



REGULAR MEETING

**JOINT SAND CITY COUNCIL AND
SUCCESSOR AGENCY OF THE
REDEVELOPMENT AGENCY**

TUESDAY, FEBRUARY 20, 2024

5:30 PM

AGENDA
JOINT SAND CITY COUNCIL AND SUCCESSOR AGENCY OF THE REDEVELOPMENT
AGENCY

Regular Meeting - Tuesday, February 20, 2024
5:30 PM

THIS MEETING WILL BE HELD VIRTUALLY AND IN PERSON, IS COMPLIANT WITH ASSEMBLY BILL (“AB”) 2449, SIGNED INTO LAW ON SEPTEMBER 13, 2022, WHICH AMENDS GOVERNMENT CODE SECTION 54953 TO PROVIDE AUTHORITY FOR PUBLIC AGENCIES TO CONTINUE TO HOLD VIRTUAL MEETINGS AND REMAIN IN COMPLIANCE WITH THE BROWN ACT (GOV. CODE §§ 54950 ET SEQ.). TO PARTICIPATE IN THE ZOOM COUNCIL MEETING LIVE:

<https://us02web.zoom.us/j/4614728829>

Meeting ID: 461 472 8829

**To participate telephonically by calling the number below:
(669) 900-6833**

Meeting ID: 461 472 8829#

If prompted to enter a participant ID, press #

TO PARTICIPATE IN PERSON:

**City Hall Council Chamber
1 Pendergrass Way
Sand City, CA**

How to submit written Public Comments:

If any member of the public would like to provide written comments at the meeting, please do as set forth below.

Written: All comments received before 8:00 am the day of the meeting will be posted on the City’s website as “Correspondence” under the relevant agenda item and provided to the City Council members at the meeting. Please email your comments to: cityclerk@sandcityca.org.

Read Aloud During the Meeting: Email your comments to cityclerk@sandcityca.org. When the Mayor opens the public comment period for the relevant agenda item; please indicate the agenda item and title in your email subject line. If you want your comment read aloud, prominently write “Read Aloud at Meeting” at the top of the email and your comments will be read into the record (not to exceed three minutes at staff’s cadence).

DURING EACH MEETING, members of the public may participate by calling and speaking live

during the designated time(s), subject to time limits that may be imposed pursuant to the Brown Act at the number provided above. Please use the "raise your hand" option on Zoom, and the City Clerk will call on your name.

1. ROLL CALL

2. PLEDGE OF ALLEGIANCE

3. INVOCATION

4. ANNOUNCEMENT BY MAYOR, CITY ATTORNEY, AND CITY MANAGER

5. COMMUNICATIONS

Members of the public may address the City Council/Successor Agency on matters not appearing on the City Council/Successor Agency Agenda at this time for up to three minutes. In order that the City Clerk may later identify the speaker in the minutes of the meeting, it is helpful if speakers state their names. Public comments regarding items on the scheduled agenda will be heard at the time the item is being considered by the City Council/Successor Agency. The City Council Chambers podium is equipped with a portable microphone for anyone unable to come to the podium. If you need assistance, please advise the City Clerk as to which item you would like to comment on and the microphone will be brought to you.

6. CONSENT CALENDAR

The Consent Agenda consists of routine items for which City Council approval can be taken with a single motion and vote. A Council member may request that any item be placed on the Regular Agenda for separate consideration.

6A. Approve the City Council Special Meeting Minutes for January 31, 2024
[Draft Minutes](#)

6B. Hold Second Reading and Adopt an Ordinance Amending Section 2.08.010 of Title 2, Chapter 2.08 of the Municipal Code, "Mayor and City Councilmembers"
[Staff Report](#)
[Ordinance](#)

7. CONSIDERATION OF ITEMS PULLED FROM CONSENT CALENDAR

8. PRESENTATION

9. PUBLIC HEARING

9A. Discussion and Direction Regarding Planning, Building, and Engineering and Public Works Proposed Fee Updates
[Staff Report](#)
[Exhibit A Fee Comparison and Subsidized Cost](#)

10. NEW BUSINESS

10A. Approve a Resolution Accepting the Audited Financial Statements for the Year

Ended June 30, 2023 and Independent Auditor's Report

[Staff Report](#)

[Resolution](#)

[Auditor's Report](#)

- 10B. Approve a Resolution to Approve the Use of Sand City's 2019 PLHA Grant Funding to Develop Renderings and Perform a Financial Analysis of Affordable Artist Live/Work Units at the Art Park Site

[Staff Report](#)

[Exhibit A Resolution](#)

[Exhibit B Live Work Concept](#)

[Exhibit C Retail Top Floor Open Space Concept](#)

[Art Park Workshop Presentation](#)

11. COMMENTS BY COUNCILMEMBERS ON ITEMS OF INTEREST TO SAND CITY

12. CLOSED SESSION

- 12A. Conference with Legal Council - Anticipated Litigation: Significant Exposure to Litigation Pursuant to Government Code Section 54956.9(d)(2). Number of Cases: One
- 12B. Conference with real property negotiators pursuant to Government Code Section 54956.8. Property: 501 Ortiz Avenue, APN 011-195-014 & 011-195-015; City negotiators: City Manager Vibeke Norgaard, City Attorney Adam Lindgren, and EMC President Michael Groves; Negotiating Parties: Katherine M. Roper & Roper Trust and Robin Aeschliman; Under negotiation: Price and terms of payment
- 12C. Re-Adjourn to Open Session to report any action taken at the conclusion of Closed Session in accordance with California Government Code §54957.1

13. ADJOURNMENT

The current agenda is available in PDF format on our website at:
www.sandcity.org

If you have a request for a disability-related modification or accommodation, including auxiliary aids or services, which will allow you to participate in a Sand City public meeting, please call the City Clerk at (831) 394-3054 extension 220, or give your written request to the City Clerk at 1 Pendergrass Way, Sand City, CA 93955 at least 48 hours prior to the scheduled meeting to allow the City Clerk time to arrange for the requested modification or accommodation.

**AGENDA ITEM
6A.**

**Approve the City Council Special Meeting
Minutes for January 31, 2024**

MINUTES
JOINT SAND CITY COUNCIL AND SUCCESSOR AGENCY OF THE REDEVELOPMENT
AGENCY

Special Meeting - Wednesday, January 31, 2024 4:30 PM
As allowed by Assembly Bill AB 2449, this meeting was conducted in person and by
teleconference.

Mayor Carbone called the meeting to order at 4:30 PM.

1. ROLL CALL

Present: Mayor Carbone
Vice Mayor Blackwelder, participated in the meeting via teleconference
pursuant to the California Brown Act rules for "Just Cause"
attendance, due to illness.
Councilmember Diaz
Councilmember Sofer
Absent: Councilmember Hawthorne

Staff: City Manager Vibeke Norgaard
Interim City Attorney Adam Lindgren
City Clerk Kerry Lindstrom

2. COMMUNICATIONS

No public comment received.

3. CLOSED SESSION

3A.

Conference with Legal Counsel – Anticipated Litigation: Significant Exposure to Litigation pursuant to Government Code Section 54956.9(d)(2), and (e)(2). Number of cases seven (7). (The City has been contacted by seven property owners about possibly filing claims against the City arising out of flooding of their businesses and properties beginning on January 22, 2024 that may have been related to the storm drainage system and facilities operated by the Seaside County Sanitation District. This incident might result in litigation against the City.)

No public comment received.

3B. Re-adjourn to Open Session to report any action taken at the conclusion of Closed Session in accordance with California Government Code § 54957.1.

Due to Zoom technical difficulties, Mayor Carbone reported on behalf of Interim City Attorney Adam Lindgren, no reportable action was taken.

4. ADJOURNMENT

Council adjourned the meeting at approximately 5:30 PM.

Kerry Lindstrom, City Clerk

**AGENDA ITEM
6B.**

**Hold Second Reading and Adopt an
Ordinance Amending Section 2.08.010 of
Title 2, Chapter 2.08 of the Municipal
Code, "Mayor and City Councilmembers"**



City of Sand City

STAFF REPORT

TO: Honorable Mayor and City Council
FROM: Vibeke Norgaard, City Manager and Adam Lindgren, City Attorney
SUBJECT: Ordinance Amending Title 2, Chapter 2.08, Section 2.08.010 to Increase the Salary for the City Council and Mayor.
DATE: February 20, 2024

BACKGROUND:

At the January 16, 2024, City Council Meeting, the Council held discussion and provided direction to staff, to draft an ordinance to increase the salary for the City Council and Mayor, and at the February 6, 2024 City Council Meeting, the Council introduced and conducted a first reading of an ordinance amending Title 2, Chapter 2.08, Section 2.08.010 to increase the salary for the City Council and Mayor.

Sand City currently pays members of the City Council \$300 each month. That amount has not been adjusted since 1985 by Ordinance No. 85-05. More recently in 2023, the City adopted Ordinance No. 23-01 to increase the Mayor's salary by an additional \$500.

California Government Code Section 36516 provides that a city council may enact an ordinance providing that each member of the city council shall receive a salary based on the population of the city. In Sand City, this has meant Council salaries have been capped at \$300 a month. The compensation schedule in this section has remained unchanged since 1984. On June 29, 2023, the Legislature passed SB-329 in order to address the issue of stagnant compensation for city council members. SB 329 gives city councils the ability to adjust council salaries to keep pace with inflation and the rising cost of living. The bill also aims to support diversity in city councils because increased compensation can help individuals from across different income levels "receive sufficient income from their service to help ensure that they can continue to serve the public and support their families."

SB-329 amended the compensation schedule set forth under Section 36516(a)(2) to allow councilmember salaries for cities with populations under 35,000, such as Sand City, to be up to and including nine hundred fifty dollars (\$950) per month. Having considered the issue, the City Council has agreed to consider a proposal to increase salaries to this statutory maximum of nine hundred fifty dollars (\$950) per month.

Please note that Government Code Section 36516.5 remains unchanged. Section 36516.5 provides that "[a] change in compensation does not apply to a council[person] during his term of office; however, the prohibition herein expressed shall not prevent the adjustment of the compensation of all members of a council serving staggered terms

whenever one or more members of such council becomes eligible for a salary increase by virtue of his beginning a new term of office.” Thus, any salary change approved will be effective at the commencement of next councilmember term in December 2024.

SB-329 also amended Section 36516(a)(4) to allow for a city council to increase the salary of council members beyond the amounts provided for in subparagraph (a)(2), but not to exceed the greater of either:

(1) an amount equal to five percent (5%) for each calendar year from the operative date of the last adjustment of the salary, or

(2) an amount equal to inflation since January 1, 2024, based on the California Consumer Price Index, not to exceed ten percent (10%) per calendar year.

SB-329 added subparagraphs (g)(1)-(3) to section 36516, which creates specific procedures for a salary-increase ordinance, stating: “a city council shall consider the adoption of an ordinance to increase compensation in open session during at least two regular meetings of the city council ... At the first meeting, the city council shall present the proposed ordinance, which shall include findings demonstrating the need for the increased compensation. The ordinance shall not be adopted at the first meeting. **At least seven days after the first meeting**, the city council shall hold a second meeting to consider whether to adopt the ordinance.”

DISCUSSION:

The current City Municipal Code section 2.08.010, most recently amended in 1985 set the Council monthly salary at \$300 per month. Sand City Municipal Code section 2.08.010 currently reads as follows:

The monthly salary for each Council member shall be \$ 300 per month. The monthly salary for the Mayor shall be the same monthly salary paid to each Council member plus an additional \$ 500 each month.

In light of SB 329, the City Council provided direction to amend section 2.08.010 in early 2024, effective at the end of 2024, to increase salaries to the current maximum allowed by law, as follows:

The monthly salary for each Council member shall be \$ 950 per month. The monthly salary for the Mayor shall be the same monthly salary paid to each Council member plus an additional \$ 500 each month.

Currently City Council compensation in area cities is below. Several cities have considered, or are planning to consider in the near future, additional increases to the salaries listed below.

City	CC Members	Mayor
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Carmel-by-the-Sea	\$160	\$160
Capitola	\$660	\$660
Del Rey Oaks	\$75	\$75
King City	\$375	\$562
Marina	\$200	\$250
Monterey ¹	\$965.25	\$1,417.50
Pacific Grove	\$420	\$700
Scotts Valley	\$488.67	\$488.67
Salinas	\$600	\$800
Santa Cruz	\$1710	\$3420
Seaside	\$400	\$400
Pismo Beach	\$926.64	\$1226.64

Both Salinas and Monterey are considering, or have adopted, an ordinance to increase the salary of councilmembers during their current term. Both cities are charter cities, and are permitted by their respective charters to increase council compensation without having to wait for a new term.² Charter cities are granted the power to set council compensation under Article XI, section 5 of the California Constitution ("It shall be competent in all city charters to provide, in addition to those provisions allowable by this Constitution, and by the laws of the State for.... the manner in which, the method by which, the times at which, and the terms for which the several municipal officers and employees whose compensation is paid by the city). By contrast, Sand City's charter does not grant the power to choose a different compensation amount or effective date than provided by state law.

CEQA:

This action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA) guidelines section 15378.

FISCAL IMPACT:

There is minor fiscal impact associated with this recommendation. If the City Council adopts an ordinance for the maximum amount provided by law, the estimated cost is \$3,000 per month once the new salary takes effect in December 2024.

¹ Increased on January 1, 2024.

² Salinas City Charter: "The monthly salary of the Mayor and the members of the City Council shall be set by ordinance. The monthly salary shall not exceed the amount authorized by State law for cities of a similar size; provided however, that the salary of the Mayor may be set at a higher amount than the salary of the members of the City Council.";

Monterey City Charter: "The Council may, by ordinance, provide for the compensation of Councilmembers provided that said compensation shall not exceed the amount permitted by State Law for General Law Cities of the same population; may provide for additional compensation for the Mayor; and may provide that increases shall take effect during the term of office of Councilmembers. Monies paid by other agencies to Councilmembers serving on the legislative body of said agencies shall not be considered compensation for the purposes of this section."

RECOMMENDATION:

Adopt an ordinance amending Title 2, Chapter 2.08, Section 2.08.010 to Increase the Salary for the City Council and Mayor.

ATTACHMENTS:

1. Draft Ordinance

5568064.2

**CITY OF SAND CITY
ORDINANCE NO. SC 24-___, 2024**

**ORDINANCE OF THE CITY COUNCIL OF SAND CITY AMENDING SECTION
2.08.010 OF TITLE 2, CHAPTER 2.08 OF THE MUNICIPAL CODE, "MAYOR AND
CITY COUNCILMEMBERS"**

WHEREAS, California Government Code Section 36516 provides that a city council may enact an ordinance providing that each member of the city council shall receive a salary based on the population of the city; and

WHEREAS, the compensation schedule set forth under Government Code Section 36516(a)(1) has not been adjusted since 1984; and

WHEREAS, Sand City Municipal Code section 2.08.010 sets City Councilmember and Mayor salaries at three hundred dollars (\$300.00) per month, plus an additional five hundred dollars (\$500.00) for the Mayor; and

WHEREAS, the City Council most recently increased the Mayor's salary in 2023 pursuant to Ordinance 23-01, but the City has not updated City Council's salary since 1985; and

WHEREAS, on June 29, 2023, the California Legislature passed SB-329, which amended Government Code Section 36516 to increase the maximum amounts of salary that can be approved by city ordinance in order to account for inflation and support diversity in city councils; and

WHEREAS, Government Code Section 36516(a)(2)(A) as amended in 2023 now provides that councilmember salaries for cities under 35,000 in population, may be up to and including nine hundred fifty dollars (\$950) per month; and

WHEREAS, according to the most recent U.S. Census, as of April 1, 2020, the population estimate for the City of Sand City was 325; and

WHEREAS, the City finds that adjusting councilmember salaries would account for inflation and support diversity in the City Council because increased compensation can help individuals from across different income levels receive sufficient income for their service.

NOW, THEREFORE, The City Council of Sand City does ORDAIN as follows:

Section 1. AMENDMENTS

Section 2.08.010 ("Mayor and City Councilmembers") of Title 2, Chapter 2.08 of the Sand City Municipal Code is hereby amended to read as follows:

2.08.010 Mayor and City Councilmembers.

*The monthly salary for each Council member shall be \$ 950 per month.
The monthly salary for the Mayor shall be the same monthly salary paid to
each Council member plus an additional \$ 500 each month.*

Section 2. **Severability.** If any provision of this ordinance or the application thereof to any person or circumstance is held invalid or unconstitutional, the remainder of this ordinance, including the application of such part or provision to other persons or circumstances shall not be affected thereby and shall continue in full force and effect. To this end, provisions of this ordinance are severable. The City Council of Sand City hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause, or phrase hereof irrespective of the fact that any one or more sections, subsections, subdivisions, paragraphs, sentences, clauses, or phrases be held unconstitutional, invalid, or unenforceable.

Section 3. **Effective Date; Publication.** This ordinance shall take effect thirty (30) days after adoption. Within fifteen days after the passage of this ordinance the City Clerk shall cause this ordinance or a summary thereof to be published once, with the names of those City Councilmembers voting for or against it in a newspaper of general circulation in Sand City as required by law.

PASSED AND ADOPTED, by the City Council of the City of Sand City, this ____, day of February, 2024 by the following votes:

AYES:
NOES:
ABSENT:
ABSTAIN:

APPROVED:

Mary Ann Carbone, Mayor

ATTEST:
DATED: _____

Kerry Lindstrom, City Clerk

**AGENDA ITEM
9A.**

**Discussion and Direction Regarding
Planning, Building, and Engineering and
Public Works Proposed Fee Updates**



City of Sand City

STAFF REPORT

TO: Honorable Mayor and City Council
FROM: Anastazia Aziz, AICP
SUBJECT: Planning, Building and Engineering and Public Works Fee Updates and City Fee FY 2024-25 Schedule
DATE: February 20, 2024

BACKGROUND/DISCUSSION:

A Draft Master Fee Schedule, Fiscal Year (FY) 2024-25 was presented to Council Members at the January 16th, 2024 City Council meeting for preliminary review and discussion. Following the initial review, Council Members requested additional information regarding the City's subsidized cost in relation to the existing fees. Exhibit A provides a breakdown of the City's current fees in comparison to the proposed cost recovery fees for FY 24-25 and provides an estimate of the subsidized cost incurred by the City if the fees were to remain the same.

Planning Fees

As noted at the January 16, 2024 Council meeting, the current 2015 planning fees are out of date and do not reflect the realistic staff time to process planning permits. EMC Planning Group has provided various consulting planning services for the City since 1979 and assumed planning permitting services for the City in June 2023 after the retirement of the City's longtime planner.

Exhibit A demonstrates the subsidized planning permit services. For example, staff time to complete the review, documentation, and processing of a Conditional Use permit is estimated at 16-hours or \$2,800 based on a \$175 hourly rate. In comparison, the current fee for a Conditional Use Permit of \$500 would fund approximately 3-hours of staff time, requiring the City to subsidize the remaining \$2,300 cost.

The City's estimated costs for planning permit services from June 2023 to the present was approximately \$34,300. This cost reflects work directly on permitting and does not reflect other City work such as front counter inquiries, file organization, City meeting coordination, and other day-to-day tasks associated with running the Planning Department. Table 1, Estimated Cost for Planning Services, provides a summary of the planning permits processed since June of 2023, as well as the total revenue received and subsidized cost incurred by the City as a result of the current fee amount.

Table 1 Estimated Cost for Planning Permit Services

Permit Type	Number of Permits Processed	Total Revenue (Current Fee Amount)	Actual Cost ¹ (Proposed Fee Amount)	Total Subsidized Cost
Conditional Use Permit	9	\$4,500.00	\$25,200.00	\$20,700.00
Coastal Development Permit	1	\$500.00	\$3,150.00	\$2,650.00
Temporary Use Permit	1	\$100.00	\$1,050.00	\$950.00
Sign Permit	1	\$50.00	\$700.00	\$650.00
Special Event Permit	2	\$0.00	\$4,200.00	\$4,200.00
Total	14	\$5,150.00	\$34,300.00	\$29,150.00

SOURCE: EMC Planning Group, 2024 NOTE: Table provides a summarized list of planning permits processed from June 1st, 2023, through February 20th, 2024.

1 – Actual cost is based on the proposed fee amount in the draft FY 24/25 Master Fee Schedule calculated on the estimated amount of time to complete each task at a rate of \$175 per hour.

Building Fees

The building fees dates back to 1991, for over-the-counter plumbing mechanical and electrical permits and 1997 for larger projects that are based on the valuation or cost of the project. As a result of the outdated fee schedule, the City incurs an annual cost covering the difference of the recovered fee versus the actual permitting cost. Table 2, Cost for Building Permit and Inspection Services, provides a summary of the building permits processed in FY 21-22 and FY 22-23, as well as the total revenue received and subsidized cost incurred by the City as a result of the current fee amount. The hourly rates for certain building professionals are also included.

Table 2 Costs for Building Permit and Inspection Services

	Total Revenue	Actual Costs	City Subsidy
FY 21-22 (not including plan check)	\$22,346.35	\$52,443.00	\$30,096.65
FY 22-23 (not including plan check)	\$16,322.41	\$79,143.00	\$62,820.59
Total	\$38,668.76	\$131,586.00	\$92,917.24
Hourly Rates			
Senior Permit Technician		\$77.00	
Senior Building Inspector Hourly Rate		\$105.00	
Building Official Hourly Rate		\$144.00	

Exhibit A provides an estimated fee increase that reflects a model cost recovery. Additionally, the revised fee amounts also account for the valuation of projects ranging from \$500,001 - \$1,000,000, as well as projects with a value greater than \$1,000,000. These valuation ranges are not currently included in the City's building related fees.

Engineering and Public Works Department Fees

In 2017, there was an increase to few select Engineering and Public Works Department fees, which included processing, review, and approval of requests for voluntary lot mergers, certificates of compliance, and lot line adjustments. However, the majority of Engineering and Public Works Department fees were not accounted for in the 2017 update. The proposed fee increase, as shown in Exhibit A, is the first comprehensive update to occur in over 30-years since the previously adopted fee schedule was approved in 1991.

In addition to the increase of existing fees, several new fees are also recommended. These fees are the result of new State mandated programs for storm water mandates, which reflect actual cost and account for multiple submittals, as well as meetings and coordination with applicants.

Table 3, Costs for Engineering and Public Works provides a summary of the work completed for a variety of services. The City currently does not charge specific fees for these services and charges applicants via a reimbursement agreement. A Fee Schedule for these City services will provide greater fee transparency to the public and applicants and reduce fee administration.

Table 3 Costs for Engineering and Public Works

Description	FY 21-22 Costs	FY 22-23 Costs	City Subsidy
Encroachment Permits	\$10,735.00	\$18,491.25	\$0.00
Development Review	\$22,026.25	\$5,637.50	\$0.00
Development Review – West End South of Tioga Phase 1 Off-site and Phase 2 Hotel	\$20,132.50	\$51,622.50	\$0.00
Totals	\$52,893.75	\$75,751.25	\$0.00

CEQA:

This action does not constitute a Project as defined by the California Environmental Quality Act (CEQA) guidelines section 15378.

FISCAL IMPACT:

Land use entitlement permit fee revenue will continue to be allocated to the General Fund and the fiscal impact to the fund will vary depending on the number of permits issued each fiscal year. Increasing the permit fees will have a positive impact to the General Fund revenue and will reduce the current City subsidies to the land use entitlement permit process. The consultant team that processes planning, building, engineering and public works permits for the City are paid out of the General Fund.

RECOMMENDATION:

Discuss and provide direction regarding the proposed revised fees for permits including whether the City wishes to adjust the fees annually in accordance with the annual Consumer Price Index (CPI). This item will return to Council for approval of a resolution at a subsequent Council meeting.

Potential recommendations include:

- Accept proposed fees for FY 24-25 as indicated in Exhibit A;
- Raise fees gradually over the next several years (for example- raise to those indicated in Exhibit A incrementally over the next 3 years) ;
- Accept a minimum deposit in conjunction with a reimbursement agreement that invoices the applicant for costs that exceed the initial deposit;
- Retain the current fees and continue to use the General Fund to subsidize planning building, engineering, and public works permits at current rates; or
- Other direction.

ATTACHMENTS:

1. Exhibit A Fee Comparison and Subsidized Cost

Exhibit A - Comparison of Current Fees to Proposed Fees and Current City subsidies

Planning Department Fees

Permit	Proposed Fees FY 24-25	Estimated Hours	Current Fee	Hours Funded by Current Fees	Current Subsidized Cost
ADMINISTRATIVE LAND USE APPROVALS AND ZONING PERMITS					
Zoning Compliance Statement	\$700	4.0	No Fee	0	\$700.00
Home Occupation Permit	\$700	4.0	No Fee	0	\$700.00
Temporary Use Permit	\$1,050	6.0	\$100.00	0.6	\$950.00
DISCRETIONARY LAND USE PERMITS					
Conditional Use Permit	\$2,800	16.0	\$500.00	2.9	\$2,300.00
Coastal Development Permit	\$3,150	18.0	\$500.00	2.9	\$2,650.00
Site Plan Review	\$700	4.0	\$500.00	2.9	\$200.00
Variance	\$1,925	11.0	\$500.00	2.9	\$1,425.00
Planned Unit Development	\$1,925	11.0	\$500.00	2.9	\$1,425.00
Combining Multiple Permits	Sum of All Fees that Apply	NA	NA	NA	NA
Appeal of Permit	\$1,400	8.0	\$500.00	2.9	\$900.00
Amendment of Permit	50% of base permit fee	NA	\$500.00	NA	NA
Special Event Permit	\$2,100.00	12.0	\$0.00	0.0	\$2,100.00
DESIGN PERMITS					
Architectural Review by DRC	\$1,400	8.0	\$100.00	0.6	\$1,300.00
Master Sign Program	\$2,100	12.0	\$100.00	0.6	\$2,000.00
Individual Sign Permit	\$700	4.0	\$50.00	0.3	\$650.00
ENVIRONMENTAL REVIEW					
Environmental Impact Report (EIR)	50% of the cost of the EIR	NA	\$2,000.00	NA	NA
Negative Declaration (Initial Study)	\$5,600	32.00	\$1,000.00	5.7	\$4,600.00
Categorical Exemption (per CEQA)	\$350	2.00	No Fee	0.0	\$350.00
LEGISLATIVE AMENDMENTS					
General Plan Amendment	\$5,600	32.00	\$2,000.00	11.4	\$3,600.00

Exhibit A - Comparison of Current Fees to Proposed Fees and Current City subsidies

Zoning Amendment or Change	\$3,150	18.00	\$1,000.00	5.7	\$2,150.00
Specific Plan Approval or Amendment	\$4,200	24.00	\$2,000.00	11.4	\$2,200.00
Local Coastal Plan (LCP) Amendment	\$4,200	24.00	\$2,000.00	11.4	\$2,200.00
MISCELLANEOUS FEES					
Preliminary Project Review	\$350	2.00	No Fee	0	\$350.00
Parking Permit (1 Per Vehicle/year)	\$500	NA	\$200.00	NA	\$300.00
Short Term Rental Application	\$638	New Fee			
Short Term Rental Renewal Application	\$197				

Exhibit A - Comparison of Current Fees to Proposed Fees and Current City subsidies

Building Department Fees

Permit	Proposed Fees FY 24-25	Current Fee	Current Subsidized Cost
COMBINATION PERMIT			
Value \$ 0-9,000	\$396	\$136.00	\$260.00
Value \$25,000	\$1,100.00	\$317.00	\$783.00
Value \$50,000	\$1,955.00	\$523.00	\$1,432.00
Value \$100,000	\$2,905.00	\$807.00	\$2,098.00
Value \$500,000	\$8,905.00	\$2,627.00	\$6,278.00
Value \$500,000-1,000,000	\$8,905 plus \$14/1,000	New Fee	
Value \$1,000,001 and up	\$15,905 plus \$9/1,000		
SINGLE PERMIT			
Value \$0-9,000	\$396	\$108.00	\$288.00
Value \$25,000	\$892.00	\$254.00	\$638.00
Value \$50,000	\$1,381.00	\$418.00	\$963.00
Value \$100,000	\$2,581.00	\$646.00	\$1,935.00
Value \$500,000	\$6,981.00	\$2,102.00	\$4,879.00
Value \$500,001-1,000,000	\$6,981 plus \$10/1,000	New Fee	
Value \$1,000,001 and up	\$11,981 plus \$6/1,000		
OVER THE COUNTER TYPE PERMITS			
Plumbing Permit (no plan review required)	\$406.00	\$30.00	\$376.00
Electrical Permit (no plan review required)	\$406.00	\$30.00	\$376.00
Mechanical Permit (no plan review required)	\$406.00	\$30.00	\$376.00
Residential Rooftop Photovoltaic Permit	\$458.00	New Fee	
Commercial Rooftop Photovoltaic permit (minimum) ²	\$458.00		
Residential vehicle charging station ²	\$406	New Fee	
Commercial Vehicle Charging System	\$298 plus \$160/hour plan review after 2 hours of review		
MISCELLANEOUS FEES			
Minimum permit fee	\$396		
Investigative fee (Work without permit)	Minimum cost equal to permit.		
After Hours Inspections	\$180/hour 4 Hour minimum		

Exhibit A - Comparison of Current Fees to Proposed Fees and Current City subsidies

Building Permit extension	\$1,000 per 90 days (after a one-time 180 day no charge extension)	New Fee
Plan Review Extension	\$500 per 90 days (After a one-time 180 day no cost extension)	
Stormwater Control Plan review (Building Department)	\$298 plus \$140/hour after one hour of review	
Stormwater Control Inspection (Building Department)	\$298 plus \$140/hour after two hours of inspections	
Plan review	65% of building permit fee this fee includes a total of two reviews	
Expedited plan review	50% plus regular plan review cost	

Exhibit A- Comparison of Current Fees to Proposed Fees and Current City Subsidies

Engineering & Public Works Department

Permit	Proposed Fees FY 24-25	Current Fee	Current Subsidized Cost
PLAN CHECK EXAMINATION			
Plan Check for Public or Private Site Improvements	\$100.00 plus 2% of improvement cost (Min. fee shall be \$500)	\$400.00	\$100.00
STORMWATER PLAN CHECK			
Pre-review Meeting	\$210.00	New Fees	
Small Project (2,500-5,000 sq-ft)	\$525.00		
Medium Project (5,000-15,000 sq-ft)	\$2,800.00		
Large Project (> 15,000 sq-ft)	\$4,200.00		
Storm Water Pollution Prevention Plan (SWPPP) Review	\$525.00		
INSPECTION OF PUBLIC OR PRIVATE SITE			
Cost of improvement up to \$100,000	5% of improvement cost	No Change	
Cost of improvement from \$100,001 to \$200,000	4% of improvement cost		
Cost of improvement over \$200,000	3% of improvement cost		
Inspections outside of normal business hours	\$420 per hour	\$150.00	\$270.00
Reinspection fee	\$210 each	\$75.00	\$135.00
Additional plan review required by changes, additions or revisions to approved plans	\$210 per hour (1/2-hour min.)	\$75.00	\$135.00
Inspection for which no fee is specifically indicated	\$210 per hour (1/2-hour min.)	\$75.00	\$135.00

Exhibit A- Comparison of Current Fees to Proposed Fees and Current City Subsidies

MAPS			
Minor Subdivision (1-4 lots) – Tentative Parcel Map	\$600 (2 reviews)	\$750.00	\$150.00
Minor Subdivision (1-4 lots) – Vesting Tentative Parcel Map	\$600 (2 reviews)	\$750.00	\$150.00
Major Subdivision (5-10 lots) – Tentative Map ³	\$1,200 + \$300 per lot after 10 lots (2 reviews)	\$750.00	\$450.00
Major Subdivision (5-10 lots) – Vesting Tentative Map	\$1,800 + \$300 per lot after 10 lots (2 reviews)	\$750.00	\$1,050.00
Final Parcel Map (1-4 lots) ³	\$2,700 (2 reviews)	New Fee	
Final Tract Map (5-10 lots)	\$3,300 + \$300 per lot after 10 lots. (2 reviews)		
ENCROACHMENT PERMIT			
Encroachment Permit	\$475 (minimum application fee)	\$75.00	\$400.00
GRADING PERMITS			
0 to 100 cubic yards	\$90.00	\$50.00	\$40.00
101 to 1000 cubic yards	\$175 for first 100 cu. yds. plus \$50 for each additional 100 cu yds. or fraction thereof	\$50 for first 100 cu. yds. plus \$12 for each additional 100 cu yds. or fraction thereof	\$125.00
1001 to 10,000 cubic yards	\$350 for first 1000 cu. yds. plus \$100 for each additional 1,000 cu yds. or fraction thereof	\$150 for first 1000 cu. yds. plus \$10 for each additional 1,000 cu yds. or fraction thereof	\$123.00
10,001 to 100,000 cubic yards	\$525 for first 10,000 cubic yds. plus \$200 for each additional 10,000 cu yds. or fraction thereof	\$248 for first 10,000 cubic yds. plus \$50 for each additional 10,000 cu yds. or fraction thereof	\$277.00
100,001 cubic yards or more	\$1,050 for first 100,000 cu. yds. plus \$300 for each additional 10,000 cu. yds. or fraction thereof	\$698 for first 100,000 cu. yds. plus \$50 for each additional 10,000 cu. yds. or fraction thereof	\$352.00
GRADING PLAN REVIEW			
0 to 100 cubic yards	\$175.00	\$75.00	\$100.00
101 to 1,000 cubic yards	\$350.00	\$100.00	\$250.00

Exhibit A- Comparison of Current Fees to Proposed Fees and Current City Subsidies

1,001 to 10,000 cubic yards	\$700.00	\$200.00	\$500.00
10,001 to 100,000 cubic yards	\$1,050 for first 10,000 cu yds. plus \$100 for each additional 10,000 cu. yds. or fraction thereof	\$200.00	\$850.00
MISCELLANEOUS FEES			
Voluntary Lot Merger	\$1,000 (2 reviews), \$300 per additional review.	\$700 plus county recording fees	\$300.00
Certificate of Compliance	\$1,000 (2 reviews), \$300 per additional review.	\$500 plus county recording fees	\$500.00
Lot Line Adjustment (Max. up to 4 parcels may be adjusted)	\$1,800 for 2 parcels + recording fees (2 reviews), \$300 per parcel beyond 2 parcels, \$150 per additional review.	\$1,000 per application for two parcels plus \$300 per additional parcel, plus county recording fees	\$800.00
Tree Removal Permit	\$100.00	\$0.00	\$100.00

**AGENDA ITEM
10A.**

**Approve a Resolution Accepting the
Audited Financial Statements for the Year
Ended June 30, 2023 and Independent
Auditor's Report**



City of Sand City

STAFF REPORT

TO: Honorable Mayor and Members of the City Council
FROM: Vibeke Norgaard, City Manager & Jennifer Pope, Finance Manager
Presentation: Richard Hegner and Mike Nolan of CliftonLarsonAllen, LLP
SUBJECT: Audited Financial Report for Fiscal Year Ending June 30, 2023
DATE: February 20, 2024

BACKGROUND/DISCUSSION:

The certified public accounting firm, CliftonLarsonAllen, LLP was engaged by the City Council to perform an audit of the financial statements for the period ending June 30, 2023, for the City of Sand City and Successor Agency.

The auditors have completed their audit and on February 15, 2024, the Budget and Personnel Committee received a presentation of the Audited Financial Statements Report. A few highlights include the following:

- The assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the year ended June 30, 2023, by \$33 million. However, \$10.3 million is a net investment in capital assets, and \$9.7 million is a non-current receivable due from the Successor Agency.
- The City's total net position increased by \$1.9 million.
- The assets and liabilities include \$542,000 that is due to TAMC in regard to a development project.
- At the close of the year, the City's governmental funds reported combined ending fund balance of \$24.4 million, \$9.7 million of which is a non-current receivable. The net change in fund balances was an increase of \$1.8 million.

The City experienced an increase in year end net position of \$1.9 million due to a combination of factors including an increase of \$1.2 million in total revenue for FY 2022-2023. This was due to the following factors:

- One quarter's growth in Sales and Transaction Use Tax after Measure L was passed by voters in November 2022.
- Inflationary impacts increased the cost of goods and materials.
- Increase revenue in Transient Occupancy Taxes from adopted short term rental ordinance.

The City also experienced an increase in overall expenditure of \$1.6 million due to the following:

- Supply chain issues in FY 2021-2022 caused delays in shipping items that didn't arrive until FY 2022-2023.
- Multi-year projects reached the construction phase and there was an increase in costs for construction supplies and labor.
- Increase in salaries for Police Department.
- Purchase of multiple new police vehicles
- Implementation of the Housing Element.
- Retirement of several key employees resulting in stop gap consultant services in Finance Department.

Additional information will be shared during the auditor's presentation including highlights of the City's assets and liabilities and overall financial position. They will also provide information on how the City's current position compares to the financial position in past years. The auditors will be available for questions after their presentation.

FISCAL IMPACT:

There is no fiscal impact associated with approving and recommending approval of the audited financial statements and the auditor's report to City Council.

RECOMMENDATION:

Staff recommends that the Budget and Personnel Committee review the audited financial statements and Auditor's Report for fiscal year ending June 30, 2023, and recommend approval to Council.

CEQA:

This action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA) guidelines section 15378.

ATTACHMENTS:

1. Resolution
2. Independent Auditor's Report

**CITY OF SAND CITY
RESOLUTION SC 24-____, 2024**

**RESOLUTION OF THE CITY COUNCIL OF SAND CITY ACCEPTING THE AUDITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023, AND
INDEPENDENT AUDITOR'S REPORT**

WHEREAS, the City of Sand City has completed financial transactions for the fiscal year ending June 30, 2023; and

WHEREAS, prudent financial management, along with State and Federal regulations, dictate that an independent financial audit be conducted of the City's yearly financial transactions; and

WHEREAS, the City of Sand City has contracted with the accounting firm of CliftonLarsonAllen, LLP for audit services; and

WHEREAS, CliftonLarsonAllen, LLP have the necessary qualifications and have full access to all City/Successor Agency financial records to conduct an audit of the City's finances for this year; and

WHEREAS, CliftonLarsonAllen, LLP has worked with City staff to audit the financial records of the City for fiscal year ended June 30, 2023; and

WHEREAS, in the Auditor's opinion, the enclosed financial statements do present fairly, in all material respects the financial position of the City of Sand City as of June 30, 2023, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America; and

WHEREAS, it is noted in these Statements that the City of Sand City has been following the provisions of Governmental Accounting Standards Board (GASB) Statements that pertain to local governments, and that these audited financial statements were prepared in compliance with these new accounting standards; and

WHEREAS, on February 15, 2024, the Budget and Personnel Committee reviewed the attached financial statements for fiscal year ended June 30, 2023, and recommends acceptance of the documents by the full City Council.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sand City as follows:

1. That the attached financial statements are hereby accepted.
2. That City staff are authorized to use this final audit as the City's financial record for the fiscal year ended June 30, 2023.

PASSED AND ADOPTED by the Sand City Council on this ____ day of February, 2024
by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

Mary Ann Carbone, Mayor

ATTEST:

DATED: _____

Kerry Lindstrom, City Clerk

CITY OF SAND CITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023

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CITY OF SAND CITY

JUNE 30, 2023

Members of the City Council

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mary Ann Carbone	Mayor	December 2024
Jerry Blackwelder	Vice Mayor	December 2026
Marilee Diaz	Council Member	December 2024
Gregory Hawthorne	Council Member	December 2024
Elizabeth Sofer	Council Member	December 2026

City Staff

<u>Name</u>	<u>Office</u>
Vibeke Norgaard	City Manager
David Honda	Chief of Police

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council Members
City of Sand City
Sand City, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Sand City (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Sand City, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sand City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Sand City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sand City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the members of city council and staff schedule but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

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

CliftonLarsonAllen LLP

Roseville, California
REPORT DATE

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The discussion and analysis of the City of Sand City's (the City) financial performance provides an overview and analysis of the City's financial activities for the year ended June 30, 2023. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the year ended June 30, 2023, by \$33 million. However, \$10.3 million is a net investment in capital assets, and \$9.7 million is a noncurrent receivable due from the Successor Agency.
- The City's total net position increased by \$1.9 million.
- The assets and liabilities include \$542,000 that is due to TAMC in regard to a development project.
- At the close of the year ended June 30, 2023 the City's governmental funds reported combined ending fund balances of \$24.4 million, \$9.7 million of which is a noncurrent receivable. The net change in fund balances was an increase of \$1.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis service as an introduction to the City's financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

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 the private-sector business.

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and 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 net position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base, and the condition of the City's infrastructure (i.e., road, drainage improvements, storm and sewer lines, etc.) to assess the overall health or financial condition of the City.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

The government-wide financial statements include all the governmental activities of the City. The governmental activities of the City include public safety, streets, parks, planning, community development, and general administration. The City does not operate any business-type activities.

The government-wide financial statements can be found on pages 13 and 15 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. All of the funds of the City can be divided into two categories, governmental funds and fiduciary funds:

Governmental Funds – The focus of governmental funds is narrower than that of 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 effect of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside the government. It is in these funds that the City accounts for the former assets and liabilities of the Redevelopment Agency that were transferred to a Successor Agency. Fiduciary funds are not included in the government-wide statements because the resources of those funds are not available to support the City's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The City maintains four individual governmental funds. Information is presented separately in the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the other governmental funds is presented as other governmental funds.

The fund financial statements can be found on pages 16 to 21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 55 of this report.

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

GOVERNMENT WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's net position increased by \$1.9 million in FY 2022/23 from FY 2021/22. The City's net investment in assets of \$10.3 million is used to provide services to citizens; consequently, these assets are not available for future spending. Another \$9.7 million is a noncurrent receivable leaving approximately \$11.6 million available for operations.

**Summary of Net Position (Rounded to the nearest \$1,000)
Year Ended June 30**

	2023	2022	Change
Assets:			
Current and Other Assets	\$ 28,175,000	\$ 27,208,000	\$ 967,000
Capital Assets	<u>10,429,000</u>	<u>10,335,000</u>	<u>94,000</u>
Total Assets	<u>38,604,000</u>	<u>37,543,000</u>	<u>1,061,000</u>
Deferred Outflows of Resources	3,754,000	1,518,000	2,236,000
Liabilities:			
Current and Other Liabilities	972,000	926,000	46,000
Long-Term Liabilities	<u>6,520,000</u>	<u>2,888,000</u>	<u>3,632,000</u>
Total Liabilities	<u>7,492,000</u>	<u>3,814,000</u>	<u>3,678,000</u>
Deferred Inflows of Resources	<u>1,838,000</u>	<u>4,168,000</u>	<u>(2,330,000)</u>
Net Position:			
Net Investment in Capital Assets	10,349,000	10,271,000	78,000
Restricted for:			
Streets and Road	167,000	95,000	72,000
OPEB Funding	1,197,000	30,000	1,167,000
Unrestricted	<u>21,315,000</u>	<u>20,683,000</u>	<u>632,000</u>
Total Net Position	<u><u>\$ 33,028,000</u></u>	<u><u>\$ 31,079,000</u></u>	<u><u>\$ 1,949,000</u></u>

Current assets increased due to an increase in cash of \$1.3 million.

Capital assets and net investment in capital assets increased due to depreciation of \$453,000 offset by net capital additions of \$547,000.

Long-term liabilities increased due to an increase in the pension liability of \$3.6 million.

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

GOVERNMENT WIDE FINANCIAL ANALYSIS (CONTINUED)

The decrease in deferred inflows of resources is due to a change in the deferred OPEB adjustments and deferred lease revenue.

The increase in unrestricted is due to the excess of revenues over expenses of \$1.9 million and the decrease of net investment in capital assets.

The increase in restricted is due to amounts received as part of new grant funding for North of Playa Habitat Conservation.

**Change in Net Position (Rounded to the nearest \$1,000)
Year Ended June 30**

	2023	2022	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,034,000	\$ 1,143,000	\$ (109,000)
Operating Grants and Contributions	303,000	149,000	154,000
Capital Grants and Contributions	52,000	12,000	40,000
General Revenues:			
Property Taxes	304,000	353,000	(49,000)
Sales and Transaction Taxes	7,118,000	6,598,000	520,000
Other Taxes	424,000	321,000	103,000
Investment Earnings (Loss)	255,000	(118,000)	373,000
Miscellaneous	41,000	-	41,000
Gain (Loss) on Disposal of Assets	-	(150,000)	150,000
Total Revenues	<u>9,531,000</u>	<u>8,308,000</u>	<u>1,223,000</u>
Expenses:			
General Government	1,807,000	1,428,000	379,000
Public Safety	3,803,000	2,797,000	1,006,000
Public Works	1,159,000	1,159,000	-
Planning	570,000	280,000	290,000
Building	40,000	155,000	(115,000)
Community Development	188,000	166,000	22,000
Parks	12,000	7,000	5,000
Interest on Long-Term Debt	3,000	5,000	(2,000)
Total Expenses	<u>7,582,000</u>	<u>5,997,000</u>	<u>1,585,000</u>
Change in Net Position	1,949,000	2,311,000	(362,000)
Net Position - Beginning of Year	<u>31,079,000</u>	<u>28,768,000</u>	<u>2,311,000</u>
Net Position - End of Year	<u><u>\$ 33,028,000</u></u>	<u><u>\$ 31,079,000</u></u>	<u><u>\$ 1,949,000</u></u>

The decrease of charges for services is due to a decrease in rental income as a result of GASB 87 leases receiving less payments current year.

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

GOVERNMENT WIDE FINANCIAL ANALYSIS (CONTINUED)

The growth in Sales and Transaction Use Taxes from FY 2021-2022 to FY 2022-2023 is attributable to several factors: (1) Inflationary impacts increasing the cost of goods and materials; (2) Growth in Sales Taxes and Transaction Use Tax in large part due to revenue generated by the new tax Measure L passed by voters in November 2022 which took effect in April 2023. (3) The City also passed a short-term rental ordinance in the first quarter of FY 2022-2023, which has resulted in increased revenue from Transient Occupancy Taxes.

The increase in general government expenses compared to the prior fiscal year is due in part to a reduction in expenditures for the prior fiscal year (FY 21-22) due to a savings to the City when the City Attorney, (Now the City Manager) served as Interim City Manager for approximately five months with no salary increase. In addition, due to the abrupt retirement of three main department heads in February of 2023, Planning, Finance and the City Clerk, the City experienced an increased expense from hiring activities as well as new contracted services in finance, city clerk and planning departments as the need to provide urgent services meant that consultants were needed on a temporary emergency basis and those consultants required time to understand the systems that have been in place with little to no assistance from prior department heads.

The increase in investment earnings is due to additional interest earned on the LAIF account.

The City's expenses in FY 2022-2023 increased compared to FY 2021- 2022 also in part due to supply chain issues in FY 2021-2022, resulting in items purchased in prior fiscal years being delivered in FY 2022-2023, as well as projects that had been moving forward over the past two fiscal years finally entering the construction stage, as well as the added expense of increases in costs associated with construction and labor.

The increase in public safety expense is due to the purchase of multiple patrol vehicles that had been ordered in prior years but due to supply chain issues arrived in FY 22-23 as well as an increase in salaries and benefits to police officers. Also, in the previous fiscal year (FY 2021-2022) expenditures were lower than normal due to the retirement of two police officers which also caused a reduction in compensated absence liability and pension liability. The FY 2022-2023 expenditures are comparable to the FY 2020-2021 expenditures for public safety when there were no major staffing changes in the department.

The increase in planning expenses is due to an increase in contracted service for Planning due to the abrupt departure of key staff and certain planning activities, which were overdue and in need of implementation in FY 2022-2023 such as the sixth cycle Housing Element.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the City's net investment in capital assets amounted to \$10.3 million (net of accumulated depreciation), a net increase of \$78,000 over the prior year due to depreciation offset by equipment purchases, and construction in progress. Capital assets included land, land improvements, infrastructure, buildings, equipment, right-to-use leased equipment, vehicles, furniture and fixtures, and construction in progress.

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Debt Administration

At June 30, 2023, the City had \$6.5 million in long-term liabilities. The net change to long-term liabilities was an increase of \$3.6 million, this increase in liabilities was due to a negative investment return for CalPERS pension obligations in FY 2021-2022.

FINANCIAL ANALYSIS OF THE 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 financing requirements.

At the end of the current fiscal year, the City's governmental funds reported a total fund balance of \$24.4 million. This fund balance includes a noncurrent receivable of \$9.7 million. The General Fund has an unassigned fund balance of \$14.5 million.

During the current fiscal year, the fund balance of the City's General Fund increased by \$1.8 million.

FUND BUDGETARY HIGHLIGHTS

General Fund

The City amended its budget twice during the fiscal year to reflect changes in projections of revenue and expenditures. Actual general fund revenues were less than those originally budgeted by \$329,000 and actual expenditures from the general fund were also under budget by \$2.2 million.

ECONOMIC FACTORS AND NEXT YEARS BUDGET

The City's revenue budget projections for the FY 2023-2024 show a general fund trending towards a budget surplus. This projected budget surplus is a result of an increase in revenues due to a Sales Tax and Transaction and Use Tax measure (Measure L) that was passed by Sand City voters in the November 2022 election. FY 2023-2024 will reflect the first full year of revenue generated by that tax measure.

Measure L raises the City's Transaction and Use Tax revenue by .5% to 1.5%. The increased revenue from Measure L is projected to be approximately \$4.5 million in FY 2023-2024. The City also passed a short-term rental ordinance in the first quarter of FY 2022-2023, which has resulted in increased revenue from Transient Occupancy Taxes which will continue in FY 2023-2024. Furthermore, the City is projecting an increase in revenues from business licenses in part due to the implementation of online business license administration and tax auditing with HdL, that will take effect in February 2024. Lastly, the City has been actively seeking grants from various state and federal agencies which will result in increased revenue in FY 2023-2024. These projections of increased revenues are despite the City facing a loss of lease payments from California American Water's lease of the Sand City desalination facility in the amount of \$850,000 annually.

The City's expenses in FY 2023-2024 are expected to increase compared to FY 2022-2023 as the City moves forward to complete several large capital improvement projects that are in the final construction stage, as well as the added expense of increases in costs associated with construction and labor. In addition, long overdue system updates such as new accounting software, improved IT systems, and desire from Council to move towards stronger code

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

ECONOMIC FACTORS AND NEXT YEARS BUDGET (Continued)

enforcement will result in an increase in the City's expenses. Other projected increases in expenses are due to the planning and implementation of new capital improvement projects that have been long contemplated but not initiated in prior fiscal years such as a bike and pedestrian trail on the TAMC right of way and a coastal access trail as well as certain planning department activities that are overdue and in need of being implemented in FY 2023-2024, such as the update of the City's general plan.

The City has continued to utilize Consultants and Contract Labor in several areas for assistance, in lieu of permanent employee additions to the payroll, such as building, planning, engineering, and information technology.

The South of Tioga project took several key steps forward in FY 2022-2023. Project site demolition commenced in FY 2021-2022 and was fully completed in Q2 of FY 2022-2023, with grading completed also in Q2 of FY 2022-2023, and public improvements close to being accepted by the City in Q3 of FY 2023-2024. The City has processed building permits for the first phase of the project, which consists of the construction of the hotel component. The project, which includes a 216-room hotel and a residential component that includes 356 units will ultimately be a positive revenue generator for the City through increased Transient Occupancy Tax revenue, though the revenue impacts will not be seen until FY 2024-2025, at the earliest.

Two other projects that have been projected to positively impact City revenues, Collections at Monterey Bay (King Ventures) and the Monterey Bay Shores Eco-Resort, are currently not projected to impact the FY 2023-2024 or 2024-2025 budgets. However, the City is confident that at some point these two projects will come to fruition. At this point, no projected revenues or expenses related to the two projects has been included in the 3-year projections.

Looking forward to FY 2023-2024 and 2024-2025, the budget will be developed in a financially uncertain time. The years ahead are difficult to plan due to the impacts from the war in Ukraine, and the middle east. With that in mind, the City's budgets will communicate what we think is the most fiscally responsible approach to funding operations and capital investments to best serve the Sand City community.

Staff will ensure that a balanced and fiscally responsible budget for FY 2023-2024 and 2024- 2025 that takes into account all information available in ever-changing times. Staff anticipate revenues and expenditures are such that we will have a positive operating reserve. This reserve will be available for operating contingencies, capital improvements, or service changes.

We will continue to monitor revenues and expenditures, and any additional modifications that may need to be made based on new available information. Future proposed budgets and capital improvements will do the following:

- Remain fiscally responsible
- Maintain a safe and healthy community Enhance economic vitality
- Deliver exceptional City services
- Invest in well-planned infrastructure and growth

**CITY OF SAND CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

ECONOMIC FACTORS AND NEXT YEARS BUDGET (Continued)

Staff will continue to look for opportunities to reduce expenses without impacting the level of service provided. We will continue to look for opportunities to increase revenues including the continued successful development of the South of Tioga project, a retail cannabis ordinance, and the continued investment into the West End and various infill projects.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Sand City, 1 Pendergrass Way, Sand City, California 93955.

BASIC FINANCIAL STATEMENTS

**CITY OF SAND CITY
STATEMENT OF NET POSITION
JUNE 30, 2023**

ASSETS

Cash and Cash Equivalents	\$ 3,296,339
Investments	12,066,054
Receivables	154,988
Prepays	4,975
Lease Receivable	166,955
Receivables from Other Governments	1,574,051
Loans Due from Successor Agency	9,730,825
Net OPEB Asset	1,181,287
Capital and Right-to-Use Assets, Net:	
Nondepreciable	2,441,967
Depreciable and Amortizable	<u>7,986,979</u>
Total Assets	<u>38,604,420</u>

DEFERRED OUTFLOWS OF RESOURCES

PERS Contributions	880,778
Deferred Pension Adjustments	2,333,615
Deferred OPEB Adjustments	<u>539,594</u>
Total Deferred Outflows of Resources	<u>3,753,987</u>

LIABILITIES

Accounts Payable	391,688
Due to Other Governments	542,222
Accrued Liabilities	12,930
Developer Deposit	25,000
Noncurrent Liabilities:	
Due Within One Year	157,434
Due in More Than One Year	<u>6,362,603</u>
Total Liabilities	<u>7,491,877</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Lease Revenue	888,157
Deferred Pension Adjustments	425,364
Deferred OPEB Adjustments	<u>524,302</u>
Total Deferred Inflows of Resources	<u>1,837,823</u>

NET POSITION

Net Investment in Capital Assets	10,349,446
Restricted for:	
Streets and Roads	166,735
OPEB Funding	1,196,579
Unrestricted	<u>21,315,947</u>
Total Net Position	<u><u>\$ 33,028,707</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SAND CITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Functions/Programs	Program Revenues				Net Revenue (Expenses) and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
General Government	\$ 1,807,184	\$ 967,385	\$ 1,475	\$ 51,791	\$ (786,533)
Public Safety	3,803,200	14,318	184,908	-	(3,603,974)
Public Works	1,158,950	17,118	17,362	-	(1,124,470)
Planning	570,179	8,308	65,000	-	(496,871)
Building	39,951	27,017	-	-	(12,934)
Community Development	187,195	-	-	-	(187,195)
Parks	11,777	-	33,964	-	22,187
Interest on Long-Term Debt	3,340	-	-	-	(3,340)
Total Governmental Activities	<u>\$ 7,581,776</u>	<u>\$ 1,034,146</u>	<u>\$ 302,709</u>	<u>\$ 51,791</u>	(6,193,130)
GENERAL REVENUES					
Taxes:					
Property Taxes, Levied for					
General Purposes					304,060
Sales Tax					3,622,075
Transaction tax					3,495,665
Transient Occupancy Tax					124,723
Utility User's tax					183,267
Franchise Taxes					117,472
Miscellaneous					41,294
Investment Earnings (Loss)					254,621
Total General Revenues					<u>8,143,177</u>
CHANGE IN NET POSITION					1,950,047
Net Position - Beginning of Year					<u>31,078,660</u>
NET POSITION - END OF YEAR					<u>\$ 33,028,707</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SAND CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General	Other Governmental Funds	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,131,173	\$ 165,166	\$ 3,296,339
Investments	12,066,054	-	12,066,054
Receivables	154,988	-	154,988
Lease Receivable	166,955	-	166,955
Receivables from Other Governments	1,572,596	1,455	1,574,051
Prepaid Expenses	4,975	-	4,975
Loans Due from Successor Agency	9,730,825	-	9,730,825
	<u>\$ 26,827,566</u>	<u>\$ 166,621</u>	<u>\$ 26,994,187</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 391,688	\$ -	\$ 391,688
Due to Other Governments	542,222	-	542,222
Accrued Liabilities	12,930	-	12,930
Developer Deposit	25,000	-	25,000
Total Liabilities	971,840	-	971,840
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	6,670	-	6,670
Deferred Interest on Successor Agency Loans	774,766	-	774,766
Deferred Lease Revenue	888,157	-	888,157
Total Deferred Inflows of Resources	1,669,593	-	1,669,593
FUND BALANCES			
Nonspendable	9,735,800	-	9,735,800
Restricted:			
Streets and Roads	-	166,735	166,735
Unassigned	14,450,333	(114)	14,450,219
Total Fund Balances	24,186,133	166,621	24,352,754
	<u>\$ 26,827,566</u>	<u>\$ 166,621</u>	<u>\$ 26,994,187</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 26,827,566</u>	<u>\$ 166,621</u>	<u>\$ 26,994,187</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SAND CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total Fund Balances - Governmental Funds	\$ 24,352,754
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Amounts reported in the statement of net position are different because:

Capital and Right-to-Use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,428,946
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Amounts paid to the trust for other postemployment benefits in excess of the required contributions, the net OPEB asset, are not financial resources and, therefore, are not reported in the funds.	1,181,287
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Other assets are not available to pay for the current period expenditures and, therefore, are deferred in the funds.	781,436
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Deferred outflows and inflows of resources associated with net pension and OPEB are not financial resources and, therefore, are not reported in the funds:	
Deferred Outflows	3,753,987
Deferred Inflows	(949,666)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(6,520,037)</u>
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Net Position of Governmental Activities as Reported on the Statement of Net Position	<u><u>\$ 33,028,707</u></u>
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CITY OF SAND CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General	Other Governmental Funds	Total
REVENUES			
Property Taxes	\$ 304,060	\$ -	\$ 304,060
Sales Tax	3,622,075	-	3,622,075
Transaction tax	3,495,665	-	3,495,665
Transient Occupancy Tax	124,723	-	124,723
Utility User's tax	183,267	-	183,267
Franchise Taxes	117,472	-	117,472
Business Licenses	655,275	-	655,275
Licenses and Permits	151,877	-	151,877
Fines, Forfeits, and Penalties	5,292	-	5,292
Charges for Current Services	89,288	-	89,288
Developer Reimbursements	53,481	313	53,794
Revenue from Other Agencies	321,915	86,116	408,031
Investment Earnings (Loss)	254,621	-	254,621
Rental Income	78,620	-	78,620
Other Revenue	41,294	-	41,294
Total Revenues	<u>9,498,925</u>	<u>86,429</u>	<u>9,585,354</u>
EXPENDITURES			
Current:			
General Government	1,781,035	-	1,781,035
Public Safety	3,783,273	312	3,783,585
Public Works	746,729	14,753	761,482
Planning	570,179	-	570,179
Building	39,951	-	39,951
Community Development	214,670	-	214,670
Parks	7,735	-	7,735
Debt Service:			
Principal	31,180	-	31,180
Interest and Other Charges	3,340	-	3,340
Capital Outlay	547,288	-	547,288
Total Expenditures	<u>7,725,380</u>	<u>15,065</u>	<u>7,740,445</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,773,545</u>	<u>71,364</u>	<u>1,844,909</u>
NET CHANGE IN FUND BALANCES	1,773,545	71,364	1,844,909
Fund Balances - Beginning of Year	<u>22,412,588</u>	<u>95,257</u>	<u>22,507,845</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 24,186,133</u></u>	<u><u>\$ 166,621</u></u>	<u><u>\$ 24,352,754</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF SAND CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

RECONCILIATION OF THE STATEMENT OF ACTIVITIES

Net Change in Fund Balances - Governmental Funds	\$ 1,844,909
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. In the current period these amounts are:

Capital Outlay	546,531
Current Year Depreciation and Amortization	(453,072)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(53,531)
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, it has no effect on net assets. In the current period the amount is:

Principal Payments on Long-Term debt	31,180
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated Absences	109,187
Current Year OPEB Cost Difference	191,522
Current Year Pension Cost Difference	(266,679)

Change in Net Position of Governmental Activities as Reported on the Statement of Activities	\$ 1,950,047
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CITY OF SAND CITY
STATEMENT OF FIDUCIARY NET POSITION (DEFICIT)
JUNE 30, 2023

ASSETS

Cash and Cash Equivalents	\$ 1,233,147
Investments	1,293,073
Capital Assets, Net, Nondepreciable	<u>1,100,000</u>
Total Assets	3,626,220

LIABILITIES

Developer Fees Received in Advance	1,455,000
Due to Other Government	127,330
Noncurrent Liabilities:	
Due Within One Year	705,000
Due in More Than One Year	<u>11,940,824</u>
Total Liabilities	14,228,154

DEFERRED INFLOWS OF RESOURCES

Deferred ROPS Revenue	<u>575,959</u>
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NET POSITION (DEFICIT)

Enforceable Obligations	<u>(11,177,893)</u>
Total Net Position (Deficit)	<u><u>\$ (11,177,893)</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF SAND CITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (DEFICIT)
YEAR ENDED JUNE 30, 2023

ADDITIONS

Property Taxes	\$ 1,391,368
Interest Income	29,999
Total Additions	<u>1,421,367</u>

DEDUCTIONS

Administrative Expenses	3,400
Legal Expenses	106,004
Contract Services	143,996
Interest Expense	99,838
Seaside Settlement	364,522
Total Deductions	<u>717,760</u>

NET INCREASE

703,607

Net Position (Deficit) - Beginning of Year

(11,881,500)

NET POSITION (DEFICIT) - END OF YEAR

\$ (11,177,893)

See accompanying Notes to Basic Financial Statements.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sand City (the City), California have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

A. Reporting Entity

The reporting entity of the City consists of all City departments. The City is a Charter City operating under a Mayor-Council-City Manager form of government. As required by GAAP, these financial statements present the City (the primary government) and its component units. The City's financial statements include one fiduciary component unit –

Successor Agency Trust Fund

Assembly Bill 1X 26 (the Bill) provided for the dissolution of all redevelopment agencies in the state of California. As allowed under the Bill, the City elected to serve as the Successor Agency to hold the assets until they are distributed to other units of state and local government. The Successor Agency Trust Fund meets the definition of a fiduciary component unit and is reported as a private-purpose trust fund. Separate financial statements are not available for the Successor Agency Trust Fund.

B. Basis of Presentation and Accounting

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The City has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The nonmajor funds are combined in a column in the fund financial statements.

CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation and Accounting (Continued)

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Ad valorem, franchise, and sales tax revenues are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with the prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

The City reports the following major governmental fund:

General Fund

Accounts for the City's primary services (Public Safety, Public Works, Parks, etc.) and is the primary operating unit of the City.

Additionally, the City reports the following fund type:

Fiduciary Funds

Fiduciary Funds include the Successor Agency. This fund was established as a result of the dissolution of the Redevelopment Agency and is used to account for assets held by the City in a trustee capacity.

D. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The City uses valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. For the fiscal year ended June 30, 2023, the application of valuation techniques applies to the City's financial statements has been consistent.

E. Cash, Cash Equivalents, and Investments

The City follows the practice of pooling cash and investments of all funds. Investments of the pooled cash consist of deposits with the Local Agency Investment Fund and are accounted for at fair market value. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on the average daily balance of cash of each fund. The City considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Receivables and Deferred Inflows of Resources

Receivables are amounts due representing revenues earned or accrued in the current period. Receivables which have not been remitted within 60 days subsequent to year-end are offset by deferred inflows of resources, and accordingly have not been recorded as revenue in the governmental fund. When the revenue becomes available, the revenue is recognized in the governmental fund.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables and Deferred Inflows of Resources (Continued)

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The allowance is based on an assessment of the current status of individual accounts. At June 30, 2023, the allowance was estimated to be zero.

G. Capital Assets

Property, facilities, equipment, and infrastructure purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at acquisition value at the time received. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 for equipment; \$25,000 for facilities and improvements; \$150,000 for infrastructure and all land; and an estimated useful life in excess of one year.

Property, facilities, equipment, and infrastructure is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 Years
Improvements	5 to 20 Years
Equipment	5 to 10 Years
Vehicles	8 Years
Furniture and Fixtures	10 Years
Infrastructure	20 to 50 Years

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

Unused paid time off (PTO), which includes vacation, sick, and comp time, may be accumulated up to 800 hours and is paid at the time of termination from City employment. Hours accumulated over the 800 hours are paid out as compensation at the end of each calendar year. PTO is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Interfund Activity

During the course of operations, transactions occur between individual funds that result in amounts owed between funds, which are classified as "Due to/from Other Funds." Eliminations have been made on the government-wide statements for amounts due to/from within the governmental funds.

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Pensions

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

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability/(asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

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

N. Net Position

The statement of net position presents the City's assets and deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories.

- **Net investment in capital assets.** Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted net position.** Results when constraints placed on net positions use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position.** Consist of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

O. Fund Balances

Fund balance classifications are based primarily on the extent to which the City is bound to honor constraints on the use of the resources reported in each governmental fund.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Balances (Continued)

The City reports the following classifications:

- **Nonspendable fund balance.** These amounts cannot be spent because they are either (a) not in spendable form, such as long-term receivables or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
- **Restricted fund balance.** These amounts are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance.** This represents amounts that can only be used for specific purposes as a result of constraints imposed by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking some type of action (passage of a resolution). Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the City Council. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions or enabling legislation.
- **Assigned fund balance.** Amounts intended to be used for specific purpose, but are neither restricted nor committed. Intent is expressed by (a) the City Administrator or (b) the City Council. The City Council has the authority to remove or change the assignment of the funds with a simple majority vote.
- **Unassigned fund balance.** This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When restricted and other fund balance resources are available for use, it is the City's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

P. Leases

Lessee

The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and an intangible right to use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$10,000 or more.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Leases (Continued)

Lessee (Continued)

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the City is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long term debt on the statement of net position.

Lessor

The City is a lessor for noncancellable leases of the desalination facility and cell tower site premises. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Leases (Continued)

Lessor (Continued)

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

- Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.
- The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

Q. Property Tax Levy, Collection, and Maximum Rates

State of California (State) Constitution Article 13 provides for a maximum general property tax rate statewide of \$1 per \$100 of assessed value. Assessed value is calculated at 100% of market value as defined by the above referenced Article 13. The State Legislature has determined the method of distribution of receipts from \$1 tax levy among counties, cities, schools, and other districts. Counties, cities, and school districts may levy such additional tax rates as necessary to provide for voter approved debt service.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Property Tax Levy, Collection, and Maximum Rates (Continued)

The County of Monterey assesses properties, bills for, and collects property taxes, as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation Dates	January 1	January 1
Lien/Levy Dates	July 1	July 1
Due Dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

The term “unsecured” refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed.

Property tax revenues are recorded in governmental funds as receivables and deferred revenues at the time the tax levy is billed. Current year revenues are those collected within the current period or soon enough thereafter to pay current liabilities, generally within 60 days of year-end. No allowance is provided for delinquent taxes as the lien is considered an enforceable legal obligation.

R. Use of Estimates

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

S. Adoption of New Accounting Standards

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The adoption of this standard had no significant impact on the financial statements.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS

A. Custodial Credit Risk-Deposits with Financial Institutions

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 California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provision, which 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. 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, 2023, \$3,334,260 of the City's bank balances of \$3,584,260 was exposed to custodial credit risk as uninsured, but it's collateralized by the pledging bank's trust department not in the City's name.

B. Custodial Credit Risk – Investments

Local Agency Investment Fund and certificates of deposit held with a local financial institution. All investments are recorded at fair value. 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. The fair value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by the public agencies. The investment of state pooled funds is governed by State law, by policies adopted by the Pooled Money Investment Board (PMIB) and by accepted norms for prudent fiduciary management of investments. PMIB funds may be invested in a wide range of interest-bearing securities, such as Treasury notes, prime commercial paper, certain California municipal and agency obligations, highly rated corporate bonds, obligations of such agencies as Fannie Mae, and negotiable certificates of deposit. Also allowed are time deposits in California banks, savings and loans, and credit unions that have not less than a "satisfactory" CRA rating. The value of each participating dollar equals the fair value divided by the amortized cost.

Investments at June 30, 2023 consisted of the following:

Local Agency Investment Fund	\$ 10,662,955
Certificates of Deposit	1,403,099
Total	<u><u>\$ 12,066,054</u></u>

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

B. Custodial Credit Risk – Investments (Continued)

As of June 30, 2023, all of the City's investments had a maturity of less than one year.

The fair value of the City's position in the State LAIF pool is the same as the value of the pool shares. The State LAIF pool credit quality is unrated. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

The State Treasurer's Office audits the fund annually.

The fair value measurement for the Certificates of Deposit are Level 1.

C. 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 City has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in the statutes.

D. Credit Risk

This is the risk of loss due to the failure of the security issues or backer. The City's policies to mitigate credit risk include:

- Limiting investment to the safest type of securities. As noted above, the California Government Code limits the investment vehicles available to local agencies. The credit risk of these securities is measured by the assignment of a rating by a nationally recognized statistical rating organization. The table below presents the rating for each investment type as provided by Standard & Poor's except as noted.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business.

The following table identifies the Standard & Poor's credit quality rating for those investments requiring this disclosure as of June 30, 2023:

- Rating A – Negotiable Certificates of Deposit - \$1,403,099
- Not Rated – State Local Agency Investment Fund - \$10,662,955

CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 RECEIVABLES

Amounts other than leases receivable are aggregated into a single accounts receivable line. At June 30, 2023 for the City's individual major funds and nonmajor fund in the aggregate are as follows:

	General	Other Governmental Funds	Total
Receivables:			
Accounts	\$ 68,960	\$ -	\$ 68,960
Interest	86,028	-	86,028
Total	<u>\$ 154,988</u>	<u>\$ -</u>	<u>\$ 154,988</u>
Other Governments:			
Sales Tax	\$ 600,712	\$ -	\$ 600,712
Transaction Tax	814,529	-	814,529
Gas Tax	-	1,455	1,455
Successor Agency	127,330	-	127,330
Grants	30,025	-	30,025
Total	<u>\$ 1,572,596</u>	<u>\$ 1,455</u>	<u>\$ 1,574,051</u>

NOTE 4 LOANS DUE FROM SUCCESSOR AGENCY

The Redevelopment Agency (the Agency) received loans from the City to pay its share of administrative expenses, to make payments on non-tax incremental borrowings, and to reimburse the City for payments made on Certificates of Participation in the principal amount of \$1,934,012 for the Operating Expenditure Loan and \$3,932,931 for the Seaside Loan. The Operating Expenditure Loan and Seaside Loan balances include \$1,934,012 and \$3,932,931 of principal and \$1,692,046 and \$717,068 of accrued interest, respectively. Upon dissolution of the Agency, these loans became the obligation of the Successor Agency. Balances as of June 30, 2023, are as follows:

Operating Expenses	\$ 3,626,058
Seaside Agreements	4,650,000
COP Reimbursement	<u>1,454,766</u>
Total	<u>\$ 9,730,824</u>

CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 CAPITAL AND RIGHT-TO-USE ASSETS

Capital and Right-to-Use asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 1,837,194	\$ -	\$ -	1,837,194
Construction In Progress	380,385	224,388	-	604,773
Total Capital Assets Not Being Depreciated	2,217,579	224,388	-	2,441,967
Capital and Right-to-Use Assets Being Depreciated/Amortized:				
Infrastructure	5,209,014	-	-	5,209,014
Land Improvements	441,563	-	-	441,563
Equipment	2,451,563	-	-	2,451,563
Right-to-Use Leased				
Equipment	93,621	-	-	93,621
Vehicles	618,199	322,143	-	940,342
Buildings	8,538,775	-	-	8,538,775
Furniture and Fixtures	114,514	-	-	114,514
Total Capital and Right-to-Use Assets Being Depreciated/ Amortized	17,467,249	322,143	-	17,789,392
Less: Accumulated Depreciation/ Amortization:				
Infrastructure	3,023,421	127,729	-	3,151,150
Land Improvements	438,923	2,639	-	441,562
Equipment	2,401,311	30,322	-	2,431,633
Right-to-Use Leased				
Equipment	31,207	31,207	-	62,414
Vehicles	571,987	50,526	-	622,513
Buildings	2,767,978	210,649	-	2,978,627
Furniture and Fixtures	114,514	-	-	114,514
Total Accumulated Depreciation/Amortization	9,349,341	453,072	-	9,802,413
Total Capital and Right-to-Use Assets Being Depreciated And Amortized, Net	8,117,908	(130,929)	-	7,986,979
Capital and Right-to-Use Assets, Net	<u>\$ 10,335,487</u>	<u>\$ 93,459</u>	<u>\$ -</u>	<u>\$ 10,428,946</u>

CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 CAPITAL AND RIGHT-TO-USE ASSETS (CONTINUED)

Depreciation and amortization expense for the year ending June 30, 2023 was charged to functions/programs of the primary government as follows:

General Government	\$ 44,526
Public Safety	26,831
Public Works	377,673
Parks	4,042
Total Depreciation Expense	<u>\$ 453,072</u>

NOTE 6 LEASES

Leases Receivable

The City, acting as lessor, leases the desalination facility to California-American Water Company (CAW) and site premises to control and operate a cell tower on City owned land to Crown Castle International Corp under long-term, noncancelable lease agreements. The leases expire at various dates through June 15, 2038. During the year ended June 30, 2023, the City recognized \$65,339 and \$5,676 in lease revenue and interest revenue, respectively, pursuant to these contracts. As of June 30, 2023, the City's receivable for lease payments was \$166,955. Also, the City has a deferred inflow of resources associated with these leases that will be recognized over the lease terms. As of June 30, 2023, the balance of deferred inflow of resources was \$888,157.

The future minimum lease payments to be received as of June 30, are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 20,413	\$ 5,025	\$ 25,438
2025	23,218	4,177	27,395
2026	24,100	3,295	27,395
2027	25,017	2,378	27,395
2028	12,208	1,590	13,798
Thereafter	61,999	8,001	70,000
Total	<u>\$ 166,955</u>	<u>\$ 24,466</u>	<u>\$ 191,421</u>

Lease Payable

The City leases police radio equipment under long-term, noncancelable lease agreement. The lease expires August 15, 2023. The annual principal and interest payments are \$34,520 with interest at 5.22% per annum.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 LEASES (CONTINUED)

Lease Payable (Continued)

The future minimum lease payments as of June 30, are as follows

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 32,808	\$ 1,712	\$ 34,520
Total	<u>\$ 32,808</u>	<u>\$ 1,712</u>	<u>\$ 34,520</u>

Right-to-use asset acquired through outstanding leases are shown below:

Equipment	\$ 93,621
Less: Accumulated Amortization	<u>62,414</u>
Total	<u>\$ 31,207</u>

NOTE 7 LONG-TERM LIABILITIES

General long-term liability balances and transactions for the fiscal year ended June 30, 2023 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease Payable	\$ 63,988	\$ -	\$ 31,180	\$ 32,808	\$ 32,808
Compensated Absences	627,724	50,783	159,970	518,537	124,626
Net Pension Liability	2,352,325	3,616,367	-	5,968,692	-
Total	<u>\$ 3,044,037</u>	<u>\$ 3,667,150</u>	<u>\$ 191,150</u>	<u>\$ 6,520,037</u>	<u>\$ 157,434</u>

In prior years, the General Fund has been used to liquidate compensated absences.

NOTE 8 PENSION PLAN

General Information about the Pension Plans

A. Plan Descriptions

All qualified permanent and probationary employees are eligible to participant in the City's separate Safety (police) and Miscellaneous (all other) Employee Pension Plans, cost-sharing, multiemployer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 PENSION PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

B. Benefits

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

The Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2.0% @ 55 3.0% @ 60	2.0% @ 62
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 - 55	52 - 67
Monthly Benefits, as a % of Eligible Compensation	2.0% - 2.7%	1.0% - 2.5%
Required Employee Contribution Rates	7.0% and 8.0%	6.75%
Required Employer Contribution Rates	10.880% and 15.250%	7.590%
	Safety	
	Prior to January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2.0% @ 50 3.0% @ 55	2.7% @ 57
Benefit Vesting Schedule	5 Years Service	5 Years Service
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50	50 - 57
Monthly Benefits, as a % of Eligible Compensation	3.0%	2.0% - 2.7%
Required Employee Contribution Rates	9.0%	13.0%
Required Employer Contribution Rates	19.250% and 21.790%	13.130%

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 PENSION PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

C. Contributions

Section 20814(c) of the California Public Employees' Retirement Law required that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions	\$ 411,443	\$ 469,335

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

As of June 30, 2023, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportionate Share of Net Pension Liability	\$ 2,959,247	\$ 3,009,445

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2023 and 2022, was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2022	0.02470 %	0.01879 %
Proportion - June 30, 2023	0.02562	0.02605
Change - Increase (Decrease)	0.00092	0.00726

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 PENSION PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

D. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2023, the City recognized pension expense of \$1,457,457. Pension expense is allocated to the functions based on full-time equivalents. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 183,977	\$ 72,482
Changes of assumptions	606,680	-
Difference Between Projected and Actual Investment Earnings	1,017,288	-
Change in Employer's Proportion	525,670	-
Differences Between Employer's Contributions and Proportionate Share of Contributions	-	352,882
Pension Contributions Made Subsequent to Measurement Date	880,778	-
Total	<u>\$ 3,214,393</u>	<u>\$ 425,364</u>

The \$880,778 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 557,763
2025	471,152
2026	257,899
2027	621,437
Total	<u>\$ 1,908,251</u>

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 PENSION PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

E. Actuarial Assumptions

The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous and Safety</u>
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality	Derived using CalPERS' membership data for all funds. The mortality rate includes 15 years of projected on-going mortality improvements using 80% scale MP-2020 published by the Society of Actuaries.
Post Retirement Benefit Increase	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies. 2.5% thereafter.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study can be found on the CalPERS website.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.9% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.9% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 PENSION PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

F. Discount Rate (Continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10
Global Equity - cap-weighted	30 %	4.45 %
Global Equity non-cap-weighted	12	3.84
Private Equity	13	7.28
Treasury	5	0.27
Mortgage-backed Securities	5	0.50
Investment Grade Corporates	10	1.56
High Yield	5	2.27
Emerging Market Debt	5	2.48
Private Debt	5	3.57
Real assets	15	3.21
Leverage	(5)	(0.59)
Total	100 %	

(a) An expected inflation of 2.30% used for this period.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 8 PENSION PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

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

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

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	5.90 %	5.90 %
Net Pension Liability	\$ 4,612,481	\$ 4,881,000
Current Discount Rate	6.90 %	6.90 %
Net Pension Liability	\$ 2,959,247	\$ 3,009,445
1% Increase	7.90 %	7.90 %
Net Pension Liability	\$ 1,599,045	\$ 1,479,872

H. Pension Plan Fiduciary Net Position

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

NOTE 9 DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457, through the California Public Employee's Retirement System (CalPERS) 457 Deferred Compensation Program. All employees of the City are eligible for the plan. Participation in the plan is optional. The funds of the plan are invested by the City, through CalPERS, as directed by and on behalf of the employees in various investment options.

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The City contracts with the Public Employees Retirement System (PERS) under the PERS Care Health Plan to provide benefits of the Meyer-Geddes State Employees' Medical and Hospital Care Act per Government Code Section 22850. The Plan provides employees and option members (City Council members and City Attorney) who retire directly from the City under CalPERS continuation of medical insurance benefits for them, one dependent and surviving spouse.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

A. Plan Description (Continued)

The City participates in the California Employer's Retiree Benefit Trust (CERBT) Fund, which is administered by CalPERS. CERBT is a tax-qualified irrevocable trust organized under IRC Section 115 and established to prefund retiree healthcare benefits. CERBT, an agent multiemployer trust, issues a publicly available financial report including GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, disclosure information in aggregate with other CERBT participating employers. That report can be obtained from the CalPERS website at www.calpers.ca.gov. The plan provides health benefits to all retired employees.

The Plan can be amended by action of the City Council on passing a resolution. The City pays premiums up to the PEMHCA Other Northern California PERS Care single party non-Medicare and Medicare eligible premiums at 100% for retirees and 50% for dependents and surviving spouses. For the fiscal year 2023, the non-Medicare premium was \$995 and the Medicare eligible was \$382. Retirees pay blended medical premiums rather than expected medical costs by age and gender and active premiums subsidize non-Medicare eligible retiree medical costs as implied subsidies.

B. Employees Covered

As of the June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Active Employees	23
Inactive Employees or Beneficiaries Current	
Receiving Benefits	9
Inactive Employees Entitled to But Not Yet	
Receiving Benefits	16
Total	<u>48</u>

C. Contributions

The obligations of the Plan members and the City are established by action of the City Council pursuant to the passing of a resolution. The annual contribution is based on the actuarially determined contribution, which is paid to the California Employer's Retiree Benefit Trust Program (CERBT). Cash subsidy and implied subsidy benefit payments and PEMCHA administrative fees are currently paid with City assets on a pay-as-you-go basis and are not reimbursed by CERBT. For the fiscal year ended June 30, 2023 pay-as-you-go payments were \$113,367 and the estimated implied subsidy was \$3,435 resulting in total payments of \$116,802.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

D. Net OPEB Liability/(Asset)

The City's net OPEB liability/(asset) was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation dated June 30, 2021 based on the following actuarial methods and assumptions:

Discount Rate	6.50%
Inflation	2.75%
Salary Increases	3.00% Annually
Investment Rate of Return	6.75%
Mortality	CalPERS 1997-2015 Experience Study
Retirement	CalPERS 1997-2015 Experience Study
Healthcare Trend Rate	7.00% Decreasing to 4.00%

The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	49 %	4.56 %
Fixed Income	23	1.56
TIPS	5	(0.08)
Commodities	3	1.22
REITs	20	4.06
Total	100 %	

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

E. Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

F. Changes in the Net OPEB Liability/(Asset)

The changes in the net OPEB liability/(asset) for the Plan are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balances - June 30, 2022	\$ 2,468,308	\$ 4,608,891	\$ (2,140,583)
Changes Recognized for Measurement Period:			
Service Cost	204,315	-	204,315
Interest	176,460	-	176,460
Difference Between Expected Changes of Assumptions	76,993	-	76,993
Contributions - Employer	-	117,116	(117,116)
Net Investment Income	-	(617,162)	617,162
Benefit Payments (Outside Trust)	(116,802)	(116,802)	-
Administrative Expense	-	(1,482)	1,482
Net Changes	<u>340,966</u>	<u>(618,330)</u>	<u>959,296</u>
Balances - June 30, 2023	<u>\$ 2,809,274</u>	<u>\$ 3,990,561</u>	<u>\$ (1,181,287)</u>

G. Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate

The following presents the net OPEB liability/(asset) of the City if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate, for the measurement period ended June 30, 2022:

	1% Decrease	Current Discount Rate (6.5%)	1% Increase
Net OPEB Liability/(Asset)	\$ (836,684)	\$ (1,181,287)	\$ (1,470,348)

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

H. Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability/(asset) of the City if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate, for the measurement period ended June 30, 2022:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability/(Asset)	\$ (1,393,409)	\$ (1,181,287)	\$ (988,901)

I. OPEB Plan Fiduciary Net Position

CERBT issues a publicly available financial report that may be obtained from California Employer's Retiree Benefit Trust Program at the CalPERS website.

J. Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net Difference Between Projected and Actual	
Earnings on OPEB Plan Investments	5 Years
All Other Amounts	Expected average remaining service lifetime (EARSL) (6.2 years at June 30, 2021)

K. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023, the City recognized OPEB expense/(income) of \$(57,050). As of the fiscal year ended June 30, 2023, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB Contributions Made Subsequent to Measurement Date	\$ 134,472	\$ -
Changes of Assumptions	64,161	87,182
Net Difference Between Projected and Actual Earnings	340,961	-
Difference Between Expected and Actual Experience	-	437,120
Total	<u>\$ 539,594</u>	<u>\$ 524,302</u>

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

**K. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB
(Continued)**

The \$134,472 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (121,379)
2025	(125,159)
2026	(41,581)
2027	159,735
2028	9,204
Total	<u>\$ (119,180)</u>

NOTE 11 JOINTLY GOVERNED ORGANIZATIONS

The City participates on the Boards of Community Human Services, a joint powers agency, Monterey Regional Waste Management District, the Monterey Peninsula Water Management District, Monterey Regional Water Pollution Control Agency, Monterey Peninsula Regional Water Authority, Monterey One Water, Association of Monterey Bay Area Governments, Transportation Agency for Monterey County, Seaside Groundwater Basin Watermaster, Seaside/Sand City Chamber of Commerce, the Monterey Peninsula Chamber of Commerce, League of California Cities, Monterey County Convention and Visitor's Bureau, Monterey County Business Council, Monterey County Mayor's Association, and Monterey Bay Area Self Insurance Authority. The Boards of these entities are comprised of representatives from local municipalities, districts, and unincorporated areas. The City made various disbursements to the organizations in the amount of \$642,118 for the fiscal year ended June 30, 2023.

NOTE 12 RISK FINANCING

The City is exposed to various risks of loss related to torts, thefts, damage to, or destruction of assets; errors and omissions; injuries to workers; and natural disasters. These risks are covered by a combination of commercial insurance purchased from independent third parties and participation in the Monterey Bay Area Self Insurance Authority (MBASIA), which is a public entity risk pool. There have not been any significant reductions in insurance coverage as compared to the previous year. Settled claims from these risks have not exceeded commercial coverage for the past three fiscal years.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 RISK FINANCING (CONTINUED)

MBASIA was formed under a joint powers agreement (JPA) pursuant to California Government Code Section 6500 et seq. effective July 1, 1982. MBASIA is administered by a Board of Directors consisting of thirteen members appointed by the cities participating. The Board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by member cities beyond their representation on the Board. Each member city pays a premium commensurate with the amount of predicted losses and shares surpluses and deficits proportionate to their participation in the JPA.

NOTE 13 COMMITMENTS AND CONTINGENCIES

In the fiscal year ending June 30, 2023, the City has various service and project contracts totaling \$2,691,944, of which \$2,176,070 on contract commitments still remained as of June 30, 2023.

NOTE 14 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (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 Sand City that previously had 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 October 18, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number SC-11-104. Accordingly, the City established the Successor Agency Trust fund, a private-purpose trust fund, which is a fiduciary type fund.

Subject to the control of an established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution. In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the Successor Agency trust under the requirements of the Bill. On November 16, 2022, the Successor Agency filed a petition for writ of mandate against the California Department of Finance for the repayment of a loan to the City that the Successor Agency believes is an enforceable obligation, but which has been denied by the California Department of Finance. This dispute will be resolved by the court.

Following are disclosures specific to the Successor Agency Trust Funds:

A. Deposits and Investments

Custodial Credit Risk-Deposits

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 California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the provision, which 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. 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2023, \$983,143 of the Fiduciary Fund's bank balances of \$1,233,143 was exposed to custodial credit risk as uninsured, but it's collateralized by the pledging bank's trust department not in the City's name. All cash held by the Fiduciary Fund must be used to repay enforceable obligations.

Custodial Credit Risk Investments

The Fiduciary Fund investments consist of money market funds and certificates of deposit held with various financial institutions. All investments are recorded at fair value. 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. The fair value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by the public agencies. Investments at June 30, 2023 consisted of the following:

Money Market Funds	\$ 217,551
Certificates of Deposit	<u>1,075,522</u>
Total	<u><u>\$ 1,293,073</u></u>

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

**NOTE 14 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT
AGENCY (CONTINUED)**

A. Deposits and Investments (Continued)

Custodial Credit Risk Investments (Continued)

As of June 30, 2023, all of the Fiduciary Fund's investments had a maturity of less than one year.

The fair value measurement for the Certificates of Deposit are Level 1. The Money Market Funds are not subject to fair value hierarchy.

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 City has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in the statutes.

Credit Risk

This is the risk of loss due to the failure of the security issues or backer. The City's policies to mitigate credit risk include:

- Limiting investment to the safest type of securities. As noted above, the California Government Code limits the investment vehicles available to local agencies. The credit risk of these securities is measured by the assignment of a rating by a nationally recognized statistical rating organization. The table below presents the rating for each investment.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business.

The following table identifies the Standard & Poor's credit quality rating for those investments requiring this disclosure as of June 30, 2023:

- Rating A – Negotiable Certificates of Deposit - \$1,075,522
- Not Rated – Money Market Fund - \$217,551

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

B. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 1,100,000	\$ -	\$ -	\$ 1,100,000
Capital Assets Being Depreciated:				
Land Improvements	182,631	-	-	182,631
Sculpture	40,218	-	-	40,218
Total Capital Assets Being Depreciated	222,849	-	-	222,849
Less: Accumulated Depreciation for:				
Land Improvements	182,631	-	-	182,631
Sculpture	40,218	-	-	40,218
Total Accumulated Depreciation	222,849	-	-	222,849
Total Capital Assets Being Depreciated, Net	-	-	-	-
Capital Assets, Net	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>

C. Developer Fees Received in Advance

The former Redevelopment Agency entered into a Disposition and Development Agreement (DDA) with a developer that required the developer to pay certain negotiation fees. In the event that the DDA is terminated by either party, the DDA requires a portion of the fees in the amount of \$1,455,000 be refunded to the developer. The fees subject to refund will not be earned until the property connected with the DDA is conveyed to the developer, at which time the fees will be recognized as revenue.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

D. Long-Term Debt

Taxable Tax Allocation Bonds, 2008 Series B

Taxable Tax Allocation Bonds, 2008 Series B in the amount of \$2,135,000 were issued January 30, 2008 at a discount of \$50,916, to help finance redevelopment activities within and for the benefit of the Sand City Redevelopment Project. The Bonds consist of Term Bonds as follows: \$465,000 at a 4.75% interest rate, due November 1, 2013, \$720,000 at a 5.50% interest rate, due November 1, 2018 and \$950,000 at a 5.75% interest rate, due November 1, 2023. Interest on the Bonds is payable semi-annually on each May 1 and November 1, commencing May 1, 2008. All Bonds are subject to mandatory redemption, in part by lot, from sinking account payments scheduled to begin November 1, 2010 and ending November 1, 2023 at a redemption price equal to the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption. The Bonds are payable solely from tax increment revenue, which has been pledged for repayment of the Bonds.

2017 Subordinate Tax Allocation Refunding Bonds 2017

Subordinate Tax Allocation Refunding Bonds in the amount of \$4,690,000 were issued August 10, 2017 to advance refund the Tax Allocation Bonds, 2008 Series A bonds. The Bonds consist of coupon bonds with a price of \$115,000 at an interest rate of 2.85%. Interest on the Bonds is payable semi-annually on each May 1 and November 1, commencing November 1, 2017.

The Bonds are subject to mandatory sinking fund redemption in part by lot on November 1, 2017, and on each November 1st thereafter, to and including November 1, 2027. The Bonds are not subject to optional redemption prior to maturity. The Bonds are payable solely from tax increment revenue, which has been pledged for repayment of the Bonds.

Loans from the City

The former Redevelopment Agency received loans from the City to pay its share of administrative expenses and make payments on non-tax increment borrowings. The City accrued interest at a rate of 7% on these advances. The Successor Agency has prepared a repayment schedule in accordance with Health and Safety Code Section 34191.4, which was submitted to both the Oversight Board for the County of Monterey and the California Department of Finance. In the year ending June 30, 2013, interest on these loans was recalculated based on the average Local Agency Investment Fund rate of return for the period in which the loans existed as required by Assembly Bill 1484, on the principal amount of \$1,934,012 for the Operating Expenditure Loan and \$3,932,931 for the Seaside Loan. The Operating Expenditure Loan and Seaside Loan balances include \$1,934,012 and \$3,932,931 of principal and \$1,692,046 and \$717,068 of accrued interest, respectively.

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 14 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

D. Long-Term Debt (Continued)

Reimbursements Payable

The City issued Certificates of Participation (Certificates) to refinance certain real property legally owned by the former Redevelopment Agency. Under a Reimbursement Agreement with the City, the former Redevelopment Agency agreed to reimburse the City for all the Base Rental Payments made by the City to the Trustee of Certificates. The Reimbursements were to be made from available monies of the former Redevelopment Agency; therefore, no formal repayment schedule is in place at this time.

Long-term debt balances and transactions for the fiscal year ended June 30, 2023 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds, Loans, and Reimbursements:					
2008 Series B	\$ 410,000	\$ -	\$ 200,000	\$ 210,000	\$ 210,000
2017 Subordinate Tax Allocation Refunding Bonds	3,050,000	-	345,000	2,705,000	495,000
Subtotal	3,460,000	-	545,000	2,915,000	705,000
Loans from the City:					
Operating Expenditures	3,626,058	-	-	3,626,058	-
Seaside	4,650,000	-	-	4,650,000	-
Subtotal	8,276,058	-	-	8,276,058	-
Reimbursement due to City	1,454,766	-	-	1,454,766	-
Total Bonds, Loans, and Reimbursements	<u>\$ 13,190,824</u>	<u>\$ -</u>	<u>\$ 545,000</u>	<u>\$ 12,645,824</u>	<u>\$ 705,000</u>

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Series B Bonds		2017 Refunding Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 210,000	\$ -	\$ 495,000	\$ 70,039
2025	-	-	680,000	53,295
2026	-	-	695,000	33,701
2027	-	-	720,000	13,538
2028	-	-	115,000	1,639
Total	<u>\$ 210,000</u>	<u>\$ -</u>	<u>\$ 2,705,000</u>	<u>\$ 172,212</u>

**CITY OF SAND CITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

**NOTE 14 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT
AGENCY (CONTINUED)**

E. Deferred ROPS Revenue

The deferred ROPS revenue represents Real Property Tax Transfer Funds (RPTTF) received in advance for future obligation payments. The revenue will be recognized in the period in which the obligation payments are made. At June 30, 2023, this amount was \$575,959.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAND CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL
YEAR ENDED JUNE 30, 2023

	Budget Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Property Taxes	\$ 148,500	\$ 140,700	\$ 304,060	\$ 163,360
Sales Tax	3,441,000	3,592,000	3,622,075	30,075
Transaction tax	2,922,000	3,321,000	3,495,665	174,665
Transient Occupancy Tax	15,000	120,000	124,723	4,723
Franchise/Users Taxes	255,500	275,500	300,739	25,239
Business Licenses	551,000	660,500	655,275	(5,225)
Licenses and Permits	66,700	29,800	151,877	122,077
Fines, Forfeits, and Penalties	22,870	18,270	5,292	(12,978)
Charges for Current Services	75,400	54,600	89,288	34,688
Developer Reimbursements	-	-	53,481	53,481
Revenue from Other Agencies	1,038,400	1,297,061	321,915	(975,146)
Investment Earnings (Loss)	32,850	209,050	254,621	45,571
Rental Income	17,200	19,000	78,620	59,620
Other Revenue	49,150	90,572	41,294	(49,278)
Total Revenues	8,635,570	9,828,053	9,498,925	(329,128)
EXPENDITURES				
Current:				
General Government	1,537,240	1,659,780	1,781,035	(121,255)
Public Safety	3,775,370	3,933,540	3,783,273	150,267
Public Works	1,597,200	3,288,686	746,729	2,541,957
Planning	293,970	298,445	570,179	(271,734)
Building	172,600	105,000	39,951	65,049
Community Development	360,000	306,250	214,670	91,580
Parks	11,500	11,000	7,735	3,265
Debt Service:				
Principal	-	31,180	31,180	-
Interest and Other Charges	-	3,340	3,340	-
Capital Outlay	335,300	316,800	547,288	(230,488)
Total Expenditures	8,083,180	9,954,021	7,725,380	2,228,641
NET CHANGE IN FUND BALANCE	\$ 552,390	\$ (125,968)	\$ 1,773,545	\$ 1,899,513

See accompanying Notes to Required Supplementary Information.

CITY OF SAND CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 BUDGETARY DATA

The City legally adopts an annual budget for the General Fund. The City adopts the budget before June 30 for each ensuing fiscal year.

Budgets submitted to the Council include both proposed appropriations and the means of financing them. A mid-year budget review is performed, and the budget is amended by passage of a resolution. Additional appropriations or interfund transfers not included in the amended budget resolution must be approved by the City Council.

All budgets have been prepared on a basis consistent with generally accepted accounting principles, which is the same basis of accounting as used to reflect actual revenues and expenditures.

Appropriations lapse at each fiscal year end and then are re-budgeted for the coming fiscal year. Encumbrance accounting is not used.

**CITY OF SAND CITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
MISCELLANEOUS PLAN
LAST TEN YEARS***

Measurement Period:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the Net Pension Liability	0.02562%	0.02470%	0.02435%	0.02470%	0.06325%	0.07161%	0.07225%	0.07699%	0.03280%
Proportionate Share of the Net Pension Liability	\$ 2,959,247	\$ 1,335,879	\$ 2,648,872	\$ 2,531,795	\$ 2,383,530	\$ 2,823,013	\$ 2,516,961	\$ 2,112,302	\$ 2,041,105
Covered Payroll	\$ 1,162,410	\$ 997,179	\$ 981,708	\$ 980,084	\$ 968,615	\$ 964,572	\$ 973,812	\$ 957,621	\$ 979,700
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	254.58%	133.97%	269.82%	258.32%	246.08%	292.67%	258.46%	220.58%	208.34%
Plan's Fiduciary Net Position	\$16,770,671,339	\$18,065,791,524	\$14,702,361,183	\$ 13,979,687,268	\$13,122,440,092	\$12,074,499,781	\$ 10,923,476,287	\$ 10,896,036,068	\$10,639,461,174
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	78.19%	90.49%	77.71%	77.73%	77.69%	75.39%	75.87%	79.89%	81.15%

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore, only nine years are shown.

**Changes of assumptions:

The discount rate to measure net pension liability was 7.5% as of June 30, 2014, 7.65% as of June 30, 2015 and 2016, 7.15% as of June 30, 2017 through 2021, and reduced to 6.90% as June 30, 2022.

The inflation rate to measure the net pension liability was 2.75% as of June 30, 2014, 2015, 2016 and 2017, 2.50% as of June 30, 2018, 2019, 2020, and 2021 and was reduced to 2.30% as of June 30, 2022.

**CITY OF SAND CITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY –
SAFETY PLAN
LAST TEN YEARS***

Measurement Period:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the Net Pension Liability	0.02605%	0.01879%	0.02234%	0.02104%	0.03322%	0.03447%	0.04925%	0.03227%	0.02186%
Proportionate Share of the Net Pension Liability	\$ 3,009,445	\$ 1,016,446	\$ 2,430,990	\$ 2,155,679	\$ 1,949,412	\$ 2,059,738	\$ 1,744,395	\$ 1,329,846	\$ 1,360,244
Covered Payroll	\$ 1,182,129	\$ 1,521,503	\$ 1,523,485	\$ 1,517,774	\$ 1,346,212	\$ 1,306,040	\$ 1,179,383	\$ 1,095,485	\$ 1,018,285
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	254.58%	66.81%	159.57%	142.03%	144.81%	157.71%	147.91%	121.39%	133.58%
Plan's Fiduciary Net Position	\$ 21,204,498,824	\$ 22,700,862,352	\$18,120,140,152	\$17,199,729,799	\$ 13,782,056,004	\$15,169,595,595	\$ 13,782,056,004	\$14,011,269,803	\$13,968,041,341
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	75.53%	86.61%	73.12%	73.37%	72.69%	71.74%	72.69%	77.27%	78.83%

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore, only nine years are shown.

**Changes of assumptions:

The discount rate to measure net pension liability was 7.5% as of June 30, 2014, 7.65% as of June 30, 2015 and 2016, 7.15% as of June 30, 2017 through 2021, and reduced to 6.90% as June 30, 2022.

The inflation rate to measure the net pension liability was 2.75% as of June 30, 2014, 2015, 2016 and 2017, 2.50% as of June 30, 2018, 2019, 2020, and 2021 and was reduced to 2.30% as of June 30, 2022.

**CITY OF SAND CITY
SCHEDULE OF CONTRIBUTIONS –
MISCELLANEOUS PLAN
LAST TEN YEARS***

	Fiscal Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 411,443	\$ 409,249	\$ 380,620	\$ 360,507	\$ 322,974	\$ 602,399	\$ 284,073	\$ 272,359	\$ 232,159
Contributions in Relation to the Actuarially Determined Contributions	411,443	409,249	380,620	360,507	322,974	602,399	284,073	272,359	232,159
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,066,438	\$ 1,162,410	\$ 997,179	\$ 981,707	\$ 980,084	\$ 968,615	\$ 964,572	\$ 973,812	\$ 957,621
Contributions as a Percentage of Covered Payroll	38.58%	35.21%	38.17%	36.72%	32.95%	62.19%	29.45%	27.97%	24.24%

*This schedule is intended to show information for 10 years. Fiscal year 2015 was the first year of implementation; therefore, only nine years are shown. Additional years' information will be displayed as it becomes available.

**CITY OF SAND CITY
SCHEDULE OF CONTRIBUTIONS –
SAFETY PLAN
LAST TEN YEARS***

	Fiscal Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 469,335	\$ 435,826	\$ 448,851	\$ 392,595	\$ 367,990	\$ 404,055	\$ 274,606	\$ 213,436	\$ 214,913
Contributions in Relation to the Actuarially Determined Contributions	469,335	435,826	448,851	392,595	367,990	404,055	274,606	213,436	214,913
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,216,490	\$ 1,182,129	\$ 1,521,503	\$ 1,523,485	\$ 1,517,774	\$ 1,346,212	\$ 1,306,040	\$ 1,179,383	\$ 1,095,485
Contributions as a Percentage of Covered Payroll	38.58%	32.01%	29.50%	25.77%	24.25%	30.01%	21.03%	18.10%	19.62%

*This schedule is intended to show information for 10 years. Fiscal year 2015 was the first year of implementation; therefore, only nine years are shown. Additional years' information will be displayed as it becomes available.

CITY OF SAND CITY
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY/(ASSET) AND RELATED RATIOS
LAST TEN YEARS*

Measurement Period:	2022	2021	2020	2019	2018	2017
Total OPEB Liability:						
Service Cost	\$ 204,315	\$ 181,403	\$ 180,004	\$ 248,439	\$ 241,203	\$ 234,000
Interest on the Total OPEB Liability	176,460	172,776	158,964	202,924	178,950	157,000
Actual and Expected Experience Difference	-	(183,940)	-	(858,688)	-	-
Changes in Assumptions	76,993	-	(52,022)	(95,578)	-	-
Changes in Benefit Terms	-	(37,249)	-	-	-	-
Benefit Payments	(116,802)	(85,858)	(81,571)	(78,257)	(66,192)	(83,000)
Net Change in Total OPEB Liability	340,966	47,132	205,375	(581,160)	353,961	308,000
Total OPEB Liability - Beginning	2,468,308	2,421,176	2,215,801	2,796,961	2,443,000	2,135,000
Total OPEB Liability - Ending (a)	2,809,274	2,468,308	2,421,176	2,215,801	2,796,961	2,443,000
Plan Fiduciary Net Position:						
Contributions - Employer	117,116	86,077	81,784	78,451	316,453	2,733,000
Net Investment Income	(617,162)	994,521	123,517	203,252	224,625	173,000
Benefit Payments	(116,802)	(85,858)	(81,571)	(78,257)	(66,192)	(83,000)
Administrative Expense	(1,482)	(1,588)	(1,951)	(900)	(5,502)	(1,000)
Net Change in Plan Fiduciary Net Position	(618,330)	993,152	121,779	202,546	469,384	2,822,000
Plan Fiduciary Net Position - Beginning	4,608,891	3,615,739	3,493,930	3,291,384	2,822,000	-
Plan Fiduciary Net Position - Ending (b)	3,990,561	4,608,891	3,615,709	3,493,930	3,291,384	2,822,000
Net OPEB Liability/(Asset) - Ending (a)-(b)	<u>\$ (1,181,287)</u>	<u>\$ (2,140,583)</u>	<u>\$ (1,194,533)</u>	<u>\$ (1,278,129)</u>	<u>\$ (494,423)</u>	<u>\$ (379,000)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	142.05%	186.72%	149.34%	157.68%	117.68%	115.51%
Covered-Employee Payroll	\$ 2,282,066	\$ 2,405,581	\$ 2,505,193	\$ 2,497,858	\$ 2,314,827	\$ 2,270,612
Net OPEB Liability/(Asset) as a Percentage of Covered-Employee Payroll	51.76%	88.98%	47.68%	51.17%	21.36%	16.69%

Notes to Schedule:

*This schedule is intended to show information for 10 years. Fiscal year 2017 was the first year of implementation; therefore, only six years are shown. Additional years' information will be displayed as it becomes available.

**CITY OF SAND CITY
SCHEDULE OF CONTRIBUTIONS –
OPEB
LAST TEN YEARS***

	Fiscal Year					
	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 29,669	\$ 79,024	\$ 78,752	\$ 239,000	\$ 232,000	\$ 225,000
Contributions in Relation to the Actuarially Determined Contributions	<u>(134,472)</u>	<u>(117,116)</u>	<u>(86,077)</u>	<u>(81,784)</u>	<u>(78,451)</u>	<u>(83,000)</u>
Contribution Deficiency (Excess)	<u>\$ (104,803)</u>	<u>\$ (38,092)</u>	<u>\$ (7,325)</u>	<u>\$ 157,216</u>	<u>\$ 153,549</u>	<u>\$ 142,000</u>
Covered Payroll	\$ 2,639,436	\$ 2,282,066	\$ 2,405,581	\$ 2,505,193	\$ 2,497,858	\$ 2,314,827
Contributions as a Percentage of Covered Payroll	5.09%	5.13%	3.58%	3.26%	3.14%	3.59%

* This schedule is intended to show information for 10 years. Fiscal year 2018 was the first year of implementation; therefore, only six years are shown. Additional years' information will be displayed as it becomes available.

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council Members
City of Sand City
Sand City, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Sand City, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Sand City's basic financial statements, and have issued our report thereon dated REPORT DATE.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sand City's internal control over financial reporting (internal control) as basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Sand City's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sand City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Honorable Mayor and City Council Members
City of Sand City

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sand City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Roseville, California
REPORT DATE

**AGENDA ITEM
10B.**

**Approve a Resolution to Approve the Use
of Sand City's 2019 PLHA Grant Funding to
Develop Renderings and Perform a
Financial Analysis of Affordable Artist
Live/Work Units at the Art Park Site**



City of Sand City

STAFF REPORT

TO: Honorable Mayor and City Council
FROM: Esme Wahl, Contract City Planner
SUBJECT: Art Park – Land Use “Visioning” Workshop
DATE: February 20, 2023

BACKGROUND/DISCUSSION:

The Carroll Property (herein referred to as the “Art Park”) is a city-owned parcel within Sand City’s west-end district and is an integral part of Sand City’s identity as an artist community. The Art Park is currently used as an event space for the monthly 831 Night Market, for occasional drumming lessons, and is also available for rent to be used as an event space for community members.

The Art Park is one of the few City-owned parcels within Sand City and has a Planned-Mixed Use (MU-P) zoning designation and a land use designation of Mixed-Use (MU-D). As a city-owned site, the Art Park has the potential to serve City-identified community needs and to play a part in the City’s efforts to catalyze development in the area. In recent years, Sand City has been transitioning from a predominately industrial area to an artist community within the City’s west-end district. There have been a number of planning documents which have proposed different ideas for the future use of the Art Park, including the Sand City Vibrancy Plan, the West End Parking Plan, and the 6th Cycle Housing Element. The goal is to develop the Art Park in a way which maintains its current use as a community-hub and event space, while also developing the space in a way that brings liveliness to the area and achieve community needs such as housing, parking, community or retail space.

The City has the opportunity to capitalize on the potential for this vacant parcel, in the heart of Sand City’s Vibrancy Area, to catalyze other development in the West End District and become the center piece for the Arts Community. The site should be developed with an outstanding landmark building that defines and enlivens the area, catalyzes future redevelopment, and meets practical needs. The goal of the City Council workshop is to share short-, medium-, and long-term ideas for the Art Park and to gain direction from City Council on the preferred vision for the Art Park site.

The Sand City Vibrancy Plan envisions developing the Art Park with retail and restaurants on the first floor, parking on the second floor, and open-space civic uses on the third floor. The Sand City West End Parking Plan aligns with this, and states that the Carroll Property was purchased with the purpose of providing parking. The City Engineer has estimated that the Art Park could accommodate 25 surface parking spaces. The 6th Cycle Housing

Element identifies the Art Park in the Site Inventory and assigns 16 affordable units and some parking to the space, while maintaining outdoor community event space.

Site Description:

The Art Park is an L-shaped lot located on the corner of Contra Costa Street and Redwood Avenue and partially fronting Ortiz Avenue. The Art Park includes two parcels. One parcel is located on the corner of Contra Costa Street and Redwood Avenue and is a 7,631 square-foot paved, undeveloped, open-air lot. The parcel fronting Ortiz Avenue is 7,515 square feet and is developed with a city-owned warehouse.

Adjacent to the Art Park is a 5,661 square-foot site located on the corner of Contra Costa Street and Elder Avenue. This site is currently owned by A&R Plumbing. Integration and development of this site is included in some of the future ideas below.

Current Uses:

The Art Park currently hosts the Night Market 831, which is a free community gathering of food, art, music, and drinks on the First Friday of every month from 5pm to 9pm. The Art Park is also used occasionally by local artist Jayson Fann for drumming lessons. Additionally, the Art Park is used as space for vendors and for seating during the annual West End Celebration. The Art Park also houses a building, which is used by the City of Sand City for public works storage.

Currently, the Art Park is available to be rented out for use as event space and the City maintains a fee schedule and a reservation request form. In the past, the Art Park has been used by community members to host a variety of events including theatrical performances, music lessons, Indigenous Peoples Day celebration, fundraisers, etc. The Art Park is rented out approximately 18 days per year and has brought the City less than \$1,000 in revenue for the past two years.

The Art Park is an underutilized, city-owned space that has the potential to bring more color to Sand City's West-End District core with more frequent use.

Short-term uses:

Goal: Increase frequency of existing uses.

Increasing the frequency of the existing uses is a short-term goal, because it would require a low level of investment and would result in more community events and more income to the City.

Potential Ideas:

1. Hire an outside event planner to take over the scheduling of the Art Park events as the City is too short staffed to do so and Public Works cannot keep-up with regular events.

2. Upgrade the existing on-site conex to conditioned space per the Building Code. Once rehabbed as conditioned space, the conex container could be used as an indoor space to be rented out.
3. Advertise the space for use on the new City website and in other locations (e.g. arts section of local newspapers, Monterey County Economic Development page, the West End Celebration, and other City events, etc).

Medium-term uses:

Goal: Add additional regular temporary events.

Adding additional temporary events is a medium-term goal because it would build-off the current infrastructure to add more vibrancy to this underutilized space. An event coordinator would be required for adding additional events.

Potential Ideas:

1. Farmers Market
2. Movie Nights
3. Art or Music Day (or Night) once per month

Long-term uses:

Goal: Maintain the existing open-space event use of the Art Park while also utilizing the City-owned space to meet the demands of the City and bring vibrancy to the West-End District core.

The following ideas will balance partial development of the Art Park with its continued use as event-space:

Idea 1) Affordable Live/Work Artist Units

As the City is aware, affordable housing is a crisis in the Monterey Bay area and throughout the State of California. Sand City's 6th Cycle Housing Element identifies the Art Park as a site able to accommodate 16 affordable units (8 extremely-low income and 8 low-income). To accommodate these units, the idea is that 60% of the Art Park's open space would be retained as is, with the rest developed with a mixed-use building (see Exhibit B, Art Park Artist Live/Work Units). The ground-level floor of the mixed-use building would include an art gallery and workshop for artists in the community and for residents of the building to use. The art gallery would open up to the Art Park, and would be opened during events. Affordable live/work units would be built above the gallery space and workshop.

The Art Gallery would have roll-up doors and would open up to the retained open-space area of the Art Park during events and could accommodate vendor tables or live entertainment. Additionally, the Art Gallery would serve as an interactive experience for community members to view and purchase art from artists working and living in Sand City. This use would maintain the current use of the Art Park while also enriching the use of the space by allowing it to be used by artists daily, instead of monthly.

The ground-floor workshop space would include art studios for ceramics, painting, wood working, etc that could be rented out and used by residents of the building. This approach is similar to the Tannery Art Center in Santa Cruz which is home to twenty-eight commercial rate art studios and one hundred affordable residential apartments. Learn more about the Tannery Arts Center [here](#).

The Housing Element Survey shows community interest in living in Sand City and identifies the number one barrier as lack of housing. This long-term idea would maintain the current uses of the Art Park and would build off what exists now to enrich Sand City's identity as an artist community by providing housing and workshop/gallery space for artists to live and work in.

The City has the opportunity to use its 2019 PLHA Grant funds to hire an architecture firm to develop renderings and a financial feasibility analysis to explore the development of the live/work unit idea.

Idea 2) Parking, Retail, and Event Space

As envisioned by the Sand City Vibrancy Plan, the ground level of the Carroll property at Contra Costa Street and Ortiz Avenue is well-situated for a retail or restaurant/entertainment use. Due to a slight grade change to Redwood Avenue, a second level could be constructed as a public parking garage with minimal ramping. Consideration should be given to utilizing an upper (third) level for a civic use, potentially mixed with commercial uses such as retail establishments and a restaurant that could provide outdoor seating. (See Exhibit B, Art Park Retail, Parking and Event Space)

Idea 3) Public Satellite Library or Community Center

Similar to Idea 1 or 2 above, the Art Park could be developed to include a ground floor public library (satellite branch to the nearby planned County library in Seaside) or community center; second floor parking accessed by Redwood Avenue; and top floor event space; or a public satellite library could be integrated into the ground floor retail or artist spaces in either scenario 1 or 2. This would generate a need for staffing and a budget to purchase materials.

Idea 4) Other Ideas

The purpose of the City Council workshop is to solicit ideas from the Council and the public.

It is noted that all of the long-term development ideas would result in the displacement of the existing public works building. The City has identified the Sand City Public Works Yard at 320 Elder Avenue as a potential location to build a new public works building.

FISCAL IMPACT:

There is no fiscal impact to the City associated with this workshop, other than City staff and consultant time. The City Council's recommended direction could result in a future fiscal impact which will need to be determined at a later date.

RECOMMENDATION:

That the City Council "brainstorm" with each other and City staff about their individual and collective vision for the Art Park and how that vision might relate to the ongoing redevelopment of the West-End District.

Due to the difficulty to build extremely-low-income units, City staff suggests the City Council consider utilizing this City-owned parcel to accomplish the Housing Element commitment of 16 very-low income live/work artist units provided in the long-term idea #1 above. The City has \$67,139 in PLHA grant funds from HCD to develop affordable housing within the City. The City is able to use the PLHA funds to hire an architecture firm to develop renderings and a financial analysis of the potential to build low-income live work/units, an art studio, and an art gallery at the Art Park which will provide the City with information regarding the best design and layout, the financial feasibility, and the potential number of units possible.

This effort was initially going to be funded by the REAP Grant, however as a result of the California Governor's budget cuts to reduce the State budget deficit, that funding may be reduced by 50 percent and the funding for the Art Park renderings may be reduced to zero dollars (\$0).

Staff recommends **APPROVAL** of the 2019 PLHA funds to develop renderings and a financial feasibility analysis to continue to explore the affordable live/work units at the Art Park.

ATTACHMENTS:

1. Exhibit A: Resolution
2. Exhibit B: Long-term Idea #1 Graphics
3. Exhibit C: Long-term Idea #2 Graphics
4. Art Park Workshop Presentation

EXHIBIT A

**CITY OF SAND CITY
RESOLUTION SC 24-____, 2024**

**RESOLUTION OF THE CITY COUNCIL OF SAND CITY TO APPROVE
THE USE OF SAND CITY'S 2019 PLHA GRANT FUNDING
TO DEVELOP RENDERINGS AND PERFORM A FINANCIAL ANALYSIS OF
AFFORDABLE ARTIST LIVE/WORK UNITS AT THE ART PARK SITE**

WHEREAS, the California Department of Housing and Community Development (HCD) is authorized to provide up to \$304 million under the Building Homes & Jobs Act (Senate Bill 2 of 2017) and Permanent Local Housing Allocation (PLHA) Program Formula Component from the Building Homes and Jobs Trust Fund for assistance to cities and counties as described in Health and Safety Code section 50470 et seq; and

WHEREAS, the funds for the PLHA program come directly from recording fees collected in Sand City for all real estate transactions and the funding is allocated to the City based on the year fees are actually collected;

WHEREAS, in 2020 the City of Sand City (the "City") was awarded \$67,139 in PLHA funding for the year 2019 and such funding must be committed and drawn within 58 months of the appropriation date; and

WHEREAS, the City prepared and adopted a 5-year plan for the use of the funds to be used for developing affordable housing for the purpose of creating live/work units/studios within the City's art-focused West End District; and

WHEREAS, the City must commit the funding and submit the request for funds (RFF) form to HCD by March 1, 2024 in order to use the 2019 PLHA funding; and

WHEREAS, the City commits to use the 2019 PLHA funds to hire an architecture firm to perform a proforma and create conceptual designs and renderings for the development of the Art Park site (APNs 011-196-020-000, 011-196-023-000, 011-196-014-000, and 011-196-015-000) with up to 20 affordable artist live/work units and a public community art gallery and studio.

NOW, THEREFORE, BE IT RESOLVED that the City Council of Sand City to hereby authorize the City Manager to use the 2019 PLHA funding to hire an architecture firm to develop a proforma and conceptual designs for affordable artist live work units on the Art Park site.

PASSED AND ADOPTED by the City Council of the City of Sand City this ____, day of ____, 2024 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

APPROVED:

Mary Ann Carbone, Mayor

ATTEST:
DATED: _____

Kerry Lindstrom, City Clerk

Art Park Live/Work Unit Graphics

B
Exhibit



0 80 feet



Live/Work Units
(16 Proposed Units
15024 Square Feet Per Floor)



First Floor Studio Space
(6875 Square Feet)



Open Space
(6112 Square Feet)



First Floor Art Gallery
(3063 Square Feet)

Source: Monterey County GIS 2023,
onthegrid.com 2023
(originally from BastileIE.com),
tideearts.com 2024

Figure 1

Art Park Artist Live/Work Concept: First Floor

Art Park Long Term Artist Live/Work Housing Idea





0 80 feet

Live/Work Units
(16 Proposed Units
15024 Square Feet Per Floor)

Open Space
(6112 Square Feet)

Source: Monterey County GIS 2023,
architectmagazine.com 2023,
truthbox.com 2023

Figure 2

Art Park Artist Live/Work Concept: Second Floor

Art Park Long Term Artist Live/Work Housing Idea





0 80 feet



Live/Work Units
(16 Proposed Units
15024 Square Feet Per Floor)



Open Space
(6875 Square Feet)



First Floor Studio Space
(6112 Square Feet)



First Floor Art Gallery
(3683 Square Feet)

Source: Monterey County GIS 2023,
onthegrid.com 2023
(originally from BastilleIE.com),
tidearts.com 2024

Figure 3

Alternate Art Park Artist Live/Work Concept: First Floor

Art Park Long Term Artist Live/Work Housing Idea





0 80 feet



Live/Work Units
(16 Proposed Units
15024 Square Feet Per Floor)



Open Space
(6875 Square Feet)

Source: Monterey County GIS 2023,
architectmagazine.com 2023,
truthbox.com 2023

Figure 4

Alternate Art Park Artist Live/Work Concept: Second Floor

Art Park Long Term Artist Live/Work Housing Idea

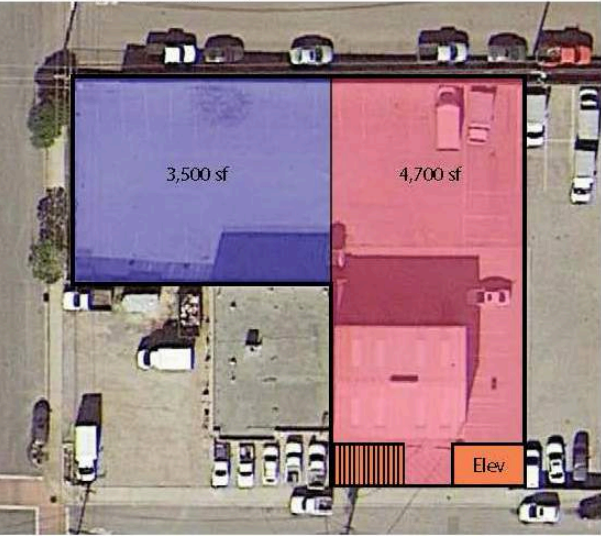


Art Park Retail, Parking and Event Space



Art Park Retail Parking and Event Space Carroll Property Redevelopment Concepts

Carroll property only



First Floor

Ortiz Ave.
Store Fronts

Carroll property plus corner property



Second Floor

Redwood Ave.
Parking Deck



Third Floor

Upper Level
Civic Uses



In this concept the City redevelops just the Carroll property that it owns.

In this concept the City acquires the parcel at the corner of Ortiz Ave. and Contra Costa St.

SAND CITY ART PARK WORKSHOP

VISIONING THE FUTURE OF THE ART PARK



EXISTING ART PARK (CARROLL PROPERTY)

Current Uses

- Rented 18 days per year
- Less than \$1,000 in revenue annually
- Night Market 831; Music Lessons; Theatrical Performances

- Existing Art Park
- A&R Plumbing Building and Parking Lot



IN VISIONING THE FUTURE OF THE ART PARK CITY PLANS SHOULD CONSIDER

- Sand City Vibrancy Plan
- Sand City Parking Plan
- 6th Cycle Housing Element



- ❖ The **Sand City Vibrancy Plan** envisions developing the Art Park with retail, restaurants, parking, and top-floor civic uses.
- ❖ The **Sand City West End Parking Plan** assigns 25 parking spaces to the Art Park site.
- ❖ The **6th Cycle Housing Element** assigns 16 extremely-low income units to the Art Park site



POTENTIAL SHORT-TERM USES

Goal: Increase frequency of existing uses by increasing events, educational uses, and other activities

Note: Ideas below are to stimulate conversation between the City Council, staff, and the public.

- Idea 1) Hire an outside event planner
- Idea 2) Upgrade the onsite Conex container
- Idea 3) Increase advertising for the Art Park site as an event space

What are your ideas for short-term uses?



POTENTIAL MEDIUM-TERM USES

Goal: Add additional regular recurring events to increase activity and sense of community

Note: Ideas below are to stimulate conversation between the City Council, staff, and the public.

- Idea 1) Farmers Market (2x per month)
- Idea 2) Movie Nights (1x per month)
- Idea 3) Art or Music Day (or Night) (1x per month)

What are your ideas for mid-term uses?



POTENTIAL LONG-TERM USES

Goal: Maintain the existing open-space event use of the Art Park while also utilizing the City-owned space to meet the demands of the City and bring vibrancy to the West-End District core

Goal: City purchase the A&R Plumbing property with the goal of adding the square footage to the Art Park site.

Note: Ideas below are to stimulate conversation between the City Council, staff, and the public.

- Idea 1) Affordable Housing and Community Space
- Idea 2) Parking, Retail, and Event Space

What are your ideas for long-term uses?



LONG-TERM USE #1:

AFFORDABLE LIVE/WORK ARTIST UNITS AND COMMUNITY SPACE

GROUND FLOOR CONCEPT

- Retain 60% of existing Art Park as is
- Purchase A&R Property
- Ground Floor
 - Art Gallery
 - Workshop / Art Studio
 - Parking



	Live/Work Units (16 Proposed Units 15024 Square Feet Per Floor)		First Floor Studio Space (6875 Square Feet)
	Open Space (6112 Square Feet)		First Floor Art Gallery (3063 Square Feet)

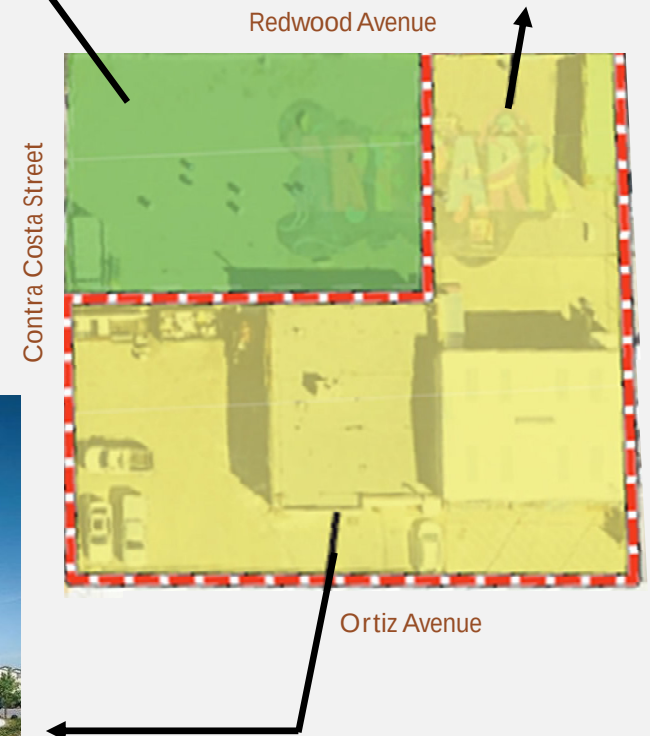
LONG-TERM USE #1:

AFFORDABLE LIVE/WORK ARTIST UNITS AND COMMUNITY SPACE

2ND AND 3RD FLOOR CONCEPT

- 16 affordable live/work units
- Residents have access to art studio and gallery
- Retains use as community and artistic event space
- Brings vitality and everyday use
- Industrial chic aesthetic

 Live/Work Units
(16 Proposed Units
15024 Square Feet Per Floor)
  Open Space
(6112 Square Feet)



First Floor

Artist Workshop Space

Retail

Restaurant

LONG-TERM USE #2: PARKING, RETAIL, AND EVENT SPACE

GROUND FLOOR CONCEPT

Art Park/
Carroll property only



Art Park/
Carroll property plus corner property



Second Floor

 Parking

 Residential

LONG-TERM USE #2:
PARKING, RETAIL, AND
EVENT SPACE

SECOND FLOOR CONCEPT

Art Park/Carroll Property Only



Art Park/Carroll Property Plus Corner Property



Third Floor

Event Space

Brewery

LONG-TERM USE #2: PARKING, RETAIL, AND EVENT SPACE

THIRD FLOOR CONCEPT

Art Park/Carroll Property Only



Art Park/Carroll Property Plus Corner Property



OTHER IDEAS

WHAT ARE YOUR IDEAS FOR THE LONG-TERM USE OF THE ART PARK PROPERTY?



STAFF SUGGESTION:
ADOPT RESOLUTION TO EXPLORE A
CONCEPTUAL DESIGN OF THE AFFORDABLE
LIVE/WORK HOUSING USING PLHA GRANT
FUNDING

- Benefits:
 - Maintains Open-Space for Art Park and related artistic uses
 - Builds off current use and revitalizes space for enhanced, everyday use
 - Solidifies Art Park and West End Identity as Artist Hub
 - Supports and expands Sand City's artist population
 - Potential to provide needed housing and fulfills 6th Cycle Housing Element

**AGENDA ITEM
12A.**

**Conference with Legal Council -
Anticipated Litigation: Significant
Exposure to Litigation Pursuant to
Government Code Section 54956.9(d)(2).
Number of Cases: One**

AGENDA ITEM 12B.

Conference with real property negotiators pursuant to Government Code Section 54956.8. Property: 501 Ortiz Avenue, APN 011-195-014 & 011-195-015; City negotiators: City Manager Vibeke Norgaard, City Attorney Adam Lindgren, and EMC President Michael Groves; Negotiating Parties: Katherine M. Roper & Roper Trust and Robin Aeschliman; Under negotiation: Price and terms of payment

**AGENDA ITEM
12C.**

**Re-Adjourn to Open Session to report any
action taken at the conclusion of Closed
Session in accordance with California
Government Code §54957.1**