended June 30, 2013

	Budget	Actual	Less 2011-2012 encumbered expenditures*	Plus 2012-2013 encumbrances*	Actual, budgetary basis	Variance with budget
Revenues:						
Investment income	\$ -	401	-	-	401	401
Total revenues	-	401	-	-	401	401
Expenditures:						
General government:						
Finance	9,756	10,657	-	-	10,657	(901)
Total general government	9,756	10,657	-	-	10,657	(901)
General services:						
Capital improvement	964,836	951,280	-	-	951,280	13,556
Total general services	964,836	951,280	-	-	951,280	13,556
Total expenditures	974,592	961,937	-	-	961,937	12,655
Net change in fund balance	(974,592)	(961,536)	-	-	(961,536)	13,056
Fund deficit at beginning of year	(187,396)	(187,396)	-	-	(187,396)	-
Fund deficit at end of year	<u>\$ (1,161,988)</u>	<u>(1,148,932)</u>	<u>-</u>	<u>-</u>	<u>(1,148,932)</u>	<u>13,056</u>

* No encumbrances were outstanding at June 30, 2012 and 2013.

CITY OF SANTA MONICA, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Community Development Block Grant
(CDBG) Capital Projects Fund

For the fiscal year ended June 30, 2013

	Budget	Actual	Less 2011-2012 encumbered expenditures*	Plus 2012-2013 encumbrances	Actual, budgetary basis	Variance with budget
Revenues:						
Intergovernmental	\$ 2,266,939	1,136,255	-	-	1,136,255	(1,130,684)
Investment income	1,000	55,956	-	-	55,956	54,956
Total revenues	2,267,939	1,192,211	-	-	1,192,211	(1,075,728)
Expenditures:						
General government:						
Other	6,000	12,312	-	-	12,312	(6,312)
Total general government	6,000	12,312	-	-	12,312	(6,312)
Cultural and recreation services:						
Community and cultural services	349,773	200,753	-	-	200,753	149,020
Capital improvement	1,038,015	1,033,755	-	4,248	1,038,003	12
Total cultural and recreation services	1,387,788	1,234,508	-	4,248	1,238,756	149,032
Housing and community development:						
Community and cultural services	461,167	29,847	-	-	29,847	431,320
Total housing and community development	461,167	29,847	-	-	29,847	431,320
Total expenditures	1,854,955	1,276,667	-	4,248	1,280,915	574,040
Excess of revenues over expenditures	412,984	(84,456)	-	(4,248)	(88,704)	(501,688)
Other financing (uses):						
Transfer out	(182,621)	(218,270)	-	-	(218,270)	(35,649)
Net change in fund balance	230,363	(302,726)	-	(4,248)	(306,974)	(537,337)
Fund balance at beginning of year	12,286,355	12,286,355	-	-	12,286,355	-
Fund balance at end of year	\$ 12,516,718	11,983,629	-	(4,248)	11,979,381	(537,337)

* No encumbrances were outstanding at June 30, 2012.

CITY OF SANTA MONICA, CALIFORNIA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Basis)
Air Quality Management District (AQMD) Capital Projects Fund
For the fiscal year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Less 2011-2012 encumbered expenditures*</u>	<u>Plus 2012-2013 encumbrances*</u>	<u>Actual, budgetary basis</u>	<u>Variance with budget</u>
Revenues:						
Intergovernmental	\$ 110,000	108,160	-	-	108,160	(1,840)
Investment income	7,000	147	-	-	147	(6,853)
Total revenues	<u>117,000</u>	<u>108,307</u>	<u>-</u>	<u>-</u>	<u>108,307</u>	<u>(8,693)</u>
Expenditures:						
General government:						
Other	2,400	5,268	-	-	5,268	(2,868)
Total general government	<u>2,400</u>	<u>5,268</u>	<u>-</u>	<u>-</u>	<u>5,268</u>	<u>(2,868)</u>
General services:						
Capital improvement	392,361	-	-	-	-	392,361
Total general services	<u>392,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>392,361</u>
Total expenditures	<u>394,761</u>	<u>5,268</u>	<u>-</u>	<u>-</u>	<u>5,268</u>	<u>389,493</u>
Net change in fund balance	(277,761)	103,039	-	-	103,039	380,800
Fund balance at beginning of year	<u>710,582</u>	<u>710,582</u>	<u>-</u>	<u>-</u>	<u>710,582</u>	<u>-</u>
Fund balance at end of year	<u>\$ 432,821</u>	<u>813,621</u>	<u>-</u>	<u>-</u>	<u>813,621</u>	<u>380,800</u>

* No encumbrances were outstanding at June 30, 2012 and 2013.

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CITY OF SANTA MONICA, CALIFORNIA

Nonmajor Enterprise Fund Financial Statements

Enterprise Funds are used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met: (a) The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit – even if that government is not expected to make any payments – is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.) (b) Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues. (c) The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Resource Recovery and Recycling Fund – To account for revenues and expenses of operating the City’s refuse collection, street sweeping and cleaning, and recycling programs.

Pier Fund – To account for revenues and expenses connected with management and development of the Santa Monica Pier.

Civic Auditorium Fund – To account for revenues and expenses connected with management of the Santa Monica Civic Auditorium. The Civic Auditorium ceased full operation on June 30, 2013 and the net position of the Civic Auditorium Fund was transferred to the General Fund.

Stormwater Management Fund – To account for revenues and expenses associated with storm water management.

Cemetery Fund – To account for revenues and expenses associated with operation of Woodlawn Cemetery.

Special Aviation Fund – To account for revenues and expenses associated with aviation-related State funds provided to the City.

Parking Authority Fund – To account for revenues and expenses associated with operating the various parking structures and parking lots owned by the City Parking Authority.

CITY OF SANTA MONICA, CALIFORNIA

Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2013

	Resource Recovery and Recycling	Pier	Civic Auditorium	Stormwater Management	Cemetery	Special Aviation	Parking Authority	Total nonmajor enterprise funds
Assets								
Current assets:								
Cash and investments	\$ 2,903,602	8,773,483	-	-	-	257,754	3,075,853	15,010,692
Restricted cash and investments	-	520,271	-	-	-	-	-	520,271
Receivables (net, where applicable, of allowances for uncollectibles):								
Accounts	3,688,594	48,599	-	19,168	148,584	-	-	3,904,945
Interest	21,658	14,682	-	400	39	379	6,457	43,615
Prepays	557,980	118,745	-	-	46,205	-	-	722,930
Total current assets	7,171,834	9,475,780	-	19,568	194,828	258,133	3,082,310	20,202,453
Noncurrent assets:								
Restricted cash and investments	8,845,441	-	-	1,720,585	-	-	300,000	10,866,026
Capital assets:								
Land	-	-	-	-	4	-	7,935,700	7,935,704
Buildings	334,063	5,916,024	-	-	1,723,603	-	946,242	8,919,932
Improvements other than buildings	173,736	4,456,986	-	147,299	782,158	509,940	169,306	6,239,425
Machinery and equipment	473,269	289,428	-	35,750	385,442	275,000	1,218,161	2,677,050
Infrastructure	-	8,435,604	-	10,739,803	-	-	-	19,175,407
Construction in progress	984,748	2,069,489	-	-	-	-	5,366,193	8,420,430
Less: accumulated depreciation	(814,134)	(11,093,255)	-	(3,253,128)	(1,794,534)	(784,940)	(1,030,302)	(18,770,293)
Net capital assets	1,151,682	10,074,276	-	7,669,724	1,096,673	-	14,605,300	34,597,655
Total noncurrent assets	9,997,123	10,074,276	-	9,390,309	1,096,673	-	14,905,300	45,463,681
Total assets	17,168,957	19,550,056	-	9,409,877	1,291,501	258,133	17,987,610	65,666,134
Liabilities								
Current liabilities:								
Accounts payable	666,264	511,094	-	57	27,457	-	-	1,204,872
Accrued liabilities	331,066	94,057	-	-	26,186	-	-	451,309
Contracts payable (retained percentage)	-	70,849	-	-	-	-	-	70,849
Compensated absences-current	264,731	50,600	-	-	19,487	-	-	334,818
Accrued interest payable	-	-	-	17,724	-	-	-	17,724
Current portion of long-term obligations	-	-	-	270,151	-	-	-	270,151
Due to other funds	-	-	-	-	20,025	-	-	20,025
Liabilities payable from restricted assets - deposits	8,845,441	520,270	-	-	-	-	-	9,365,711
Total current liabilities	10,107,502	1,246,870	-	287,932	93,155	-	-	11,735,459
Noncurrent liabilities:								
Compensated absences-noncurrent	339,854	90,109	-	-	24,560	-	-	454,523
Advances from other funds	-	-	-	274,566	-	-	-	274,566
Long-term obligations net of current portion	-	-	-	1,774,965	-	-	-	1,774,965
Total noncurrent liabilities	339,854	90,109	-	2,049,531	24,560	-	-	2,504,054
Total liabilities	10,447,356	1,336,979	-	2,337,463	117,715	-	-	14,239,513
Net position								
Net investment in capital assets	1,151,682	10,074,276	-	5,624,608	1,096,673	-	14,605,300	32,552,539
Unrestricted	5,569,919	8,138,801	-	1,447,806	77,113	258,133	3,382,310	18,874,082
Total net position	\$ 6,721,601	18,213,077	-	7,072,414	1,173,786	258,133	17,987,610	51,426,621

CITY OF SANTA MONICA, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the fiscal year ended June 30, 2013

	Resource Recovery and Recycling	Pier	Civic Auditorium	Stormwater Management	Cemetery	Special Aviation	Parking Authority	Total nonmajor enterprise funds
Operating revenues								
Charges for services	\$ 23,526,423	4,589,503	1,468,300	1,439,522	1,315,119	-	-	32,338,867
Total operating revenues	23,526,423	4,589,503	1,468,300	1,439,522	1,315,119	-	-	32,338,867
Operating expenses								
Personnel services	8,464,105	1,891,916	1,665,558	-	556,389	-	600	12,578,568
Administrative indirect	979,031	405,722	87,604	11,364	328,184	-	-	1,811,905
Contractual services	3,520,314	1,341,836	88,133	-	254,510	-	-	5,204,793
Repairs and maintenance	2,314,660	294,483	37,155	-	41,357	-	-	2,687,655
Materials and supplies	5,692,264	496,411	95,929	-	247,270	-	3,987	6,535,861
Utilities	42,661	196,510	135,806	-	130,938	-	-	505,915
Casualty property and liability costs	207,860	240,720	69,942	-	53,380	-	-	571,902
Miscellaneous fees and costs	1,110	540	1,754	405	270	-	-	4,079
Depreciation	8,643	505,874	267,161	301,816	161,260	-	264,207	1,508,961
Other	775,485	609,487	8,744	35,399	16,951	-	-	1,446,066
Total operating expenses	22,006,133	5,983,499	2,457,786	348,984	1,790,509	-	268,794	32,855,705
Operating income (loss)	1,520,290	(1,393,996)	(989,486)	1,090,538	(475,390)	-	(268,794)	(516,838)
Nonoperating revenues (expenses)								
Investment income	(9,167)	(4,742)	(628)	(392)	343	(47)	(9,189)	(23,822)
Interest expense	-	-	-	(57,737)	-	-	-	(57,737)
Loss on disposal of capital assets	-	-	(2,173,675)	-	-	-	(26,856)	(2,200,531)
Other nonoperating revenue (expenses)	684,826	(227,534)	(182,206)	1,442,878	25,928	-	-	1,743,892
Total nonoperating revenues (expenses) net	675,659	(232,276)	(2,356,509)	1,384,749	26,271	(47)	(36,045)	(538,198)
Income (loss) before transfers	2,195,949	(1,626,272)	(3,345,995)	2,475,287	(449,119)	(47)	(304,839)	(1,055,036)
Transfers in	-	-	-	2,104,192	341,778	-	-	2,445,970
Transfers out	(793,934)	-	(1,155,684)	(2,229,398)	-	-	-	(4,179,016)
Change in net position	1,402,015	(1,626,272)	(4,501,679)	2,350,081	(107,341)	(47)	(304,839)	(2,788,082)
Net position at beginning of year	5,319,586	19,839,349	4,501,679	4,722,333	1,281,127	258,180	18,292,449	54,214,703
Net position at end of year	\$ 6,721,601	18,213,077	-	7,072,414	1,173,786	258,133	17,987,610	51,426,621

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2013

	Resource Recovery & Recycling	Pier	Civic Auditorium	Stormwater Management	Cemetery	Special Aviation	Parking Authority	Total nonmajor enterprise funds
Cash flows from operating activities:								
Cash received from customers	\$ 23,578,951	5,574,028	1,331,170	1,490,532	1,279,222	-	-	33,253,903
Cash payments for materials and services	(14,347,492)	(3,320,604)	(538,921)	(47,178)	(1,116,235)	-	(5,400)	(19,375,830)
Cash payments to employees for services	(8,398,910)	(1,854,663)	(1,893,720)	-	(551,023)	-	(600)	(12,698,916)
Other revenue received	684,825	42,466	276	1,442,877	25,928	-	-	2,196,372
Net cash provided by (used in) operating activities	1,517,374	441,227	(1,101,195)	2,886,231	(362,108)	-	(6,000)	3,375,529
Cash flows from noncapital financing activities:								
Advances from other funds	-	-	-	274,566	20,024	-	-	294,590
Repayment of advances from other funds	-	-	-	(1,072,814)	-	-	-	(1,072,814)
Transfers in	-	-	-	2,104,192	341,778	-	-	2,445,970
Transfers out	(793,934)	-	(1,338,166)	(2,229,398)	-	-	-	(4,361,498)
Net cash provided by (used in) noncapital financing activities	(793,934)	-	(1,338,166)	(923,454)	361,802	-	-	(2,693,752)
Cash flows from capital and related financing activities:								
Acquisition and construction of capital assets	(50,531)	(1,450,033)	-	-	-	-	(1,580,517)	(3,081,081)
Reduction in long-term obligations	-	-	-	(263,305)	-	-	-	(263,305)
Reduction in advance from other funds	-	-	(62,081)	-	-	-	-	(62,081)
Interest paid on long-term obligations	-	-	-	(60,019)	-	-	-	(60,019)
Net cash (used in) capital and related financing activities	(50,531)	(1,450,033)	(62,081)	(323,324)	-	-	(1,580,517)	(3,466,486)
Cash flows from investing activities:								
Interest on investments	823	4,498	4,956	(792)	306	152	(485)	9,458
Net cash provided by (used in) investing activities	823	4,498	4,956	(792)	306	152	(485)	9,458
Net increase (decrease) in cash and cash equivalents	673,732	(1,004,308)	(2,496,486)	1,638,661	-	152	(1,587,002)	(2,775,251)
Cash and cash equivalents at beginning of year	11,075,311	10,298,062	2,496,486	81,924	-	257,602	4,962,855	29,172,240
Cash and cash equivalents at end of year	11,749,043	9,293,754	-	1,720,585	-	257,754	3,375,853	26,396,989
Cash and investments	2,903,602	8,773,483	-	-	-	257,754	3,075,853	15,010,692
Restricted cash and investments	8,845,441	520,271	-	1,720,585	-	-	300,000	11,386,297
Total cash and cash equivalents	11,749,043	9,293,754	-	1,720,585	-	257,754	3,375,853	26,396,989

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CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the fiscal year ended June 30, 2013

	Resource Recovery & Recycling	Pier	Civic Auditorium	Stormwater Management	Cemetery	Special Aviation	Parking Authority	Total nonmajor enterprise funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	<u>1,520,290</u>	<u>(1,393,996)</u>	<u>(989,486)</u>	<u>1,090,538</u>	<u>(475,390)</u>	<u>-</u>	<u>(268,794)</u>	<u>(516,838)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Add depreciation	8,643	505,874	267,161	301,816	161,260	-	264,207	1,508,961
Less other non cash adjustments	-	(270,000)	-	-	-	-	-	(270,000)
Other nonoperating revenue received	684,826	42,466	276	1,442,878	25,928	-	-	2,196,374
Change in assets and liabilities:								
Increase (decrease) in accounts receivable	(153,070)	1,254,528	4,818	51,009	(35,892)	-	-	1,121,393
Decrease in prepaids	(557,980)	(118,745)	-	-	(46,205)	-	-	(722,930)
Increase (decrease) in accounts payable	(256,125)	306,658	(13,854)	(10)	2,827	-	(1,413)	38,083
Increase (decrease) in accrued liabilities	34,904	(23,432)	(163,447)	-	(5,865)	-	-	(157,840)
Increase (decrease) in deposits	205,596	6,339	(141,947)	-	-	-	-	69,988
Increase (decrease) in accrued noncurrent liabilities	30,290	60,686	(64,716)	-	11,229	-	-	37,489
Increase in contracts payable	-	70,849	-	-	-	-	-	70,849
Total adjustments	<u>(2,916)</u>	<u>1,835,223</u>	<u>(111,709)</u>	<u>1,795,693</u>	<u>113,282</u>	<u>-</u>	<u>262,794</u>	<u>3,892,367</u>
Net cash provided by (used in) operating activities	<u>\$ 1,517,374</u>	<u>441,227</u>	<u>(1,101,195)</u>	<u>2,886,231</u>	<u>(362,108)</u>	<u>-</u>	<u>(6,000)</u>	<u>3,375,529</u>

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CITY OF SANTA MONICA, CALIFORNIA

Internal Service Fund Financial Statements

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governments, on a cost-reimbursement basis.

Vehicle Management Fund – To account for user charges from other funds and expenses related to the replacement, maintenance and the fueling of various City vehicles, including specialized mechanical equipment.

Information Technology Replacement and Services Fund – To account for user charges from other funds and expenses related to replacement of computer equipment.

Self-Insurance, General Liability and Auto – To account for user charges from other funds and expenses related to the administration and payment of general liability and auto claims.

Self-Insurance, Bus Fund – To account for user charges from the Big Blue Bus Fund and expenses related to the administration and payment of municipal bus lines liability claims.

Self-Insurance, Risk Management Administration – To account for user charges from other funds and expenses related to the administration of the risk management division.

Self-Insurance, Workers' Compensation Fund – To account for user charges from other funds and expenses related to the administration and payment of workers' compensation claims.

CITY OF SANTA MONICA, CALIFORNIA

Statement of Net Position

All Internal Service Funds

June 30, 2013

	Vehicle Management	Information Technology Replacement and Services	Self - Insurance General Liability / Auto	Self - Insurance Bus	Self - Insurance Risk Management Admin	Self - Insurance Workers' Compensation	Total internal service funds
Assets							
Current assets:							
Cash and investments	\$ 27,051,709	6,490,114	16,756,935	6,135,372	661,582	28,701,428	85,797,140
Receivables:							
Interest	34,691	8,564	23,398	8,529	382	41,674	117,238
Inventory	72,094	-	-	-	-	-	72,094
Prepays	207,435	6,050	-	-	186,555	-	400,040
Total current assets	27,365,929	6,504,728	16,780,333	6,143,901	848,519	28,743,102	86,386,512
Noncurrent assets:							
Capital assets:							
Machinery and equipment	36,975,691	2,359,084	2,849	7,386	919	10,065	39,355,994
Less: accumulated depreciation	(23,883,401)	(2,035,142)	(2,849)	(7,386)	(919)	(10,065)	(25,939,762)
Net capital assets	13,092,290	323,942	-	-	-	-	13,416,232
Total assets	40,458,219	6,828,670	16,780,333	6,143,901	848,519	28,743,102	99,802,744
Liabilities							
Current liabilities:							
Accounts payable	230,426	65,788	28,124	5,216	559	16,729	346,842
Accrued liabilities	102,797	-	-	-	74,274	-	177,071
Compensated absences	104,642	-	-	-	59,002	-	163,644
Claims payable	-	-	1,422,314	2,149,840	-	6,255,234	9,827,388
Total current liabilities	437,865	65,788	1,450,438	2,155,056	133,835	6,271,963	10,514,945
Noncurrent liabilities:							
Compensated absences	77,271	-	-	-	50,912	-	128,183
Claims payable	-	-	2,231,776	1,794,183	-	23,269,610	27,295,569
Total noncurrent liabilities	77,271	-	2,231,776	1,794,183	50,912	23,269,610	27,423,752
Total liabilities	515,136	65,788	3,682,214	3,949,239	184,747	29,541,573	37,938,697
Net position							
Net investment in capital assets	13,092,290	323,942	-	-	-	-	13,416,232
Unrestricted	26,850,793	6,438,940	13,098,119	2,194,662	663,772	(798,471)	48,447,815
Total net position	\$ 39,943,083	6,762,882	13,098,119	2,194,662	663,772	(798,471)	61,864,047

CITY OF SANTA MONICA, CALIFORNIA
Statement of Revenues, Expenses and Changes in Fund Net Position
All Internal Service Funds
For the fiscal year ended June 30, 2013

	Vehicle Management	Information Technology Replacement and Services	Self - Insurance General Liability / Auto	Self - Insurance Bus	Self - Insurance Risk Management Admin	Self - Insurance Workers' Compensation	Total internal service funds
Operating revenues							
Charges for services	\$ 8,571,989	2,087,105	3,225,675	2,664,919	2,004,786	8,657,300	27,211,774
Total operating revenues	8,571,989	2,087,105	3,225,675	2,664,919	2,004,786	8,657,300	27,211,774
Operating expenses							
Personnel services	2,793,708	-	-	-	1,329,637	-	4,123,345
Administrative indirect	681,382	-	-	-	-	-	681,382
Contractual services	55,196	-	23,716	12,199	71,083	130,195	292,389
Repairs and maintenance	1,157,385	-	-	-	1,156	-	1,158,541
Materials and supplies	1,549,956	2,116,874	-	-	9,760	28,200	3,704,790
Utilities	60,242	-	-	-	1,377	142	61,761
Casualty property and liability costs	45,960	-	-	-	4,712	-	50,672
Claims expense net of claims reserve adjustment	-	-	1,268,545	1,971,415	-	10,720,095	13,960,055
Insurance and bonds	-	-	1,113,880	555,505	2,121,938	468,773	4,260,096
Miscellaneous fees and costs	2,698	-	171,984	125,259	1,754	253,839	555,534
Depreciation	3,036,908	222,326	-	-	-	-	3,259,234
Other	314,034	-	-	-	100,087	-	414,121
Total operating expenses	9,697,469	2,339,200	2,578,125	2,664,378	3,641,504	11,601,244	32,521,920
Operating income (loss)	(1,125,480)	(252,095)	647,550	541	(1,636,718)	(2,943,944)	(5,310,146)
Nonoperating revenues (expenses)							
Investment income	1,578	1,797	(3,551)	(4,236)	(5,649)	(21,789)	(31,850)
Gain (loss) on disposal of capital assets	(283,574)	27,291	-	-	-	-	(256,283)
Other nonoperating revenue (expenses)	779	-	1,000,870	-	451	6,253	1,008,353
Total nonoperating revenues (expenses)	(281,217)	29,088	997,319	(4,236)	(5,198)	(15,536)	720,220
Income (loss) before transfers	(1,406,697)	(223,007)	1,644,869	(3,695)	(1,641,916)	(2,959,480)	(4,589,926)
Transfers in	-	-	-	-	1,880,467	-	1,880,467
Transfers out	-	-	(477,892)	(255,086)	-	(1,285,789)	(2,018,767)
Change in net position	(1,406,697)	(223,007)	1,166,977	(258,781)	238,551	(4,245,269)	(4,728,226)
Net position at beginning of year	41,349,780	6,985,889	11,931,142	2,453,443	425,221	3,446,798	66,592,273
Net position at end of year	\$ 39,943,083	6,762,882	13,098,119	2,194,662	663,772	(798,471)	61,864,047

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Cash Flows

All Internal Service Funds

For the fiscal year ended June 30, 2013

	Vehicle Management	Information Technology Replacement and Services	Self-Insurance General Liability / Auto	Self-Insurance Bus	Self-Insurance Risk Management Administration	Self-Insurance Workers' Compensation	Total Internal Service Funds
Cash flows from operating activities:							
Cash received from customers	\$ 8,572,076	2,087,105	3,226,376	2,668,893	2,004,786	8,657,314	27,216,550
Cash payments for materials and services	(4,048,549)	(2,353,848)	(1,389,579)	(693,157)	(2,472,894)	(875,296)	(11,833,323)
Cash payments for claims and related expenses	-	-	(1,463,808)	(740,448)	-	(6,371,139)	(8,575,395)
Cash payments to employees for services	(2,793,708)	-	-	-	(1,329,637)	-	(4,123,345)
Other nonoperating revenue received	779	-	1,000,870	-	451	6,253	1,008,353
Net cash provided by (used in) operating activities	1,730,598	(266,743)	1,373,859	1,235,288	(1,797,294)	1,417,132	3,692,840
Cash flows from noncapital financing activities:							
Transfers in	-	-	-	-	1,880,467	-	1,880,467
Transfers out	-	-	(477,892)	(255,086)	-	(1,285,789)	(2,018,767)
Net cash provided by (used in) noncapital financing activities	-	-	(477,892)	(255,086)	1,880,467	(1,285,789)	(138,300)
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(1,366,597)	-	-	-	-	-	(1,366,597)
Proceeds from sale of capital assets	393,109	27,291	-	-	-	-	420,400
Net cash provided by (used in) capital and related financing activities	(973,488)	27,291	-	-	-	-	(946,197)
Cash flows from investing activities – interest on investments	19,481	5,120	5,192	(4,236)	(2,249)	5,078	28,386
Net increase (decrease) in cash and cash equivalents	776,591	(234,332)	901,159	975,966	80,924	136,421	2,636,729
Cash and cash equivalents at beginning of year	26,275,118	6,724,446	15,855,776	5,159,406	580,658	28,565,007	83,160,411
Cash and cash equivalents at end of year	27,051,709	6,490,114	16,756,935	6,135,372	661,582	28,701,428	85,797,140
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	(1,125,480)	(252,095)	647,550	541	(1,636,718)	(2,943,944)	(5,310,146)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Add depreciation	3,036,908	222,326	-	-	-	-	3,259,234
Other nonoperating revenue received	779	-	1,000,870	-	451	6,253	1,008,353
Change in assets and liabilities:							
Decrease in accounts receivable	87	-	701	3,974	-	14	4,776
(Increase) in prepaids	(207,435)	(5,050)	-	-	(178,030)	-	(390,515)
(Increase) in inventory	(20,748)	-	-	-	-	-	(20,748)
Increase (decrease) in accounts payable	46,324	(231,924)	(79,999)	(194)	17,003	5,853	(242,937)
Increase in accrued liabilities	163	-	-	-	-	-	163
Increase (decrease) in claims payable	-	-	(195,263)	1,230,967	-	4,348,956	5,384,660
Total adjustments	2,856,078	(14,648)	726,309	1,234,747	(160,576)	4,361,076	9,002,986
Net cash provided (used) by operating activities	\$ 1,730,598	(266,743)	1,373,859	1,235,288	(1,797,294)	1,417,132	3,692,840

CITY OF SANTA MONICA, CALIFORNIA

Fiduciary Fund Financial Statements

Agency Funds are custodial in nature and used to receive and disburse funds for an entity/individual, which is not part of the City.

General Trust Fund - To account for funds given to the City for restricted purposes whereby the City is only acting as a pass-through agent.

Street Light Fund - To account for all receipts and disbursements associated with 1911 Act Street Light Assessment Bonds.

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Fiduciary Net Position

Agency Funds

June 30, 2013

	General Trust	Street Light	Total Agency Funds
Assets			
Restricted cash and investments	\$ 6,425,217	4,529	6,429,746
Accounts receivable	70,047	-	70,047
Total assets	<u>6,495,264</u>	<u>4,529</u>	<u>6,499,793</u>
Liabilities			
Accounts payable and accrued liabilities	<u>6,495,264</u>	<u>4,529</u>	<u>6,499,793</u>
Total liabilities	<u>6,495,264</u>	<u>4,529</u>	<u>6,499,793</u>
Net Position	<u>\$ -</u>	<u>-</u>	<u>-</u>

CITY OF SANTA MONICA, CALIFORNIA

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the fiscal year ended June 30, 2013

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>
Fiduciary Funds				
Agency Funds:				
General Trust				
Assets:				
Restricted cash and investments	\$ 6,700,553	58,547,853	58,823,189	6,425,217
Accounts receivable	85,387	170,110	185,450	70,047
Total assets	<u>\$ 6,785,940</u>	<u>58,717,963</u>	<u>59,008,639</u>	<u>6,495,264</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 6,785,940	58,717,963	59,008,639	6,495,264
Total liabilities	<u>\$ 6,785,940</u>	<u>58,717,963</u>	<u>59,008,639</u>	<u>6,495,264</u>
 Street Light				
Assets:				
Restricted cash and investments	\$ 4,556	31,675	31,702	4,529
Total assets	<u>\$ 4,556</u>	<u>31,675</u>	<u>31,702</u>	<u>4,529</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 4,556	31,675	31,702	4,529
Total liabilities	<u>\$ 4,556</u>	<u>31,675</u>	<u>31,702</u>	<u>4,529</u>
 Total Fiduciary Funds				
Total Agency Funds				
Assets:				
Restricted cash and investments	\$ 6,705,109	58,579,528	58,854,891	6,429,746
Accounts receivable	85,387	170,110	185,450	70,047
Total assets	<u>\$ 6,790,496</u>	<u>58,749,638</u>	<u>59,040,341</u>	<u>6,499,793</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 6,790,496	\$ 58,749,638	\$ 59,040,341	6,499,793
Total liabilities	<u>\$ 6,790,496</u>	<u>\$ 58,749,638</u>	<u>59,040,341</u>	<u>6,499,793</u>

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City of Santa Monica, California
Year Ended June 30, 2013

STATISTICAL SECTION

CITY OF SANTA MONICA, CALIFORNIA

For the fiscal year ended June 30, 2013

STATISTICAL SECTION (unaudited)

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CITY OF SANTA MONICA, CALIFORNIA

For the fiscal year ended June 30, 2013

STATISTICAL SECTION (unaudited), *continued*

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TABLE 1**CITY OF SANTA MONICA, CALIFORNIA**

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

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07 *	2005-06 *	2004-05 *	2003-04 *
Governmental activities										
Net investments in capital assets	\$ 702,392,065	708,564,360	565,402,905	561,308,717	579,367,093	573,971,975	506,307,676	481,678,996	165,893,160	162,528,406
Restricted	126,827,943	171,964,389	198,990,741	190,302,568	187,103,831	232,281,102	273,104,503	196,818,353	200,744,882	185,632,392
Unrestricted	372,285,005	379,302,789	248,977,209	238,856,963	242,542,375	209,438,522	243,036,538	230,154,215	223,451,608	203,446,595
Total governmental activities net position	<u>1,201,505,013</u>	<u>1,259,831,538</u>	<u>1,013,370,855</u>	<u>990,468,248</u>	<u>1,009,013,299</u>	<u>1,015,691,599</u>	<u>1,022,448,717</u>	<u>908,651,564</u>	<u>590,089,650</u>	<u>551,607,393</u>
Business-type activities										
Net investments in capital assets	450,345,204	448,028,200	442,305,322	426,367,876	418,157,537	389,409,515	374,598,609	324,108,646	266,212,630	255,607,992
Restricted	13,739,411	16,024,235	13,527,238	10,855,611	1,661,758	1,625,057	2,503,448	37,365,926	34,846,062	34,145,541
Unrestricted	126,804,668	104,588,473	102,753,866	107,670,491	112,067,386	104,955,422	114,601,165	129,288,372	100,528,572	109,303,814
Total business-type activities net position	<u>590,889,283</u>	<u>568,640,908</u>	<u>558,586,426</u>	<u>544,893,978</u>	<u>531,886,681</u>	<u>495,989,994</u>	<u>491,703,222</u>	<u>490,762,944</u>	<u>401,587,264</u>	<u>399,057,347</u>
Primary government										
Net investments in capital assets	1,152,737,269	1,156,592,560	1,007,708,227	987,676,593	997,524,630	963,381,490	880,906,285	805,787,642	432,105,790	418,136,398
Restricted	140,567,354	187,988,624	212,517,979	201,158,179	188,765,589	233,906,159	275,607,951	234,184,279	235,590,944	219,777,933
Unrestricted	499,089,673	483,891,262	351,731,075	346,527,454	354,609,761	314,393,944	357,637,703	359,442,587	323,980,180	312,750,409
Total primary government net position	<u>\$ 1,792,394,296</u>	<u>1,828,472,446</u>	<u>1,571,957,281</u>	<u>1,535,362,226</u>	<u>1,540,899,980</u>	<u>1,511,681,593</u>	<u>1,514,151,939</u>	<u>1,399,414,508</u>	<u>991,676,914</u>	<u>950,664,740</u>

* Before restatement

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Expenses										
Governmental activities:										
General government	\$ 56,319,178	65,640,271	61,586,151	61,396,079	46,670,826	38,849,626	45,323,227	31,288,910	33,648,946	12,218,726
Public safety	103,594,567	108,205,471	99,949,848	97,744,567	100,709,990	91,862,403	87,830,433	82,886,707	80,300,625	74,489,887
General services	64,654,131	55,341,929	43,762,251	74,233,708	161,224,085	111,168,586	41,404,237	64,777,602	32,961,058	30,659,648
Cultural and recreation services	94,635,112	62,145,219	57,163,928	40,891,483	44,031,895	33,776,210	43,646,843	40,022,151	35,163,220	36,958,290
Library	16,179,779	11,899,948	11,803,735	11,324,327	11,422,789	11,458,259	10,681,518	7,974,534	7,849,658	20,241,923
Housing and community development	54,539,141	181,970,013	89,321,590	110,251,868	115,827,555	91,966,369	74,988,387	56,708,298	52,223,052	64,079,218
Other (1)	-	-	-	-	-	-	469,285	2,212,186	1,273,607	244,438
Interest on long term debt	3,898,325	6,585,618	10,461,700	7,075,187	7,252,197	7,628,437	7,934,428	7,514,924	9,507,522	8,430,126
Total governmental activities	393,820,233	491,788,469	374,049,203	402,917,219	487,139,337	386,709,890	312,278,358	293,385,312	252,927,688	247,322,256
Business-type activities:										
Water	20,244,099	19,665,696	16,430,207	16,419,201	15,958,328	15,489,230	14,830,595	13,855,863	17,564,916	16,382,688
Resource recovery and recycling	22,743,427	25,065,338	21,338,133	20,293,510	19,219,079	16,277,710	18,630,141	17,459,310	16,550,895	15,933,665
Pier	6,145,567	5,803,944	5,299,875	5,122,011	5,200,065	4,867,415	9,485,709	7,544,001	6,922,305	8,079,003
Wastewater	16,853,861	18,186,844	16,546,844	16,844,271	19,603,411	20,063,420	19,579,035	19,008,944	14,755,836	14,013,170
Civic auditorium	4,691,051	3,239,999	3,638,257	3,663,427	3,933,159	3,718,652	3,535,624	2,898,853	3,129,521	2,741,857
Airport	5,188,707	5,270,688	5,970,916	4,640,782	5,737,927	5,199,701	5,325,190	3,882,639	3,845,108	3,845,116
Storm water management	406,721	411,985	422,048	424,122	721,728	474,683	502,183	648,374	966,897	403,294
Cemetery	1,852,839	1,812,098	2,431,791	2,633,893	1,956,609	1,715,605	1,481,238	989,274	1,243,343	1,137,698
Big Blue Bus	79,238,668	79,835,156	75,219,425	70,899,277	70,855,809	65,185,007	59,627,736	59,180,481	52,021,645	47,265,202
Cable communications (2)	-	-	-	-	-	-	-	-	1,340,120	932,823
Special aviation	-	-	-	-	28,904	18,333	69,374	52,329	52,329	52,329
Parking authority	295,651	315,736	474,629	554,117	1,598,765	349,576	709,982	16,189	202,794	337,552
Total business-type activities	157,660,591	159,607,484	147,772,125	141,494,611	144,813,784	133,359,332	133,776,807	125,536,257	118,595,709	111,124,397
Total primary governmental activities expenses	\$ 551,480,824	651,395,953	521,821,328	544,411,830	631,953,121	520,069,222	446,055,165	418,921,569	371,523,397	358,446,653
Program revenues										
Governmental activities:										
Charges for services:										
General government	51,075,759	48,239,920	42,771,812	34,681,601	19,198,345	17,188,876	17,326,675	12,567,222	10,854,382	7,005,002
Public safety	21,329,504	22,033,156	21,456,284	22,759,704	17,064,322	17,298,741	17,202,256	15,754,085	15,840,756	15,671,730
General services	2,463,402	2,429,537	2,004,958	3,067,408	20,291,439	19,650,237	18,841,288	17,880,336	15,776,086	15,105,283
Cultural and recreation services	17,921,711	16,083,451	13,523,507	14,219,229	10,608,948	9,492,174	9,002,084	8,556,557	8,147,054 ⁽³⁾	7,842,184
Library	486,204	465,891	488,279	468,385	410,908	363,987	349,139	232,025	173,864	178,555
Housing and community development	28,217,736	16,712,921	14,304,279	16,224,777	12,416,654	14,430,326	13,925,980	12,553,269	12,193,457	13,478,114
Operating grants and contributions	25,798,880	26,739,187	29,111,918	27,556,715	30,164,300	34,803,655	28,362,525	25,133,124	26,063,799	31,705,184
Capital grants and contributions	5,082,847	3,369,221	3,997,076	6,506,765	20,379,864	4,862,387	4,839,925	5,838,885	612,985	1,500,466
Total governmental activities program revenues	152,376,043	136,073,284	127,658,113	125,484,584	130,534,780	118,090,383	109,849,872	98,515,503	89,662,383	92,486,518

(continues next page)

TABLE 2

CITY OF SANTA MONICA, CALIFORNIA

Changes in Net Position
Last Ten Fiscal Years

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
<i>(continues from previous page)</i>										
Business-type activities:										
Charges for services:										
Water	22,254,867	19,897,464	17,507,315	15,771,081	15,774,047	16,130,044	15,323,653	13,868,390	13,113,058	13,110,498
Resource recovery and recycling	23,526,423	22,253,758	21,870,554	21,514,219	21,631,313	18,842,702	18,766,107	17,097,813	15,704,667	14,598,362
Pier	4,589,503	6,004,005	4,729,725	3,777,219	3,518,145	3,107,349	3,081,338	2,693,200	2,717,162	2,563,783
Wastewater	21,126,054	20,007,219	17,820,805	15,198,022	13,751,588	12,797,786	12,472,073	11,175,051	11,376,456	11,004,692
Civic auditorium	1,468,300	1,667,172	2,603,146	2,620,897	2,975,749	3,117,033	2,789,196	2,608,759	2,474,609	2,279,508
Airport	4,185,172	3,891,716	3,748,674	3,768,426	3,989,851	4,279,268	3,992,190	3,862,455	3,706,719	3,527,460
Storm water management	1,439,522	1,419,980	1,167,073	1,613,426	1,885,142	1,301,350	1,376,672	1,610,715	1,439,149	1,355,903
Cemetery	1,315,119	1,133,990	856,141	952,972	1,009,595	1,080,532	735,718	665,398	650,484	445,327
Big Blue Bus	16,869,809	16,614,711	16,370,290	14,160,133	14,391,300	13,898,980	13,078,630	13,333,584	11,298,250	12,190,925
Cable communications (2)	-	-	-	-	-	-	-	-	798,984	747,063
Parking authority	-	161,504	152,200	152,200	149,200	145,600	141,600	138,100	1,612,705	1,457,952
Operating grants and contributions	38,229,718	38,424,357	36,001,870	38,843,722	34,203,607	32,188,569	31,723,528	32,297,732	29,638,114	24,671,943
Capital grants and contributions	21,489,216	25,609,158	32,046,978	29,299,894	53,209,039	20,030,403	12,185,518	19,061,484	17,318,761	7,943,966
Business-type activities program revenues	156,493,703	157,085,034	154,874,771	147,672,211	166,488,576	126,919,616	115,666,223	118,412,681	111,849,118	95,897,382
Total primary government program revenues	308,869,746	293,158,318	282,532,884	273,156,795	297,023,356	245,009,999	225,516,095	216,928,184	201,511,501	188,383,900
Net (expense):										
Governmental activities	(241,444,190)	(355,715,185)	(246,391,090)	(277,432,635)	(356,604,557)	(268,619,507)	(202,428,486)	(194,869,809)	(163,265,305)	(154,835,738)
Business-type activities	(1,166,888)	(2,522,450)	7,102,646	6,177,600	21,674,792	(6,439,716)	(18,110,584)	(7,123,576)	(6,746,591)	(15,227,015)
Total primary government net expense	(242,611,078)	(358,237,635)	(239,288,444)	(271,255,035)	(334,929,765)	(275,059,223)	(220,539,070)	(201,993,385)	(170,011,896)	(170,062,753)
General revenues and other changes in net position										
Governmental activities:										
Taxes:										
Business	28,467,477	27,382,495	26,531,627	27,582,398	28,821,688	26,211,226	24,232,707	21,775,442	20,384,372	19,249,942
Property	43,477,118	59,161,313	108,995,358	110,188,615	107,255,345	101,323,706	89,845,591	79,951,933	64,667,456	58,267,374
Sales	47,880,634	45,831,961	31,689,531	26,636,653	28,296,696	32,356,941	33,267,253	31,871,593	27,579,776	27,825,098
Other	91,384,006	84,935,499	80,376,978	75,397,844	76,146,388	81,762,203	77,036,651	71,788,854	67,203,194	65,196,019
Settlement income	9,608,247	3,750,000	-	-	89,910,872	1,012,863	69,153,512	6,453,804	4,545,498	73,978,421
Other income	19,917,250	120,208,757	12,173,094	9,043,114	9,128,899	8,428,266	6,213,329	9,638,813	4,838,074	4,713,695
Investment earnings	1,431,317	5,791,811	7,995,401	10,062,739	16,198,386	22,021,977	25,505,798	11,995,355	10,289,600	3,645,712
Extraordinary Gain (Loss)	(48,185,126)	261,255,080	-	-	-	-	-	-	-	-
Transfers	(10,863,258)	(6,141,048)	1,531,708	(23,779)	(5,832,017)	(2,815,040)	(9,029,202)	(8,394,702)	(4,773,908)	(9,257,834)
Total governmental activities	183,117,665	602,175,868	269,293,697	258,887,584	349,926,257	270,302,142	316,225,639	225,081,092	194,734,062	243,618,427
Business-type activities:										
Other income	12,540,746	5,310,643	6,767,730	3,912,725	4,162,283	3,421,837	4,111,407	6,028,516	3,352,205	4,239,895
Investment earnings	11,259	1,125,241	1,353,780	2,893,193	4,227,595	4,489,611	7,439,759	2,673,080	4,007,045	2,090,273
Transfers	10,863,258	6,141,048	(1,531,708)	23,779	5,832,017	2,815,040	9,029,202	8,394,702	4,773,908	9,257,834
Total business-type activities	23,415,263	12,576,932	6,589,802	6,829,697	14,221,895	10,726,488	20,580,368	17,096,298	12,133,158	15,588,002
Total primary government	(36,078,150)	256,515,165	36,595,055	(5,537,754)	29,218,387	5,969,407	116,266,937	40,184,005	36,855,324	89,143,676
Changes in net position										
Governmental activities	(58,326,525)	246,460,683	22,902,607	(18,545,051)	(6,678,300)	1,682,635	113,797,153	30,211,283	31,468,757	88,782,689
Business-type activities	22,248,375	10,054,482	13,692,448	13,007,297	35,896,687	4,286,772	2,469,784	9,972,722	5,386,567	360,987
Total primary government	<u>\$ (36,078,150)</u>	<u>256,515,165</u>	<u>36,595,055</u>	<u>(5,537,754)</u>	<u>29,218,387</u>	<u>5,969,407</u>	<u>116,266,937</u>	<u>40,184,005</u>	<u>36,855,324</u>	<u>89,143,676</u>

(1) Other expenses allocated to programs in FY 07-08.

(2) Cable communications became a division of the City Manager's Office in FY 05-06.

(3) \$3,562 previously presented as Other.

TABLE 3

CITY OF SANTA MONICA, CALIFORNIA

Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
General Fund										
Reserved	\$ -	-	-	36,257,776	41,432,273	81,056,800	91,843,183	97,044,588	116,386,390	112,721,556
Unreserved	-	-	-	179,212,920	155,521,957	67,745,079	63,826,421	55,923,644	52,350,429	62,244,592
* Nonspendable	22,179,119	22,181,490	26,249,121	-	-	-	-	-	-	-
* Restricted	23,808,940	43,056,449	503,645	-	-	-	-	-	-	-
* Committed	519,506	640,000	710,000	-	-	-	-	-	-	-
* Assigned	220,409,168	233,153,471	159,430,759	-	-	-	-	-	-	-
* Unassigned	117,324,362	117,225,871	108,382,191	-	-	-	-	-	-	-
Total General Fund	384,241,095	416,257,281	295,275,716	215,470,696	196,954,230	148,801,879	155,669,604	152,968,232	168,736,819	174,966,148
All other governmental funds										
Reserved	-	-	-	138,504,430	134,770,865	217,888,723	314,507,732	229,263,232	224,211,709	202,305,246
Unreserved, reported in:										
Special revenue funds	-	-	-	37,657,180	42,902,430	67,387,055	11,027,475	5,569,484	7,883,995	5,119,597
Capital project funds	-	-	-	50,427,715	66,021,140	(7,937,337)	(5,053,769)	(10,434,018)	(20,392,300)	(21,413,949)
* Nonspendable	31,524,610	23,331,591	10,788,188	-	-	-	-	-	-	-
* Restricted	124,852,862	123,658,262	170,449,269	-	-	-	-	-	-	-
* Committed	4,372,829	872,830	51,975	-	-	-	-	-	-	-
* Assigned	15,057,474	32,550,023	125,697,278	-	-	-	-	-	-	-
* Unassigned	(1,148,932)	(187,396)	(16,868,340)	-	-	-	-	-	-	-
Total all other governmental funds	\$ 174,658,843	180,225,310	290,118,370	226,589,325	243,694,435	277,338,441	320,481,438	224,398,698	211,703,404	186,010,894

* Fund Balance descriptions changed due to GASB Statement No. 54 implementation effective July 1, 2010.

TABLE 4

CITY OF SANTA MONICA, CALIFORNIA
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Revenues										
Property taxes	\$ 44,392,416	40,226,124	36,048,260	37,419,658	36,763,026	36,067,632	32,586,134	28,031,618	25,650,975	24,389,651
Incremental property taxes (1)	-	19,794,851	73,735,955	73,526,738	71,289,749	66,148,046	58,163,695	52,818,794	39,866,836	34,653,601
Sales taxes	47,880,634	45,831,961	31,689,531	26,636,653	28,296,696	32,356,941	33,267,253	31,871,593	27,579,776	27,825,098
Other taxes	118,983,521	111,350,245	107,289,588	104,012,543	105,639,635	109,556,310	102,870,450	97,203,255	71,083,492	68,077,435
License and permits	33,777,567	30,608,592	27,564,660	20,658,582	20,398,191	20,203,085	19,232,085	18,378,705	39,361,156	35,662,507
Intergovernmental	26,420,260	28,277,049	30,887,064	30,132,263	36,408,496	33,007,061	28,948,391	20,020,970	25,481,694	28,562,694
Charges for services	50,767,945	52,613,331	45,248,472	46,975,370	39,238,389	36,226,643	35,855,124	29,083,568	20,918,458	18,401,113
Fines and forfeitures	15,303,990	15,651,820	15,952,957	17,492,928	14,113,906	14,567,262	14,191,722	13,101,713	13,332,411	13,344,573
Investment earnings	1,519,576	4,989,972	9,376,656	9,218,863	15,455,332	21,450,071	24,225,164	11,649,849	10,699,979	4,471,698
Rental income	9,843,633	9,619,254	8,541,702	7,026,380	5,467,946	7,006,972	7,279,995	6,562,654	8,638,543	7,854,141
Settlement income	52,287,404	33,277,271	-	40,196,472	4,429,738	1,012,863	69,153,512	6,453,804	4,545,498	73,929,382
Other	25,518,965	119,494,012	10,306,512	10,833,352	28,651,201	16,691,497	8,446,372	9,794,587	4,497,162	5,817,295
Total revenue	<u>426,695,911</u>	<u>511,734,482</u>	<u>396,641,357</u>	<u>424,129,802</u>	<u>406,152,305</u>	<u>394,294,383</u>	<u>434,219,897</u>	<u>324,971,110</u>	<u>291,655,980</u>	<u>342,989,188</u>
Expenditures										
Current										
General government	62,250,475	63,819,021	61,134,533	58,843,432	45,242,680	38,595,140	37,006,125	33,564,080	29,629,861	23,558,535
Public safety	104,466,191	106,215,553	99,416,830	99,142,700	96,985,086	89,074,863	87,509,154	82,576,196	80,424,716	64,584,136
General services	58,014,505	77,196,770	34,401,503	97,766,993	70,963,814	116,628,339	46,537,282	51,793,265	31,005,774	42,228,092
Cultural and recreation services	64,104,725	60,322,014	58,557,389	38,707,842	53,045,810	46,035,625	49,549,413	44,991,537	59,290,534	38,287,458
Library	14,880,934	11,323,906	10,594,925	10,067,865	10,099,063	10,245,110	9,454,034	20,759,269	31,443,914	17,844,322
Retirement (2)	-	-	-	-	-	-	-	-	-	13,258,631
Housing and community development	107,699,039	197,257,796	139,291,179	108,277,261	113,730,249	118,452,727	77,871,025	61,094,984	58,081,802	63,175,791
Other	-	-	-	-	-	2,749,086	609,225	2,189,224	1,087,085	241,524
Debt service										
Principal	3,365,000	13,180,714	9,241,980	7,530,000	8,375,000	8,075,000	7,805,000	6,515,000	5,625,000	4,880,000
Interest	3,942,925	12,312,625	10,059,522	10,079,799	8,386,518	8,941,832	8,206,309	9,947,949	9,572,189	9,401,520
Bond issuance costs	-	441,993	440,308	219,405	-	-	-	1,324,281	-	-
Total expenditures	<u>418,723,794</u>	<u>542,070,392</u>	<u>423,138,169</u>	<u>430,635,297</u>	<u>406,828,220</u>	<u>438,797,722</u>	<u>324,547,567</u>	<u>314,755,785</u>	<u>306,160,875</u>	<u>277,460,009</u>

(continues next page)

TABLE 4

CITY OF SANTA MONICA, CALIFORNIA
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
<i>(continues from previous page)</i>										
Excess (deficiency) of revenues over (under) expenditures	7,972,117	(30,335,910)	(26,496,812)	(6,505,495)	(675,915)	(44,503,339)	109,672,330	10,215,325	(14,504,895)	65,529,179
Other financing sources (uses)										
Transfers in	21,906,283	98,800,641	108,200,623	53,644,396	91,332,304	46,495,411	24,721,684	24,782,699	30,368,084	23,047,929
Transfers out	(32,010,088)	(105,257,875)	(106,957,815)	(53,948,675)	(91,633,368)	(49,574,857)	(33,998,086)	(33,501,106)	(35,493,072)	(32,456,665)
Line of credit proceeds	-	-	26,528,395	7,986,281	15,485,324	-	-	-	-	-
Long-term debt issued	-	32,178,250	-	-	-	-	-	-	-	-
Refunding bonds issued	-	19,950,000	41,050,000	9,155,000	-	-	-	64,720,000	-	-
Bonds issued	-	-	-	-	-	-	-	-	38,930,000	-
Premium on bonds issued	-	4,339,840	409,674	558,699	-	-	-	55,653	163,064	-
Discount on bonds issued	-	-	-	-	-	-	-	(187,264)	-	-
Payments to refunded bond escrow agent	-	(22,289,654)	(1,900,000)	(9,478,850)	-	-	-	(63,213,909)	-	-
Proceeds from loans payable	-	-	102,500,000	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(10,103,805)</u>	<u>27,721,202</u>	<u>169,830,877</u>	<u>7,916,851</u>	<u>15,184,260</u>	<u>(3,079,446)</u>	<u>(9,276,402)</u>	<u>(7,343,927)</u>	<u>33,968,076</u>	<u>(9,408,736)</u>
Special item	(21,254,908)	-	-	-	-	-	-	-	-	-
Extraordinary gain (loss)	(14,196,057)	13,703,213	-	-	-	-	-	-	-	-
Net change in fund balance	<u><u>\$ (37,582,653)</u></u>	<u><u>\$ 11,088,505</u></u>	<u><u>\$ 143,334,065</u></u>	<u><u>\$ 1,411,356</u></u>	<u><u>\$ 14,508,345</u></u>	<u><u>\$ (47,582,785)</u></u>	<u><u>\$ 100,395,928</u></u>	<u><u>\$ 2,871,398</u></u>	<u><u>\$ 19,463,181</u></u>	<u><u>\$ 56,120,443</u></u>
Debt service as a percentage of noncapital expenditures (3)	2.07%	5.23%	5.34%	4.25%	4.54%	4.52%	5.51%	6.10%	6.50%	6.27%

(1) Incremental property tax was received by the redevelopment agency which was dissolved in FY 2011-12

(2) Retirement costs allocated to program areas beginning in FY 2004-05.

(3) Calculation includes only the principal and interest components of debt service expenditures when calculating this ratio for all years.

TABLE 5**CITY OF SANTA MONICA, CALIFORNIA**

General Fund Tax Revenues by Source (1)
 Last Ten Fiscal Years
 (In Thousands)

<u>Source</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Sales taxes	\$ 47,881	45,832	31,690	26,637	28,297	32,357	33,267	31,872	27,580	27,825
Utility user's tax	31,450	31,296	31,625	31,620	31,579	31,622	31,243	30,044	29,315	28,967
Transient occupancy tax	40,997	36,143	32,747	29,804	31,265	34,969	31,892	29,209	23,419	19,850
Property taxes (2)	44,392	40,226	36,048	37,420	37,763	36,068	32,586	28,032	25,651	23,098
Business license taxes	27,518	26,325	25,480	26,553	27,216	24,654	22,637	20,274	18,970	17,894
Parking facility tax	9,954	9,394	8,786	7,848	7,980	7,826	7,400	6,832	6,241	6,098
Real property transfer tax	6,027	5,192	3,954	3,432	2,653	4,739	6,409	5,573	7,180	5,350
Vehicle license fees	48	46	492	273	263	390	608	2,062	975	4,034
Condominium taxes	18	37	21	19	35	50	39	24	24	46
Total	<u>\$ 208,285</u>	<u>194,491</u>	<u>170,843</u>	<u>163,606</u>	<u>167,051</u>	<u>172,675</u>	<u>166,081</u>	<u>153,922</u>	<u>139,355</u>	<u>133,162</u>

(1) Does not include Highway Users Taxes, which are recorded in the Gas Tax Fund, Unit Dwelling Taxes, which are recorded in the Parks and Recreation Facilities Fund, or TORCA Conversion Taxes, which are recorded in the TORCA Fund.

(2) Includes ad valorem property taxes for purposes of paying debt service on general obligation bonds. Does not include tax increment received by redevelopment area.

Source: City of Santa Monica Finance Department

TABLE 6

CITY OF SANTA MONICA, CALIFORNIA
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal year	Land	Improvements	Personal property	Public utilities	Secured gross	Exemptions (1)	Secured net	Net unsecured	Net assessed valuations	Total Direct Tax Rate (2)
2012-13	\$ 14,828,199,464	\$10,846,676,945	\$ 370,672,953	\$ 742,365	\$ 26,046,291,727	\$ 1,222,721,664	\$ 24,823,570,063	\$ 942,034,658	\$ 25,765,604,721	1.00%
2011-12	14,235,295,327	10,349,620,756	228,783,669	742,365	24,814,442,117	1,073,027,474	23,741,414,643	902,707,005	24,644,121,648	1.00%
2010-11	13,795,190,847	10,070,985,576	230,386,558	742,365	24,097,305,346	1,095,460,532	23,001,844,814	880,330,859	23,882,175,673	1.00%
2009-10	13,972,767,145	9,978,674,920	234,194,136	742,365	24,186,378,566	1,134,966,580	23,051,411,986	969,009,242	24,020,421,228	1.00%
2008-09	13,460,086,702	9,640,424,526	228,270,851	742,365	23,329,524,444	904,660,628	22,424,863,816	987,848,754	23,412,712,570	1.00%
2007-08	12,279,875,463	8,581,600,449	230,361,744	742,365	21,092,580,021	847,012,250	20,245,567,771	877,156,158	21,122,723,929	1.00%
2006-07	11,307,028,243	8,100,538,705	231,255,829	742,865	19,639,565,642	810,600,441	18,828,965,201	876,645,078	19,705,610,279	1.00%
2005-06	10,226,948,142	7,591,414,476	37,240,768	742,865	17,856,346,251	535,704,727	17,320,641,524	777,908,774	18,098,550,298	1.00%
2004-05	9,187,366,819	7,004,200,099	25,810,792	3,266,758	16,220,644,468	445,214,530	15,775,429,938	771,454,105	16,546,884,043	1.00%
2003-04	8,398,483,440	6,720,989,375	110,879,795	3,076,425	15,233,429,035	458,910,480	14,774,518,555	936,652,394	15,711,170,949	1.00%

(1) Includes Homeowner Exemption. City is reimbursed by State for taxes lost because of these exemptions.

(2) Excludes Direct and Overlapping Rates. See Table 7 for Direct and Overlapping Rates.

Source: Los Angeles County Auditor-Controller

TABLE 7**CITY OF SANTA MONICA, CALIFORNIA**

Direct and Overlapping Property Tax Rates*

Last Ten Fiscal Years

Fiscal year	City General Fund	County General Fund	School districts	Miscellaneous special districts	Total
2012-13	\$ 0.01	\$ 1.00	\$ 0.13	\$ -	\$ 1.14
2011-12	0.01	1.00	0.13	-	1.14
2010-11	0.01	1.00	0.13	-	1.14
2009-10	0.01	1.00	0.13	-	1.14
2008-09	0.01	1.00	0.13	0.01	1.15
2007-08	0.01	1.00	0.10	0.01	1.12
2006-07	0.01	1.00	0.08	0.01	1.10
2005-06	0.01	1.00	0.07	0.01	1.09
2004-05	0.01	1.00	0.06	0.01	1.08
2003-04	0.02	1.00	0.05	0.01	1.08

* Property tax rate is per \$100 of assessed value. Since 1978-79, the maximum allowable rate is levied by the County, property taxes are collected by the County, and the County allocates the City's share in accordance with distribution formulas established by law. Effective 1981-82, Proposition 13 allowed jurisdictions to impose rates over the \$1.00 base rate only for bonded debt approved by the voters prior to 1978. However, in 1986, the State Constitution was amended to allow rates over the \$1.00 base rate for voter approved general obligation bonds.

City General Fund is allocated approximately \$.15 of each \$1.00 of the County General Fund amount. Redevelopment areas receive approximately \$.85 (net of pass through payments of each \$1.00 of the County General Fund portion.)

Source: Los Angeles County Auditor-Controller

TABLE 8**CITY OF SANTA MONICA, CALIFORNIA**

Principal Property Taxpayers
Current Fiscal Year and Nine Years Ago

Taxpayer	2012-13			2003-04		
	Taxable assessed value	Rank	Percentage of total City taxable assessed value	Taxable assessed value	Rank	Percentage of total City taxable assessed value
California Colorado Center LLC	\$ 482,300,885	1	1.87 %	\$ -	-	%
Water Garden Realty Holding LLC	468,087,352	2	1.82	243,024,746	3	1.54
Macerich Santa Monica Place	312,945,259	3	1.21	136,278,357	6	0.86
Douglas Emmett 1998 LLC	309,779,339	4	1.20	314,083,128	1	1.99
SC Enterprises SMBP LLC	265,000,000	5	1.03	-	-	-
CREP 2700 Holdings LLC	178,600,000	6	0.69	-	-	-
Ocean Avenue LLC	148,996,296	7	0.58	96,741,931	8	0.61
LUI2 LA Lantana LP	143,727,351	8	0.56	-	-	-
New Santa Monica Beach Hotel	140,417,417	9	0.54	-	-	-
Equity Office Properties Trust	124,990,000	10	0.49	-	-	-
TST Colorado LLC	-	-	-	310,000,000	2	1.96
Sisters of Charity Leavenworth Health	-	-	-	185,611,383	4	1.18
Water Garden Company	-	-	-	162,366,701	5	1.03
SHCI Santa Monica Beach Hotel	-	-	-	132,036,410	7	0.84
Comonwealth Atlantic-Arboretum	-	-	-	85,937,040	9	0.54
1299 Ocean LLC	-	-	-	59,344,506	10	0.38
Total principal property taxpayers assessed value	<u>\$ 2,574,843,899</u>		<u>9.99</u>	<u>\$ 1,725,424,202</u>		<u>10.93</u>
Total City net taxable assessed value	<u>\$ 25,765,604,721</u>		<u>100.00 %</u>	<u>\$ 15,786,981,799</u>		<u>100.00 %</u>

Source: City of Santa Monica Finance Department; Hdl, Coren and Cone; Los Angeles County Auditor-Controller

TABLE 9**CITY OF SANTA MONICA, CALIFORNIA**Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal year	Total secured tax levy	Current secured tax collections	Percent of levy collected	Delinquent secured tax collections (1)	Total tax collections	Total secured tax collections as percent of total tax levy	Outstanding delinquent taxes (2)	Outstanding delinquent taxes as percent of total secured tax levy
2012-13	\$ 23,446,717	\$ 23,428,590	99.9 %	\$ 713,956	\$ 24,142,546	103.0 %	\$ 585,417	2.5 %
2011-12	23,211,627	22,641,826	97.5	645,927	23,287,753	100.3	661,315	2.8
2010-11	22,293,648	21,759,685	97.6	937,340	22,697,025	101.8	669,232	3.0
2009-10	22,585,685	21,724,105	96.2	1,262,484	22,986,589	101.8	690,928	3.1
2008-09	22,439,401	21,195,066	94.5	1,237,357	22,432,423	100.0	662,983	3.0
2007-08	20,654,045	19,309,774	93.5	528,207	19,837,981	96.0	442,105	2.1
2006-07	19,352,421	18,418,938	95.2	376,559	18,795,497	97.1	271,740	1.4
2005-06	18,053,398	17,445,098	96.6	407,334	17,852,432	98.9	248,199	1.4
2004-05	16,834,761	16,407,407	97.5	416,502	16,823,909	99.9	292,723	1.7
2003-04	16,674,558	16,235,740	97.4	486,656	16,722,396	100.3	438,818	2.6

(1) Exclusive of penalties and collections related to tax overrides for debt service on general obligation bonds.

(2) Reflects City of Santa Monica proportionate share of county-wide outstanding delinquencies. The Los Angeles County property tax system does not provide City of Santa Monica specific statistics related to delinquencies. Should the County change their system to include specific city data, the table will be updated to adjust delinquent taxes by year.

Source: County of Los Angeles

TABLE 10**CITY OF SANTA MONICA, CALIFORNIA**

Taxable Transactions by Type of Business (1)

Last Ten Calendar Years

(In Thousands)

Business	Calendar Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Apparel stores	\$ 403,566	381,960	307,409	278,980	316,993	337,956	342,883	336,512	308,818	272,023
General merchandise	114,375	111,962	66,521	28,349	50,545	62,504	68,587	76,165	84,827	85,518
Food stores	86,213	84,007	80,779	82,841	87,586	85,500	81,369	75,821	67,597	67,510
Eating & drinking places	541,432	503,540	456,846	431,011	457,549	459,403	441,502	414,745	380,409	350,676
Building materials	90,255	92,249	88,913	88,971	119,095	130,025	120,516	106,596	100,250	90,961
Auto dealers & auto suppliers	640,142	632,304	600,140	609,517	647,526	714,128	715,820	709,660	691,412	653,125
Service stations	137,246	134,962	151,952	106,193	146,276	137,306	132,438	101,214	89,261	78,560
Other retail stores	643,207	638,692	527,690	518,095	620,077	680,459	644,346	627,243	607,795	523,753
Retail stores total	2,656,436	2,579,675	2,280,248	2,143,958	2,445,648	2,607,281	2,547,461	2,447,955	2,330,369	2,122,126
All other outlets	289,380	284,578	276,100	270,337	317,817	336,863	409,547	352,942	321,760	306,004
Total all outlets	\$ 2,945,816	2,864,252	2,556,347	2,414,295	2,763,466	2,944,144	2,957,008	2,800,898	2,652,129	2,428,129

Source: Hinderleiter, de Llamas and Associates

(1) Amounts have been revised to reflect prior year adjustments; Amounts do not include allocations from State or County Pools.

TABLE 11

CITY OF SANTA MONICA, CALIFORNIA
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal year	Governmental activities					Business-type activities				Total primary government	Percentage of net assessed valuation (1)	Per capita
	General obligation bonds	Tax allocation bonds*	Lease revenue bonds	Term loans payable*	Line of Credit*	Wastewater bonds	Certificates of participation	Term loans payable	Capital leases			
2012-13	\$ 11,325,000	\$ -	\$ 84,265,000	\$ 400,000	\$ -	\$ 18,550,000	\$ -	\$ 2,045,117	\$ -	\$ 116,585,117	0.45%	1,281
2011-12	11,325,000	-	87,630,000	400,000	-	20,250,000	-	2,308,422	-	121,913,422	0.49%	1,351
2010-11	15,000,000	106,310,000	61,505,000	101,468,020	50,000,000	22,615,000	-	2,565,054	-	359,463,074	1.51%	3,986
2009-10	16,745,000	70,100,000	64,630,000	400,000	23,471,605	24,215,000	-	2,837,400	-	202,399,005	0.84%	2,183
2008-09	18,455,000	72,900,000	67,880,000	400,000	15,485,324	25,760,000	-	3,103,408	-	203,983,732	0.87%	2,205
2007-08	20,140,000	75,570,000	71,900,000	-	-	27,260,000	-	3,363,238	-	198,233,238	0.94%	2,168
2006-07	21,800,000	78,115,000	75,770,000	-	-	28,715,000	420,000	3,617,046	-	208,437,046	1.06%	2,287
2005-06	23,430,000	81,320,000	78,740,000	-	-	29,975,000	820,000	3,864,987	-	218,149,987	1.21%	2,404
2004-05	25,035,000	78,025,000	81,610,000	-	-	31,205,000	1,205,000	4,107,207	-	221,187,207	1.34%	2,439
2003-04	26,615,000	79,975,000	44,775,000	-	-	32,335,000	1,570,000	4,343,865	-	189,613,865	1.21%	2,097

Note: (1) Net assessed property valuations have been used because personal income is not available. See Table 6 for net assessed valuations.

* Redevelopment debt was transferred to the Successor Agency on February 1, 2012.

TABLE 12**CITY OF SANTA MONICA, CALIFORNIA**

Ratios of General Bonded Debt
Last Ten Fiscal Years

	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
General bonded debt outstanding										
General obligation bonds	\$ 11,325,000	11,325,000	15,000,000	16,745,000	18,455,000	20,140,000	21,800,000	23,430,000	25,035,000	26,615,000
Tax allocation bonds*	-	-	106,310,000	70,100,000	72,900,000	75,570,000	78,115,000	81,320,000	78,025,000	79,975,000
Total	<u>\$ 11,325,000</u>	<u>11,325,000</u>	<u>121,310,000</u>	<u>86,845,000</u>	<u>91,355,000</u>	<u>95,710,000</u>	<u>99,915,000</u>	<u>104,750,000</u>	<u>103,060,000</u>	<u>106,590,000</u>
Assessed value (in thousands) (1)	\$ 25,765,605	24,644,122	23,882,176	24,096,850	23,488,853	21,122,724	19,705,610	18,098,550	16,546,884	15,711,170
Percentage of assessed										
Property value	0.04%	0.05%	0.51%	0.36%	0.39%	0.45%	0.51%	0.58%	0.62%	0.68%
Population (2)	91,040	90,223	90,174	92,703	92,494	91,439	91,124	90,750	90,678	90,300
Per capita	\$ 124	126	1,345	937	988	1,047	1,096	1,154	1,137	1,180

(1) Table 6 for Assessed Value Data

(2) Table 22 for Population Data

* Redevelopment debt was transferred to the Successor Agency on February 1, 2012.

TABLE 13

CITY OF SANTA MONICA, CALIFORNIA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

	Debt Outstanding	Estimated Percentage Applicable⁽¹⁾	Estimated share of Overlapping Debt
Overlapping debt:			
Los Angeles County General Fund Obligations	\$ 1,729,437,327	2.367%	\$ 40,935,782
Los Angeles County Superintendent of Schools Certificates of Participation	10,377,239	2.367%	245,629
Los Angeles County Flood Control District	19,770,000	2.433%	481,004
Metropolitan Water District	165,085,000	1.228%	2,027,244
Santa Monica Community College District	319,110,785	65.843%	210,112,114
Los Angeles Unified School District	10,945,695,000	0.0002%	21,891
Santa Monica-Malibu Unified School District	298,568,173	65.892%	196,732,541
Los Angeles County Regional Park and Open Space Assessment District	142,870,000	2.367%	3,381,733
Santa Monica Community College District Certificates of Participation	19,780,000	65.873%	13,029,679
Los Angeles Unified School District Certificates of Participation	395,161,434	0.0002%	790
Los Angeles Community College District	3,712,555,000	0.0100%	371,256
Santa Monica-Malibu Unified School District Certificates of Participation	13,481,501	65.892%	8,883,231
Overlapping Tax Increment Debt			101,860,000
Subtotal, overlapping debt			<u>578,082,894</u>
City direct governmental debt			
City of Santa Monica Parking Authority Lease Revenue Bonds (2002 Refunding)			4,070,000
City of Santa Monica General Obligation Bonds Main Library Improvements (2012)			11,325,000
City of Santa Monica Public Safety Lease Revenue Bonds (2009)			7,255,000
City of Santa Monica Public Safety Lease Revenue Bonds (2012)			7,330,000
City of Santa Monica Civic Parking Structure Lease Revenue Bonds (2004)			33,545,000
City of Santa Monica Parking Structure 6 Lease Revenue Bonds (2011)			32,065,000
State Dept of Housing and Community Development			<u>400,000</u>
Subtotal, direct debt			<u>95,990,000</u>
Total direct and overlapping governmental debt ⁽²⁾			<u><u>\$ 674,072,894</u></u>

⁽¹⁾ Percentage of overlapping agency's assessed valuation located within boundaries of the city.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bond and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

TABLE 14**CITY OF SANTA MONICA, CALIFORNIA**Computation of Legal Debt Margin
Last Ten Fiscal Years

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Total net debt applicable to limit	\$ 87,000,048	91,804,168	151,252,964	133,493,200	141,302,416	148,656,800	156,937,600	165,988,287	165,375,304	138,094,965
Debt limit	2,720,223,142	2,594,319,674	2,531,305,352	2,545,129,908	2,449,428,970	2,214,502,370	2,068,018,972	1,877,324,663	1,713,217,857	1,627,881,798
Legal debt margin	2,633,223,094	2,502,515,506	2,380,052,388	2,411,636,708	2,308,126,554	2,065,845,570	1,911,081,372	1,711,336,376	1,547,842,553	1,489,786,833
Total net debt applicable to the limit as a percentage of debt limit	3.20%	3.54%	5.98%	5.25%	5.77%	6.71%	7.59%	8.84%	9.65%	8.48%

Net assessed value	25,765,604,721
Add: exempt property	1,436,626,694
Total gross assessed value	<u>\$27,202,231,415</u>
Debt limit - 10% of total assessed value (1)	2,720,223,142
Amount of debt applicable to debt limit:	
Total bonded debt	95,590,000
Less:	
Assets in debt service funds available for payment of bonds	<u>8,589,952</u>
Total amount of debt applicable to debt limit	<u>87,000,048</u>
Legal debt margin	<u>\$ 2,633,223,094</u>

(1) Per Section 607 of the City Charter, bonded indebtedness of the City may not exceed 10% of total assessed valuation of property within the City, exclusive of any indebtedness incurred for the purpose of water supply or sewers or storm drains.

Source: City of Santa Monica Finance Department

TABLE 15

CITY OF SANTA MONICA, CALIFORNIA
Wastewater Enterprise Revenue Bonds Coverage

Fiscal year	Gross revenues (1)	Direct operating expense (2)	Net revenue available for debt service	Debt service requirement			Coverage (3)
				Principal	Interest	Total	
2012-13	\$ 22,490,999	\$ 9,853,573	\$ 12,637,426	\$ 1,700,000	\$ 674,700	\$ 2,374,700	5.32
2011-12	21,307,472	10,993,468	10,314,004	1,650,000	846,141	2,496,141	4.13
2010-11	19,117,006	9,547,632	9,569,374	1,600,000	972,738	2,572,738	3.72
2009-10	17,036,277	9,449,739	7,586,538	1,545,000	1,026,812	2,571,812	2.95
2008-09	15,978,030	8,305,013	7,673,017	1,500,000	1,071,812	2,571,812	2.98
2007-08	17,359,852	12,711,059	4,648,793	1,455,000	1,115,463	2,570,463	1.81
2006-07	16,401,212	12,613,626	3,787,586	1,260,000	1,311,589	2,571,589	1.47
2005-06	14,437,130	10,463,034	3,974,096	1,190,000	1,419,825	2,609,825	1.52
2004-05	14,233,699	9,818,457	4,415,242	1,130,000	1,470,675	2,600,675	1.70
2003-04	14,191,264	9,349,681	4,841,583	1,005,000	1,591,275	2,596,275	1.86

CUSIP 802475

- (1) Gross revenues included operating revenues plus non-operating revenues and net interfund transfers through FY 2007-08. Starting in FY 2008-09 gross revenues included operating revenues plus operating transfers specifically related to wastewater operations.
- (2) Excludes depreciation expense, write-off of disposed assets, and capital-related expenditures.
- (3) Bond covenant requires a coverage ratio of 1.20

The Hyperion Project, Wastewater Enterprise Revenue Bonds were issued November 26, 1991 at an interest rate of 6.25% with ratings of A1 from Moody's Investors Service, Inc. and A+ from Standard and Poor's Corporation. Debt service began in FY 1992-93. These bonds were refunded by the issuance of insured Wastewater Enterprise Revenue Bonds, 1993 Refunding Series on December 22, 1993 with an interest rate of 5.3084% with ratings of Aaa and AAA by Moody's Investors Services, Inc. and Standard and Poor's Corporation, respectively. The Refunding Bonds were insured by AMBAC Indemnity.

On October 13, 2005 the City issued \$20,305,000 of Wastewater Enterprise Refunding Revenue Bonds bearing interest from 3.00% to 5.00% to defease \$21,535,000 of the outstanding 1993 Wastewater Enterprise Revenue Bonds, 1993 Refunding Series with ratings from Moody's Investor Services, Inc. of A1, Standard and Poor's Corporation of AA and Fitch Ratings of AAA. The Refunding Bonds are insured by Financial Guaranty Insurance Company.

On April 16, 2010 Moody's upgraded the underlying rating on the Refunding bond to Aa2 and on November 17, 2008 Standard and Poor's Corporation upgraded the underlying rating to AAA.

On May 30, 2012 the City issued \$8,955,000 Wastewater Refunding Revenue Bonds Series 2012A at interest from 2.00% to 4.00% to defease \$9,670,000 of the outstanding 1993 Wastewater Enterprise Revenue Bonds. Standard and Poor's Corporation rated AAA on the 2012A Refunding bond.

On December 16, 2013 Moody's upgraded the underlying rating of the 2005 bonds to Aa1 from Aa2.

Source: City of Santa Monica Finance Department

TABLE 16**CITY OF SANTA MONICA, CALIFORNIA**

Parking Authority of the City of Santa Monica

Lease Revenue Refunding Bonds

Schedule of Debt Service Payments Made

Fiscal year	Debt service		
	Principal	Interest	Total
2012-13	\$ 915,000	197,363	1,112,363
2011-12	880,000	233,836	1,113,836
2010-11	845,000	267,807	1,112,807
2009-10	810,000	299,366	1,109,366
2008-09	780,000	328,399	1,108,399
2007-08	755,000	355,456	1,110,456
2006-07	725,000	381,356	1,106,356
2005-06	700,000	406,294	1,106,294
2004-05	-	418,544	418,544
2003-04	-	418,544	418,544

CUSIP 802419A

The Parking Authority of the City of Santa Monica Lease Revenue Refunding bonds were issued on May 1, 2002 at interest rates ranging from 3.5% to 4.65% with ratings of AAA from Fitch, Aaa by Moody's Investor Services, Inc. and AAA by Standard and Poor's Corporation. The last ratings changes occurred on March 12, 2008 when the rating changed to AA+ by Fitch, on June 19, 2008 when the rating was changed to Aa2 by Moody's and on June 5, 2008 when the rating was changed to AA+ by Standard and Poor's. The refunding bonds are insured by Ambac Assurance Corp.

Source: City of Santa Monica Finance Department

TABLE 17**CITY OF SANTA MONICA, CALIFORNIA**

Santa Monica Public Financing Authority
 Lease Revenue Bonds, Series 2011A
 Parking Structure 6 Project
 Schedule of Debt Service Payments Made

Fiscal year	Debt service		
	Principal	Interest	Total
2012-13	\$ -	1,450,931	1,450,931
2011-12	-	785,921	785,921
2010-11	-	-	-

CUSIP 802437

The Santa Monica Public Financing Authority Lease Revenue Bonds Series 2011A (Parking Structure 6 Project) were issued on November 16, 2011 at interest rates ranging from 4.00% to 5.00% to provide funds for construction of a public parking garage or other eligible public improvements. The bonds are rated AA+ from Fitch, Aa2 by Moody's Investor Services, Inc. and AA+ by Standard and Poor's Corporation. Debt service payments began in June 2012.

Source: City of Santa Monica Finance Department

TABLE 18**CITY OF SANTA MONICA, CALIFORNIA**

Santa Monica Public Financing Authority
 Lease Revenue Refunding Bonds, Series 2011B
 Public Safety Facility Project
 Schedule of Debt Service Payments Made

Fiscal year	Debt service		
	Principal	Interest	Total
2012-13	\$ 770,000	284,650	1,054,650
2011-12	1,370,000	419,433	1,789,433
2010-11	810,000	526,978	1,336,978
2009-10	780,000	558,778	1,338,778
2008-09	755,000	588,534	1,343,534
2007-08	725,000	615,378	1,340,378
2006-07	705,000	638,641	1,343,641
2005-06	685,000	659,491	1,344,491
2004-05	665,000	679,741	1,344,741
2003-04	650,000	696,216	1,346,216

CUSIP 802437

The Santa Monica Public Financing Authority Lease Revenue Bonds Series 2002A (Public Safety Facility Project) were issued on January 1, 2002 at interest rates ranging from 2.00% to 4.75% with ratings of AA+ from Fitch, Aa1 by Moody's Investor Services, Inc. and AA+ by Standard and Poor's Corporation. The last ratings change occurred on January 14, 2005 when the rating was reaffirmed at Aa1 by Moody's and on November 23, 2004 when the ratings was reaffirmed at AA+ by Standard and Poor's.

On November 16, 2011, the Santa Monica Public Financing Authority Lease Revenue Refunding Bonds Series 2011B (Public Safety Facility Project) were issued \$8,625,000 bearing interest ranging from 2.00% to 4.00% to defease the outstanding Santa Monica Financing Authority Lease Revenue Bonds, series 2002A Public Safety Facility Project for \$11,535,000. The bonds are rated AA+ by Fitch, Aa2 by Moody's Investor Services, Inc. and AA+ by Standard and Poor's Corporation. Debt service payments began in June 2012.

Source: City of Santa Monica Finance Department

TABLE 19**CITY OF SANTA MONICA, CALIFORNIA**

Santa Monica Public Financing Authority
 Lease Revenue Bonds, Series 2004
 Civic Center Parking Project
 Schedule of Debt Service Payments Made

Fiscal year	Debt service		
	Principal	Interest	Total
2012-13	\$ 995,000	1,538,171	2,533,171
2011-12	960,000	1,571,638	2,531,638
2010-11	920,000	1,609,138	2,529,138
2009-10	875,000	1,651,713	2,526,713
2008-09	835,000	1,694,463	2,529,463
2007-08	800,000	1,733,338	2,533,338
2006-07	-	1,751,338	1,751,338
2005-06	-	1,834,040	1,834,040

CUSIP 802437B

The Santa Monica Public Financing Authority Lease Revenue Bonds Series 2004 (Civic Center Parking Project) were issued on December 1, 2004 at interest rates ranging from 3.35% to 5.00% with ratings of AAA from Fitch, Aaa by Moody's Investor Services, Inc. and AAA by Standard and Poor's Corporation. The bonds are currently rated AA+ by Fitch, Aa2 by Moody's and AA+ by Standard and Poor's. The bonds are insured by XL Capital Assurance.

Source: City of Santa Monica Finance Department

TABLE 20

CITY OF SANTA MONICA, CALIFORNIA
Santa Monica Public Financing Authority
Lease Revenue Bonds, Refunding Bonds, Series 2009
Public Safety Facility Project
Schedule of Debt Service Payments Made

Fiscal year	Debt service		
	Principal	Interest	Total
2012-13	\$ 685,000	279,900	964,900
2011-12	665,000	293,400	958,400
2010-11	550,000	318,510	868,510
2009-10	-	-	-
2008-09	530,000	552,053	1,082,053
2007-08	510,000	575,004	1,085,004
2006-07	490,000	596,441	1,086,441
2005-06	470,000	616,416	1,086,416
2004-05	445,000	641,448	1,086,448
2003-04	420,000	665,073	1,085,073

CUSIP 802437C

Santa Monica Public Financing Authority Lease Revenue Bonds, Series 1999, were issued on September 15, 1999, at various interest rates of 4.25% to 5.625% and were rated AA by Fitch, Aa2 by Moody's, and AA+ by Standard and Poor's.

The Santa Monica Public Financing Authority Lease Revenue Bonds Series 2009 (Public Safety Facility Project) were issued on December 16, 2009 at interest rates ranging from 2.00% to 5.00%. The bonds are currently rated AA+ by Fitch, Aa2 by Moody's Investor Services, Inc. and AA+ by Standard and Poor's Corporation which is their current rating. Debt service payments begin on July 1, 2010.

Source: City of Santa Monica Finance Department

TABLE 21**CITY OF SANTA MONICA, CALIFORNIA**

City of Santa Monica
 General Obligation Bonds, Series 2012
 Library Improvement Project
 Schedule of Debt Service Payments Made

Fiscal year	Debt service		
	Principal	Interest	Total
2012-13	\$ -	191,910	191,910
2011-12	1,250,000	905,469	2,155,469
2010-11	1,250,000	653,906	1,903,906
2009-10	1,250,000	706,250	1,956,250
2008-09	1,250,000	755,625	2,005,625
2007-08	1,250,000	792,500	2,042,500
2006-07	1,250,000	825,000	2,075,000
2005-06	1,250,000	851,250	2,101,250
2004-05	1,250,000	876,250	2,126,250
2003-04	1,250,000	903,250	2,153,250

CUSIP 802377

The City of Santa Monica General Obligation Bonds Series 2002 (Library Improvements Project) were issued on August 1, 2002 at interest rates ranging from 2.0% to 4.6% with ratings of AAA from Fitch, Aaa by Moody's Investor Services, Inc. and AAA by Standard and Poor's Corporation which is also their current rating.

On May 30, 2012, the Agency issued \$11,325,000 of General Obligation Refunding Bonds, series 2012 (Library Improvement Project) bearing interest from 0.2% to 4.00% to defease the outstanding 2002 Library Improvement Project Bonds and to construct, improve and remodel the City's Main and branch libraries and related facilities. The bonds were rated AAA by Fitch, Aaa by Moody's and AAA by Standard and Poor's.

Source: City of Santa Monica Finance Department

TABLE 22**CITY OF SANTA MONICA, CALIFORNIA**

Demographic and Economic Statistics

Last Ten Calendar Years

Calendar year	Population (1)	Personal income (2) (millions)	Per capita personal income (3)	Unemployment rate (4)	
2013	91,040	*	*	8.4	%
2012	90,223	575,044	44,423	8.4	
2011	90,174	561,142	43,688	10.5	
2010	92,703	565,365	42,784	10.3	
2009	92,494	551,271	42,818	9.5	
2008	91,439	552,450	42,916	5.5	
2007	91,124	539,163	41,875	4.0	
2006	90,750	505,197	39,011	4.2	
2005	90,678	477,101	36,917	4.8	
2004	90,410	453,902	35,188	5.9	

* No data is available for 2013 as of publication date of CAFR

Note: Data shown is the Metropolitan Statistical Area of Los Angeles-Long Beach-Santa Ana, CA.
Data by City is not available.

Source: (1) California Department of Finance

(2) and (3) Bureau of Economic Analysis

(4) State of California, Employment Development Department, Labor Market
Information Division

TABLE 23**CITY OF SANTA MONICA, CALIFORNIA**

Principal Employers
Current Year and Nine Years Ago

Employers	2012-13			2003-04		
	Number of employees	Rank	Percentage of total City employment	Number of employees	Rank	Percentage of total City employment
City of Santa Monica	2,528	1	3.10 %	1,936	1	2.66 %
Santa Monica-UCLA Hospital	2,079	2	2.55	1,150	5	1.58
Santa Monica College	1,953	3	2.39	1,422	2	1.95
Saint John's Hospital Medical Center	1,676	4	2.05	1,200	3	1.65
Santa Monica-Malibu Unified School District	1,457	5	1.79	1,164	4	1.60
RAND Corporation	842	6	1.03	927	6	1.27
Universal Music Group	743	7	0.91	-	-	-
Activision Blizzard, Inc.	692	8	0.85	-	-	-
ET Whitehall Santa Monica Partners LP	568	9	0.70	500	7	0.69
Lion's Gate Entertainment Corporation	555	10	0.68	-	-	-
Specialty Laboratories, Inc.	-	-	-	475	8	0.65
Metro-Goldwyn Mayer, Inc.	-	-	-	367	9	0.50
Sanford Papermate	-	-	-	310	10	0.43
Total jobs provided by principal employers	13,093			9,451		
Average total jobs in Santa Monica	81,569			72,740		
Principal employers as percent of total jobs	16.05%			13.00%		

Source: City of Santa Monica Economic Development Division, Housing and Economic Development Department

TABLE 24

CITY OF SANTA MONICA, CALIFORNIA
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
General government	230.7	238.6	221.7	222.7	217.0	191.6	186.1	179.7	164.9	159.4
Public safety										
Police										
Sworn	216.0	209.0	216.0	216.0	216.0	216.0	216.0	216.0	214.0	214.0
Non-sworn	220.4	225.4	221.4	227.4	223.4	246.9	243.0	242.0	283.6	239.7
Fire										
Sworn	108.0	108.0	105.0	109.0	106.0	107.0	106.0	106.0	104.0	105.0
Non-sworn	21.0	21.0	22.0	19.0	11.0	27.3	29.6	26.9	27.3	26.3
General services	184.3	184.3	261.9	261.3	260.1	268.9	131.7	124.7	117.6	117.8
Cultural and recreation services	231.1	231.1	151.9	152.8	148.5	145.4	228.3	218.8	204.9	206.7
Library	106.1	106.1	107.1	107.3	107.3	107.1	107.1	105.4	83.9	84.5
Housing and community development	144.4	144.4	146.4	148.4	158.4	139.9	145.2	144.1	137.7	134.0
Beach recreation	46.6	46.6	46.6	47.6	46.5	24.8	24.3	23.3	23.3	23.3
Cable communications (1)	-	-	-	-	-	-	-	-	10.8	10.5
Water	46.0	46.0	47.0	47.0	47.0	52.2	52.2	52.2	52.2	51.2
Resource Recovery & Recycling	75.2	84.2	84.2	84.0	84.0	83.1	106.8	106.8	104.0	102.0
Pier	17.2	15.8	16.2	16.2	16.2	16.5	25.8	26.8	26.4	27.2
Wastewater	22.2	22.2	22.2	22.2	22.2	39.6	39.6	39.7	36.4	36.4
Civic Auditorium	11.0	30.3	34.4	34.4	34.4	35.0	35.0	35.0	34.9	34.9
Airport	12.2	4.0	12.2	12.2	12.2	12.4	12.3	11.3	11.3	11.3
Cemetery	12.1	12.1	12.1	11.1	10.1	10.2	9.5	9.5	9.5	9.5
Big Blue Bus	419.0	419.0	413.7	418.7	417.7	441.9	441.9	441.9	437.9	439.0
Vehicle management	28.0	28.0	28.0	28.0	28.0	28.8	24.8	24.8	24.8	24.8
Self insurance - workers' compensation	14.0	14.0	12.0	12.0	12.0	12.1	12.1	12.1	12.1	11.7
Total all funds	<u>2,165.5</u>	<u>2,190.1</u>	<u>2,182.0</u>	<u>2,197.3</u>	<u>2,178.0</u>	<u>2,206.7</u>	<u>2,177.3</u>	<u>2,147.0</u>	<u>2,121.5</u>	<u>2,069.2</u>

Note: Includes permanent and temporary employees (2,080 hours = 1 full-time position).

(1) Cable communications was merged into the General Fund in fiscal year 2005-2006.

Source: City of Santa Monica Budget

TABLE 25

CITY OF SANTA MONICA, CALIFORNIA
Operating Indicators by Function/Program
Last Eight Fiscal Years

Function / program	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
General government:								
Electronic requests for government information	12,175,143	16,000,000	16,000,000	15,900,000	15,700,000	24,631,223	20,999,363	14,211,319
Hours of live public meeting coverage	330	300	300	300	216	444	332	310
Public safety:								
Number of emergency response incidents	13,540	12,842	12,000	12,005	11,690	11,553	12,551	11,435
Number of inspections	8,706	9,549	8,549	7,235	8,918	7,053	6,562	7,125
Calls to Police Department for service	120,320	105,642	104,097	109,045	107,604	106,497	109,328	105,308
Police reports issued	13,708	13,086	13,377	13,995	14,373	14,346	15,334	14,618
Number of crimes recorded	8,986	8,579	8,581	8,793	9,561	9,604	9,902	9,761
General services:								
Number of square feet of sidewalks repaired	3,279	40,000	40,000	33,670	190,000	140,000	127,170	97,522
Number of graffiti removals performed	34,289	20,000	20,000	19,500	18,481	25,251	22,865	11,780
Feet of sewer mains cleaned	2,328,874	2,316,757	1,751,717	1,768,024	1,532,184	783,932	1,179,759	647,841
Cultural and recreation services:								
Number of cars parked in beach lots	2,163,186	1,500,000	1,500,000	1,798,000	1,450,000	1,640,733	1,635,707	1,572,374
Senior services meals served	64,711	56,232	52,440	49,786	42,459	30,917	30,721	28,609
Number of low income persons receiving primary health care	3,568	4,164	4,453	3,942	4,344	3,650	3,231	3,345
Number of youth regularly attending homework assistance programs	469	466	458	423	558	547	511	534
Library:								
Library visitors	1,373,663	1,500,000	1,500,000	1,500,000	1,300,000	1,328,614	1,273,672	938,067
Materials used	2,225,571	2,100,000	2,100,000	2,100,000	1,900,000	1,795,844	1,607,534	1,202,754
Public access computer sessions	271,680	300,000	300,000	300,000	290,000	286,077	274,239	145,824
Housing and community development:								
Building and Safety plan checks completed	1,998	1,500	1,500	1,712	1,798	1,786	1,601	1,975
Building inspections performed	21,576	16,000	16,000	13,608	18,103	17,671	17,120	17,765
Transportation Managements plan checks completed	465	500	500	444	750	531	573	572
Resident parking passes sold	76,000	73,000	70,000	60,000	39,000	45,657	42,645	37,028
Number of traffic signs installed, replaced, repaired, or removed	2,859	5,600	5,600	4,600	5,600	5,633	5,447	10,647
Number of parking meters installed, replaced, repaired, or removed	6,100	23,000	23,000	49,000	45,257	45,532	42,645	27,182
Water:								
Number of direct customer accounts	17,705	17,902	17,823	17,709	17,356	17,272	17,175	17,171
Water sold to direct customers in whole acre feet	15,147	11,996	11,779	12,629	12,879	12,975	13,378	12,775
Airport:								
Number of tenant aircraft	420	420	420	420	420	420	420	420
Noise ordinance violations issued	160	142	148	154	210	244	223	242
Big Blue Bus:								
Revenue Miles	5,019,965	5,278,856	5,267,809	5,352,321	5,316,228	5,114,167	5,016,822	5,053,891
Farebox revenue (in millions)	14.09	11.86	11.74	11.63	11.51	10.91	9.72	9.80
Total passenger trips (in millions)	19.3	22.0	22.0	22.0	22.0	21.0	21.8	22.0
Number of customer relations phone calls	69,075	73,586	73,447	69,738	71,868	74,131	60,096	60,153
Total number of charters	3	90	349	202	224	554	1,121	1,918

Sources: Various City departments.

Note: Statistical Table implemented in FY05-06 per GASB Statement No. 44. Data from previous fiscal years not shown.

TABLE 26

CITY OF SANTA MONICA, CALIFORNIA

Capital Asset Statistics by Function/Program
Last Eight Fiscal Years

Function / program	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Public safety:								
Number of police vehicles	241	239	215	215	244	232	213	174
Number of fire vehicles	56	52	54	57	58	58	60	55
Number of fire stations	5	5	5	5	5	5	5	5
Number of police substations including Public Safety Facility	4	4	4	4	4	4	4	4
General services:								
Square footage of asphalt paved streets	30,403,785	30,403,785	30,385,115	30,585,115	30,385,115	30,421,841	30,443,441	30,443,441
Square footage of concrete paved streets	1,106,834	1,106,834	1,125,504	1,125,504	1,125,504	1,088,778	1,067,178	1,067,178
Square footage of sidewalks	8,386,998	8,386,998	8,386,998	8,386,998	8,386,998	8,386,183	8,386,183	8,386,183
Square footage of curbs and gutters	1,927,564	1,917,714	1,883,714	1,834,166	1,776,089	1,702,071	1,663,271	1,663,271
Cultural and recreation services:								
Number of beach parking lots	17	17	17	17	16	16	16	16
Number of parks	29	27	27	26	26	26	24	23
Number of swim centers	2	2	2	2	2	1	1	1
Library:								
Number of facilities: main and branches	4	4	4	4	4	4	4	4
Housing and community development:								
Downtown structure visitors	6,790,058	6,659,246	5,958,593	4,078,062	3,928,900	3,768,746	3,817,550	3,791,646
Water:								
Number of feet of water main installed	9,510	12,384	-	-	-	22,660	22,660	22,660
Water main system (in miles)	205	205	205	205	205	205	205	205
Reclaimed water main system (in miles)	4	4	4	4	4	4	4	4
Wastewater:								
City sewage flow in million gallons/day	11.4	11.4	11.3	10.6	13.3	10.4	12.3	12.8
Sewer main system (in miles)	151	151	152	152	152	152	152	152
Stormwater:								
Daily gallons treated for recycling by SMURRF	123,000	122,890	330,000	275,000	275,000	330,000	330,000	330,000
Storm drain system (in miles)	59	59	58	58	58	58	58	58
Airport:								
Aircraft operations (departures and arrivals)	102,109	105,026	106,521	112,212	117,250	136,485	136,270	135,765
Big Blue Bus:								
Number of buses	192	200	214	199	197	202	202	211

Sources: Various City departments.

Note: Statistical Table implemented in FY05-06 per GASB Statement No. 44. Data from previous fiscal years not shown.

