

CITY OF PACIFICA



ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2023



**CITY OF PACIFICA
CALIFORNIA**

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CITY OF PACIFICA

CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal year ended June 30, 2023

Prepared by
Finance Department

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INTRODUCTORY SECTION

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CITY OF PACIFICA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2023

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Scenic Pacifica
Incorporated November
22, 1957

CITY OF PACIFICA

540 Crespi Drive • Pacifica, California 94044-2506
www.cityofpacifica.org

MAYOR
Tygarjas Bigstyk

MAYOR PRO TEM
Sue Vaterlaus

COUNCIL
Mary Bier
Sue Beckmeyer
Christine Boles

January 15, 2024

Honorable Mayor, Members of the City Council, and Citizens of the City of Pacifica, California:

We are pleased to submit the City of Pacifica's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. The purpose of this report is to provide the City Council, City Staff, residents of Pacifica, and other interested parties with accurate, complete, and fair data and helpful information concerning the City's operations and financial position.

The report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) as set by the Governmental Accounting Standards Board (GASB) and audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. This report conforms to GAAP financial reporting standards, including dual-perspective financials showing both an entity-wide view of all governmental and business-type activities and a detailed focus on the financial position and operating results of the City's major funds.

We believe the report contains all disclosures necessary for the reader to understand the City's financial affairs. State law requires every general-purpose government to publish a complete set of audited financial statements. Professional standards encourage this report to be published within sufficient time to allow the government to remedy any deficiencies while minimizing negative impacts. This report is issued to fulfill that requirement for the fiscal year ended June 30, 2023.

Management assumes full responsibility for the completeness and reliability of the information contained in the ACFR based upon a comprehensive framework of internal control that it has established for this purpose.

Stewardship and Internal Control

This report consists of management's representations concerning the finances of the City of Pacifica and promotes accountability. Consequently, responsibility for both the accuracy of the data and the fairness of this presentation, including all disclosures, rests with the City management.

To provide a reasonable basis for making these representations, management has established a comprehensive framework of internal control designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of financial statements in conformity with GAAP to:

- Safeguard City assets from loss or unauthorized use or disposal.
- Provide reliable financial records for preparing internal and external financial reports and for maintaining accountability over City Assets.

- Ensure compliance with applicable Federal and State laws and regulations related to programs for which the City receives assistance.

As the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than an absolute assurance that the financial statements are free of any material misstatements.

Management believes that the City's internal controls reasonably safeguard assets, assure that financial transactions are properly recorded and reported, and ensure compliance with applicable Federal and State laws and regulations. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to represent fairly the financial position and results of operation of the City's various funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

State statutes require an annual audit by independent certified public accountants. The purpose of the audit is to provide reasonable assurance that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting framework. The City's independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The City's independent auditor, Maze & Associates, a firm of licensed certified public accountants, has issued an unmodified ("clean") opinion on the City of Pacifica's financial statements for the fiscal year ended June 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

In addition to meeting the requirements set forth by State law, the audit is also designed to meet the requirements of the Single Audit Act and 2 CFR part 200, subpart F. The standards governing Single Audit engagements require the auditor to report on the City's internal controls and compliance with certain legal requirements with special emphasis on the administration of federal awards. These reports are available in the City's separately issued Single Audit Report. The ACFR report is presented in three sections:

- The Introduction section includes this letter of transmittal, the City's organizational chart, and certificates of achievement.
- The Financial section includes the report of the independent auditors; Management's Discussion and Analysis (MD&A); the basic financial statements, including government-wide financial statements; and the accompanying notes. Required supplementary information other than the MD&A is also included in the financial section.
- The Statistical section includes selected financial and demographic information presented on a multi-year basis.

The notes to the financial statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure. The notes include the summary of significant accounting policies for the City and other necessary disclosure of important matters relating to the City's financial position. The notes are an integral part of the financial statements and should be read in conjunction with them.

GAAP and the Governmental Accounting Standards Board require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

City of Pacifica Profile

The City of Pacifica is a full-service city located on the Pacific Coast in San Mateo County, south of San Francisco. Situated within the Bay Area Peninsula, it is framed by the ridges of the Coast Range on the east, the Montara Mountains on the south, and the Pacific Ocean on the west. The City of Pacifica encompasses roughly 12.6 square miles (of which approximately one-half is publicly owned and protected open space) and serves a population of approximately 39,000. A combination of residential, office, and commercial retail businesses, and natural open space, comprise the makeup of the City. The City of Pacifica, while located in the midst of a major metropolitan region, is a unique family-oriented coastal community that prides itself on fostering a "small town" feel. The City's geographic setting, its proximity to San Francisco and the San Francisco International Airport, along with its natural open space and coastal beauty, make it a desirable place to live and work.

The City of Pacifica is a General Law City incorporated in 1957 and operates under the Council-Manager form of government. Legislative authority is vested in a five-member City Council elected by district for four-year overlapping terms. The Mayor is selected each year by a majority vote of the Council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing advisory commissions/committees, and hiring both the City Manager and City Attorney, who are retained on a contract basis. The City Manager, in turn, appoints the heads of the various departments.

The City provides a range of services to its residents, including but not limited to public safety (police and fire), streets, wastewater and stormwater infrastructure, garbage and recycling, parks, beaches, and recreation, social services, planning and zoning, and leadership through general administrative services. Water, gas, and electric utilities are provided directly through other agencies not under City operations.

The City performed certain infrastructure construction and economic development activities through a separate Redevelopment Agency until its dissolution on February 1, 2012. The City accepted the role of Successor Agency to the Redevelopment Agency per Council action on January 23, 2012.

Budget Process

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the general fund, special revenue funds, enterprise funds, debt service funds, and internal service funds are included in the annual appropriated budget. The Capital Improvement Projects budget reflects existing projects that do not lapse at year-end but are carried forward until completion of the project.

The City's budget process goals are to identify necessary and/or desirable service-level options, which are all combined to reach a balanced and sustainable budget. Each City department is provided with a base budget with certain inflationary increases and is given an opportunity to request additional funding if needed. The City Manager, Assistant City Manager/Administrative Services Director, and Deputy Finance Director meet with each department individually to discuss and finalize the proposed budget recommendations. The City Manager then presents the proposed budget to the Council for review prior to the end of May every year. The Council holds a public hearing on the proposed budget and is required to adopt a final budget by no later than the end of June, the close of the City's fiscal year.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained at the department level by tracking expenditures and budget authority. Unexpended budget appropriations lapse at the end of the fiscal year with the exception of capital improvement projects. The City Manager is responsible for the preparation of the budget, and along with the Assistant City Manager/Administrative Services Director, is responsible for monitoring the budget for legal compliance.

The annual budget serves as the foundation for the City of Pacifica's financial planning and control. The budget is prepared by fund, and by department (e.g., Police, Fire, Planning, Parks, Beaches and Recreation, Public Works, Administration). The City Manager may transfer resources within a department as he sees fit. Transfers of appropriations between funds need special approval from the Council. City Council may amend the budget by resolution during the fiscal year. The Fiscal Year ("FY") 2022-23 Mid-Year Budget Adjustments were adopted by Council via Resolution No. 32-2023 on March 27, 2023. Budgets are adopted on a basis consistent with GAAP. Budget-to-actual comparisons are presented in the supplementary section of the accompanying financial statements for each governmental fund for which an appropriated annual budget has been adopted.

Economic Factors and Financial Outlook

Various forecasts indicate that 2023 would be a year of economic slowdown. In terms of historical trends, current and projected activity suggests slow but positive economic growth at the local level which will generally follow national and state trends.

National Level Economic Outlook

At the national level, the economy continues to expand at a moderate rate, with Gross Domestic Product (GDP) increasing at an annual rate of 2.1 percent for the second quarter of 2023. As the Federal Open Market Committee levels off interest rate increases that have slowed historically high inflation, some economists expect we will avoid a recession in the near term and continue a strong labor market. According to the U.S. Bureau of Labor Statistics, the Consumer Price Index for All Urban Consumers increased at an annual rate of 3.0 percent as of the twelve months ended on June 30, 2023, down from the June 30, 2022 12-month increase in overall prices of 9.1 percent.

The U.S. Census Bureau and U.S. Department of Housing and Urban Development jointly reported that housing starting in June 2023 decreased 2.5 percent from May 2023 and was 23.8 percent below the June 2022 level. Permits for new construction, a sign of future demand, have increased 0.1 percent from year to year but are 13.0 percent below the July 2022 level.

Active housing listings increased 7.1 percent nationally over the last year, according to a report from Realtor.com, while the total inventory of unsold homes decreased by 9.1 percent. The median home price decreased in June 2023 by 0.9 percent year-over-year nationally and the typical home spent 44 days on the market in June 2023, compared to the average 13 days during June 2022.

According to the Bureau of Labor Statistics, the national unemployment rate remained 3.6 percent when comparing June 2022 and 2023. The number of jobs added to nonfarm payroll from May 2023 to June 2023 was 209,000. Notable employment gains in June 2023 occurred in government, healthcare, social assistance, and construction. Both the unemployment rate, at 3.6 percent, and the number of unemployed persons, at 6.0 million, changed little in June 2023.

State Budget and Economic Outlook

According to the September 15, 2023, report from the California Employment Development Department (EDD), California's unemployment rate remained at 4.6% for the third consecutive month. Since the current economic expansion began in April 2020, California has gained 3,202,200 jobs, which averages out to a gain of 80,055 jobs per month. In related data that figures into the state's unemployment rate, there were 394,757 people certified for unemployment insurance benefits during the sample week of June 2023. That compares to 310,212 people for the same period in 2022.

In California, median home prices continued to stabilize, despite an increase in mortgage rates. A report from the California Association of Realtors showed that in June 2023 the median home price was \$838,260, an increase of 0.3 percent over the last year.

As of December 7, 2023, California's budget outlook is a \$68 billion deficit for the 2024-25 budget process. This is due in large part to a severe decline in revenue in 2022-23. The 2022-23 budget ended \$26 billion in the red, and the shortfall will carry over to 2023-24 and 2024-25. The deficit could lead to spending cuts. Revenues are expected to fall due to lower personal income tax withholding, a weaker stock market, and the risk of an economic slowdown. The Governor will introduce the FY 2024-25 state budget projections next month in January 2024. Given the state's own budget shortfall, we will monitor for changes that would affect excess ERAF revenue and any other impacts on local government.

Local Economy

According to the California Employment Development Department, as of June 2023, there were an estimated 442,200 jobs in San Mateo County, a decrease of 6,500 jobs from June 2022. The unemployment rate in San Mateo County has increased slightly from 2.4% in June 2022 to 3.1% in June 2023. This compares with an unadjusted unemployment rate of 4.9% for California and 3.8% for the nation during the same period. As of June 2023, there were 1,043,800 jobs reported in Santa Clara County, an area to which our economic fortunes are closely linked. This represents an increase of 9,400 jobs from one year earlier. Santa Clara County's unemployment rate has increased from 2.7% in June 2022 to 3.7% in June 2023.

Similar to the State level economics, the local economy has experienced job growth and an overall improvement in economically sensitive revenue sources such as transient occupancy tax, on-the-ground retail sales tax and online sales. In addition, the City's largest revenue source, property tax, has also been positively impacted by rising prices, but will be relatively flat for the next few years given the slowdown in home sales and the slight decline in values as a result of the increase in mortgage interest rates.

In April 2021, San Mateo County was the first county in California where the median sales price for single-family homes exceeded \$2 million. While still above this threshold, according to data from the California Association of Realtors, the median price of a single-family home in San Mateo County decreased by 5.4% from \$2.15 million in June 2022 to \$2.039 million in June 2023. In Pacifica, the median price of a single-family home declined slightly from \$1.4 million in June 2022 to \$1.2 million in June 2023.

Fund Balance and Long-Term Financial Planning

The long-term financial plan of the City includes cost containment strategies and a comprehensive cost recovery program, both designed to ensure the long-term financial health of the City. The City of Pacifica has continued to be fiscally conservative in financial investments, as well as with the development of a Long-Term Financial Plan. Over the past two years, during the pandemic and into pandemic recovery, the City has been buoyed by American Rescue Plan Act (ARPA) funding to achieve a balanced budget while maintaining existing levels of essential City services. Knowing that ARPA funding is temporary and ends in June 2023, the City took steps to address the ongoing structural deficit by placing a local Transactions and Use (Sales) Tax measure on the ballot for voter consideration in November 2022. The voters approved this tax, Measure Y, by a vote of 59.37% in favor. Because of this important decision by Pacifica's voters to enact locally controlled funding to help fund city services, the City's long-term financial outlook no longer projects the ongoing structural deficit of approximately \$2.7 million reported last year. On the contrary, it displays a positive outlook for a structurally balanced budget for FY 2023-24 and beyond, with some preliminarily projected surplus available to meet Council priorities for the upcoming Budget.

The current Long-Term Financial Plan was presented to the City Council on April 10, 2023. The City remains vigilant in its efforts to continue to provide essential City services while maintaining sufficient levels of fiscal control and accountability.

The City's total Fund Balance in the General Fund is \$20.5 million. The Fund Balance is comprised of three components; a Non-spendable portion of \$3.5 million; a Restricted for Pensions portion of \$0.2 million; an Assigned for Budget Shortfall and other Contingencies portion of \$5.8 million; leaving an Unassigned portion (available for spending at the City's policy discretion) of \$11.0 million. The Unassigned portion of the General Fund totals 29% of total general fund expenditures and is in addition to the minimum policy guideline of 10 percent of total general fund operating expenditures set by the Council for budgetary shortfall policy and planning purposes.

Acknowledgments

Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report ("Annual Report") for the fiscal year ended June 30, 2022. This was the second year that the City has achieved this prestigious award in recent history. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Annual Report. The report satisfied both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Our goal is to publish financial information that is helpful to policy leaders and the public. Preparation of the Annual Comprehensive Financial Report was made possible by the dedicated service of the entire staff of the City of Pacifica Finance Division. Every member of each department has our sincere appreciation for the contributions made in furthering the fiscal year-end audit and for their continuing effort to improve the quality of this report. We would like to take an opportunity to acknowledge the extraordinary efforts and hard work of Lucy Xie, Deputy Finance Director, Mario Xuereb, Financial Analyst, and Meg Callanan, Accountant for their dedicated work coordinating and executing the year-end closure and preparation for the audit, as well as commitment to continue improving the City's financial management and reporting.

We also commend the audit team from Maze and Associates for their professional work, dedication, competence, and diligence in ongoing assistance during the audit process and throughout the year. Finally, we would like to express our appreciation to the City Council for their attention and unfailing support of maintaining the highest standards of professionalism in managing the City's finances in a responsible and conservative manner in the best interests of the citizens of Pacifica with the emphasis on transparency, ethics, and fiscal responsibility.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Kevin Woodhouse".

Kevin Woodhouse
City Manager

A handwritten signature in blue ink, appearing to read "Yulia Carter".

Yulia Carter
Assistant City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Pacifica
California**

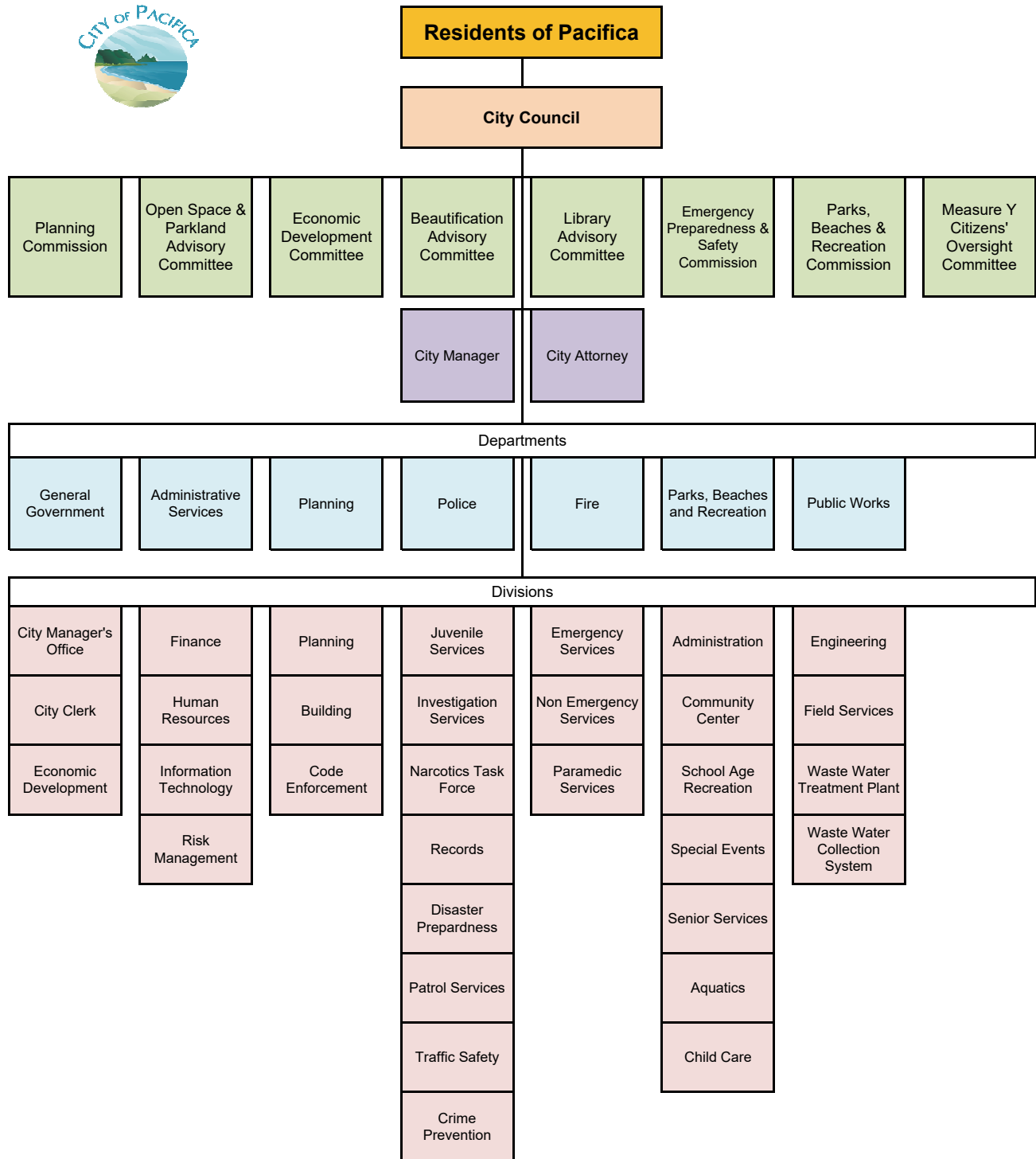
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

City of Pacifica Organization Chart



CITY OF PACIFICA

TYGARJAS BIGSTYCK
MAYOR

SUE VATERLAUS
MAYOR PRO TEM

MARY BIER
SUE BECKMEYER
CHRISTINE BOLES
MEMBERS OF THE COUNCIL

* * * * *

KEVIN WOODHOUSE
CITY MANAGER

* * * * *

MICHELLE MARCHETTA KENYON
CITY ATTORNEY

* * * * *

OTHER ADMINISTRATIVE OFFICERS:

YULIA CARTER	ASSISTANT CITY MANAGER
CHRISTIAN MURDOCK	PLANNING DIRECTOR
RON MYERS	FIRE CHIEF
MARIA SARASUA	POLICE CHIEF
BOB PALACIO	DIRECTOR OF PARKS, BEACHES & RECREATION
LISA PETERSEN	DIRECTOR OF PUBLIC WORKS
SARAH COFFEY	CITY CLERK

* * * * *

OFFICIAL COMMISSIONS AND COMMITTEES

BEAUTIFICATION ADVISORY COMMITTEE
ECONOMIC DEVELOPMENT COMMITTEE
EMERGENCY PREPAREDNESS & SAFETY COMMISSION
LIBRARY ADVISORY COMMITTEE
MEASURE Y CITIZENS' OVERSIGHT COMMITTEE
OPEN SPACE AND PARKLAND ADVISORY COMMITTEE
PARKS, BEACHES AND RECREATION COMMISSION
PLANNING COMMISSION

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Pacifica, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Pacifica, California (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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement 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 these 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents, but does not include the basic financial statements and our auditor's 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 January 12, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mary & Associates". The script is cursive and fluid, with the "M" and "A" being particularly large and stylized.

Pleasant Hill, California
January 12, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Pacifica

Management's Discussion and Analysis, Continued

For the year ended June 30, 2023

The City of Pacifica (City) management staff offers readers of the City's financial statements this narrative overview and analysis of City financial activities for the fiscal year ended June 30, 2023. It has been designed in accordance with standards established by the Governmental Accounting Standards Board. We encourage readers to consider the information presented here in conjunction with the accompanying letter of transmittal and financial statements.

FINANCIAL HIGHLIGHTS

CITY-WIDE:

- Total City assets increased by \$32,997,775 to \$248,280,380, of which \$152,716,101 represented governmental assets and \$95,564,279 represented business-type assets.
- City deferred outflows related to pension and other post-employment benefits ("OPEB") increased by \$17,564,590 to \$31,926,019, of which \$29,766,978 represented governmental deferred outflows pertaining to pension and other post-employment benefits and \$2,159,041 represented business-type deferred outflows related to pension and other post-employment benefits.
- Total City liabilities increased by \$47,934,283 to \$165,168,432, of which \$101,763,164 million were governmental liabilities and \$63,405,268 million were business-type liabilities.
- Total City deferred inflows of resources decreased by \$17,855,873 to \$10,183,715, of which \$9,092,357 were governmental deferred inflows related to pension and other post-employment benefits, and \$1,091,358 were business-type deferred inflows pertaining to pension and other post-employment benefits.
- The City's assets and deferred outflows of resources exceeded the liabilities and deferred inflows by \$104,854,252 ("net position"), which increased by \$20,483,955. This comes from a combination of factors: an increase of \$16,911,144 in net investment in capital assets that is not available for future appropriations, a decrease of \$2,003,821 in restricted net position, and an increase of \$5,576,632 in the unrestricted negative net position. Implementing GASB Statements No. 68 and 75, accounting for Pension and OPEB liabilities since 2014-2015, resulted in a negative unrestricted net position. Please see Notes 6 and 7 for related disclosures.
- Citywide revenues were \$83,283,538, of which, excluding interfund transfers, \$62,110,389 were generated by governmental activities, which increased by \$10,285,383 and \$21,173,149 were generated by business-type activities, which increased by \$1,362,224.
- Citywide expenses were \$62,799,583, of which \$44,270,268 were incurred by governmental activities, a decrease of \$310,904 compared with the fiscal year 2021-22, and \$18,529,315 were incurred by business-type activities, an increase of \$1,650,201.

FUND LEVEL:

- The City's governmental funds reported combined fund balances of \$46,869,626, an increase of \$1,773,003 compared to \$45,096,623 in the prior year. The Enterprise Funds' net position increased by \$2,143,834 to \$33,226,694 from the prior year of \$31,082,860, and the Internal Service Funds' net position increased by \$462,657 to \$4,405,015 from \$3,942,358 in the prior year as restated (Note 11).



City of Pacifica

Management's Discussion and Analysis, Continued For the year ended June 30, 2023

- The General Fund's assets exceeded its liabilities, resulting in an ending fund balance of \$20,547,470, an increase of \$4,255,246 from the prior year primarily due to increased revenues, including the City's receipt of the final installment of the American Rescue Plan Act (ARPA) funds. Of the ending fund balance, \$3,528,523 is non-spendable, which has the prepaid items of \$10,130, and the loans receivable from the former Redevelopment Agency of \$3,516,264, the restricted fund balance of \$185,519 is from the Pension Trust, \$5,777,214 is assigned which includes fund balance reserve requirement of \$4,777,623 and other fund balance requirements per council for specific purposes. The remaining unassigned portion of the fund balance of \$11,056,214 is available and may be used to meet the government's ongoing obligations to citizens and creditors.
- The total assets of the Business-type activities – Enterprise Funds (Sewer and Beach Parking Funds) of the City exceeded its total liabilities by \$33,226,694, an increase of \$2,143,834 from the prior fiscal year of \$31,082,860, primarily due to the receipt of an insurance settlement of \$1,696,000 for the Anza Pump station repairs.
- The net position of internal service funds was \$4,405,015, an increase of \$462,657 from the restated prior year's balance of \$3,942,358. A one-time transfer of \$500,000 from the Sewer Fund to the Motor Pool Fund for the future fleet replacement helped increase net position.

OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

This annual comprehensive financial report comprises of six parts to help the readers develop a complete understanding of the City's financial activities:

- 1) Introductory section, which includes the Transmittal Letter, city council organization chart, and city executive staff.
- 2) Management's Discussion and Analysis (this part).
- 3) Basic Financial Statements which include the Government-wide and the Fund financial statements along with the Notes to these financial statements
- 4) Required Supplementary Information.
- 5) Other supplementary Information.
- 6) Statistical Information.

The **Basic Financial Statements** consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements.

The Government-Wide Financial Statements – These statements include the *Statement of Net Position* and *Statement of Activities*. These statements provide a broad overview of the City's finances, presented in a manner similar to private-sector companies.

The *Statement of Net Position* presents complete information on the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Changes in the net position that occur over time may serve as an indicator of the City's financial position, whether it is improving or deteriorating.



City of Pacifica Management's Discussion and Analysis, Continued For the year ended June 30, 2023

The Statement of Activities presents information showing how the City's net position changed during the current fiscal year. All changes in net position are reported using the "accrual basis of accounting." Changes are reported when the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as revenues related to uncollected taxes or earned but unused vacation leave.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The City's governmental activities consist of general government, public safety, public works, parks, beaches and recreation, and community development. The business-type activities of the City include sewer utility and beach parking. The government-wide financial statements are prepared on an accrual basis, which means they measure the flow of all economic resources of the City as a whole.

The Fund Financial Statements – A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal and accounting requirements. The City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements is useful. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental activities and governmental funds.

The City has four major governmental funds: General, Disaster Accounting, General Capital Improvement, and Debt Service Fund. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds. Financial information for the remaining governmental funds is combined into a single, aggregated presentation called Other Governmental Funds. Individual fund data for these non-major governmental funds is provided by combining statements located elsewhere in the report.

Proprietary funds are used to account for services and activities for which a fee is charged to customers in exchange for city-provided goods or services. Proprietary funds use the "economic resources" measurement focus, concentrating on how transactions and events have affected the fund's total economic resources. The City maintains two different types of proprietary funds.



City of Pacifica Management's Discussion and Analysis, Continued For the year ended June 30, 2023

Enterprise Funds: These funds are used to report business-type activities in the governmental-wide financial statements. The City has two enterprise funds: Sewer and Beach Parking.

Internal Service Funds: These funds are used to allocate costs internally among the City's functions. The City uses internal service funds to account for the maintenance and replacement of its fleet and rolling stock, general liability, worker's compensation, and dental. These funds are included in governmental activities of the government-wide financial statements because their activities support governmental programs. The internal service funds are then combined into a single, aggregated presentation in the proprietary fund financial statements. Individual data for the internal services funds is provided in the form of combining statements.

Fiduciary funds are used to account for financial resources held for the benefit of parties outside the City government. The City holds these funds in a custodial capacity or as an agent for individuals, private organizations, or other governmental units. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's governmental activities.

The Successor Agency to the City of Pacifica Redevelopment Agency Private-Purpose Trust Fund was created as a result of the California Supreme Court decision on December 29, 2011, upholding ABx1 26, which eliminated all redevelopment agencies in California and created a process for winding down their operations. Trust funds report an "income statement," referred to as a Statement of Changes in Fiduciary Net Position.

Notes to the Financial Statements – The notes provide additional details essential to a complete understanding of the information provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found following the fund financial statements in this report.

Required Supplementary Information section of the report provides a budgetary comparison for the major governmental funds. Pension-related schedules can be found here, too.

Other supplementary information section contains the combining and individual fund statements and schedules, which provide information for non-major governmental funds and internal service funds, all of which are presented immediately after the required supplementary information.

Finally, the **Statistical information** provides readers with the last ten fiscal years' information, such as net position, change in net position, fund balance in governmental funds, assessed values, direct and overlapping property taxes, principal property taxpayers the City of Pacifica has, demographic and economic statistics, principal employers, operating indicators, and capital assets by function.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Net position may serve over time as a valuable indicator of the City's financial position. As noted earlier in the financial highlights, Pacifica's total net position as of June 30, 2023, was \$104,854,252, representing an increase of \$20,483,955 over the prior year of \$84,370,297. This increase resulted from the following factors: 1) an increase in total assets of \$32,997,775, primarily due to a new fiscal agent account of \$21.0 million from the 2023 iBank loan for capital improvements in the sewer fund, \$4.2 million increase of accrued revenue, including \$1.5 million of reimbursements from State for the Child care program, and \$9.2 million increase in capitalized assets; 2) an increase of \$17,564,590 in the deferred outflows of resources related to OPEB and Pension over the prior year; 3) an increase of \$47,934,283 in liabilities which includes the \$21 million iBank loan and almost \$29.8 million increase in net pension liabilities. 4) A decrease of \$17,855,873 in deferred inflows of resources from OPEB and Pension based on most recent actuarial reports.

Total assets and deferred outflows of resources were \$280,206,399 as of June 30, 2023, reflecting a 22% increase from the prior year of \$229,644,034. Total liabilities and deferred inflows were \$175,352,147 as of FY2022-23 compared with \$145,273,737 as of FY2021-22, reflecting an increase of 21% (Table 1).

As of June 30, 2023, the City reported positive balances in all categories of net position for the government as a whole except for unrestricted net position that remains negative due to the implementation of GASB Statements No 68 and 75 in the fiscal year 2014-15 that started recording the City's unfunded liability related to pension and OPEB in the annual financial statement.

The largest portion of the city's net position is its net investment in capital assets, which totals \$112.5 million. Capital assets are the aggregate value of land, buildings, and improvements used to provide services and are reported net of any related debt used to acquire those still outstanding assets. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay these debts must be provided from other sources since the capital assets cannot be used to liquidate these liabilities.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2023

Table 1
Comparative Statement of Net Position

	Governmental		Business-Type		Totals	
	Activities		Activities			
	FY23	FY22	FY23	FY22	FY23	FY22
Cash and investments	\$ 46,165,784	\$ 46,020,926	\$ 30,830,925	\$ 11,340,719	\$ 76,996,709	\$ 57,361,645
Other assets	10,222,528	5,763,615	781,585	1,035,799	11,004,113	6,799,414
Capital assets	96,327,789	88,559,682	63,951,769	62,561,864	160,279,558	151,121,546
Total assets	152,716,101	140,344,223	95,564,279	74,938,382	248,280,380	215,282,605
Deferred Outflows of Resources	29,766,978	13,402,634	2,159,041	958,795	31,926,019	14,361,429
Current liabilities	8,018,561	7,383,161	5,628,799	4,052,775	13,647,360	11,435,936
Non-current liabilities	93,744,603	65,243,747	57,776,469	40,554,466	151,521,072	105,798,213
Total liabilities	101,763,164	72,626,908	63,405,268	44,607,241	165,168,432	117,234,149
Deferred Inflows of Resources	9,092,357	27,832,512	1,091,358	207,076	10,183,715	28,039,588
Net Position						
Net Investment in						
Capital Assets	78,197,042	69,492,549	34,304,949	26,098,298	112,501,991	95,590,847
Restricted	21,039,910	23,043,731			21,039,910	23,043,731
Unrestricted	(27,609,394)	(39,248,843)	(1,078,255)	4,984,562	(28,687,649)	(34,264,281)
Total net position	\$ 71,627,558	\$ 53,287,437	\$ 33,226,694	\$ 31,082,860	\$ 104,854,252	\$ 84,370,297

The City's restricted net position of \$21.0 million represent resources subject to external restrictions on how the funds may be used, such as constructing specified capital projects, debt service, or other community programs.

The remaining balance in the unrestricted net position of negative \$28.7 million is primarily due to implementing GASB Statements No. 68, 71, and 75 pension and other post-employment benefits related to liability accruals. It is important to note that these long-term obligations are based on actuarial estimates and do not represent a liability due and payable immediately. Please refer to Note 6 and Note 7 to basic financial statements for more information about the impact of implementing these statements.



City of Pacifica

Management's Discussion and Analysis, Continued

For the year ended June 30, 2023

Statement of Activities

The Statement of Activities provides information about the City's revenue and expenses, with an emphasis on measuring net revenues or expenses in each program, explaining in detail the change in Net Position for the year.

Total City's total net position is \$104.8 million. The City's governmental activities' net position increased by \$18.3 million to a total net position of \$71.6 million at the end of the fiscal year due to improved post-COVID economic conditions Business type activities net position also increased by \$2.1 million to a total net position of \$33.2 million at the end of the fiscal year. (Table 2)

Table 2
Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	FY23	FY22	FY23	FY22	FY23	FY22
Revenues						
Program revenues						
Charges for service	\$ 7,382,633	\$ 6,349,592	\$ 20,613,951	\$ 19,524,439	\$ 27,996,584	\$ 25,874,031
Operating contributions & grants	9,802,306	8,598,184			9,802,306	8,598,184
Capital grants	2,179,965	2,374,222			2,179,965	2,374,222
Total program revenues	19,364,904	17,321,998	20,613,951	19,524,439	39,978,855	36,846,437
General revenues						
Taxes:						
Property	15,983,214	14,445,541			15,983,214	14,445,541
Sales and use	3,877,828	3,136,433			3,877,828	3,136,433
Franchise	1,197,067	1,754,500			1,197,067	1,754,500
Other taxes	14,868,245	10,385,735			14,868,245	10,385,735
Motor Vehicle In Lieu	5,870,043	4,355,327			5,870,043	4,355,327
Investment Earnings	659,790	100,562	559,198	286,486	1,218,988	387,048
Gain on Sale of Capital Assets	9,310				9,310	-
Miscellaneous	279,988	324,910			279,988	324,910
Total general revenues	42,745,485	34,503,008	559,198	286,486	43,304,683	34,789,494
Total revenues	62,110,389	51,825,006	21,173,149	19,810,925	83,283,538	71,635,931
Expenses						
Governmental Activities						
General government	8,606,518	7,481,370			8,606,518	7,481,370
Public Safety	17,048,970	18,632,393			17,048,970	18,632,393
Community Development	3,184,443	3,243,238			3,184,443	3,243,238
Public Works	9,052,066	9,326,203			9,052,066	9,326,203
PBR	5,418,584	4,928,418			5,418,584	4,928,418
Interest on long-term debt	959,687	969,550			959,687	969,550
Business-Type Activities						
Sewer			17,983,716	16,258,603	17,983,716	16,258,603
Beach Parking			545,599	620,511	545,599	620,511
Total expenses	44,270,268	44,581,172	18,529,315	16,879,114	62,799,583	61,460,286
Change in net position before transfers	17,840,121	7,243,834	2,643,834	2,931,811	20,483,955	10,175,645
Transfers	500,000	499,600	(500,000)	(499,600)	-	-
Change in net position	18,340,121	7,743,434	2,143,834	2,432,211	20,483,955	10,175,645
Net position	53,287,437	45,544,003	31,082,860	28,650,649	84,370,297	74,194,652
Net position - ending	\$ 71,627,558	\$ 53,287,437	\$ 33,226,694	\$ 31,082,860	\$ 104,854,252	\$ 84,370,297



City of Pacifica Management's Discussion and Analysis, Continued For the year ended June 30, 2023

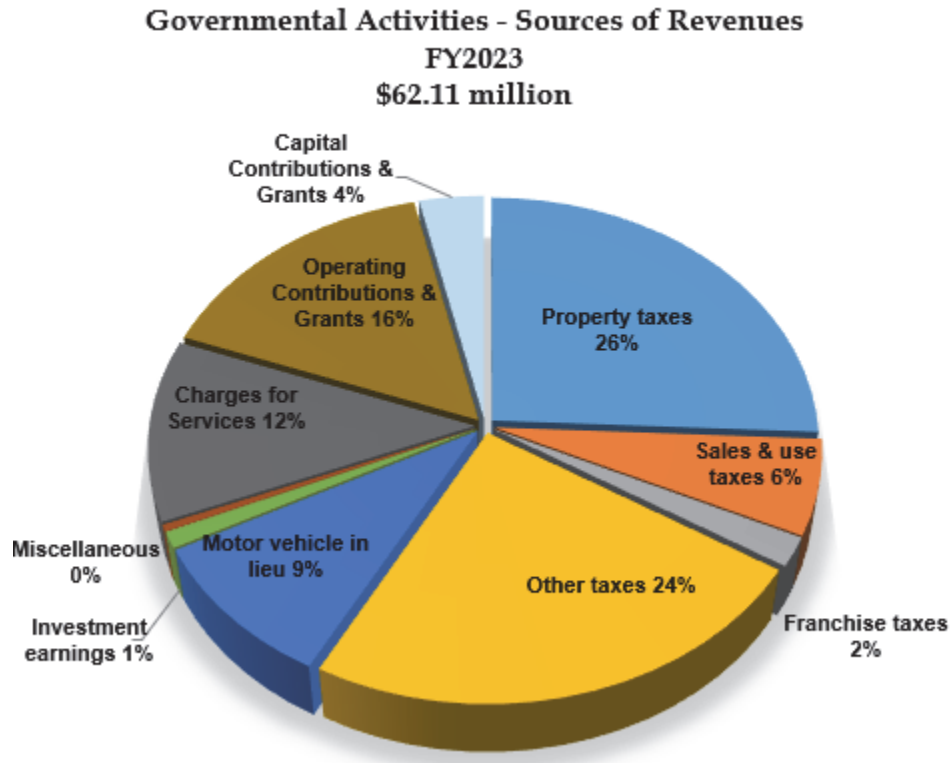
The City's total revenues were \$83.3 million as of June 30, 2023, an increase of \$11.6 million from the previous fiscal year, with Governmental and Business-Type activities increasing by \$10.3 million and \$1.3 million, respectively. Program revenue for both Governmental and Business-type activities increased by \$3.1 million from \$36.8 million to \$39.9 million, with an increase of \$1 million in charges for services in Governmental activities and \$1.1 million in Business-Type activities, respectively, due to the increased activity level (post-COVID), and annual review and update of the master fee schedule. Revenues from all taxes increased by \$6.2 million from \$29.7 million to \$35.9 million, which includes increases of \$1.5 million in property taxes, \$0.7 million in sales tax, including approximately \$0.5 million for Measure Y, \$1.7 million in transient occupancy tax (which is almost a double from last year's TOT revenue), \$1.0 million increase in utility user taxes, while Franchise Tax Revenue decreased by approximately \$0.6 million. Other revenues, including Motor Vehicle in Lieu, investment earnings, and miscellaneous revenues showed an increase of \$2 million. Motor Vehicle in lieu revenue increased by \$1.5 million because the State paid VLF backfill of these obligations. It is worth noting that the interest allocation revenue increased by \$0.8 million from \$387,048 in FY2022 to \$1,218,988 in FY2023 due to the Finance Department's efforts to renegotiate new banking contracts that included higher interest rates.

The City's total program expenses were \$62.8 million, an increase of \$1.3 million or 2.2% over the prior fiscal year of \$61.5 million. With the high inflation and rising CPI index across the nation, this nominal expense demonstrates the City's efforts to manage its spending prudently. The Governmental activities expenses decreased by \$0.3 million. The Business-Type activities expenses increased by \$1.6 million, mainly due to a reimbursement of \$1.6 million from the insurance settlement related to Anza Pump station claim traced back to March 16, 2020. Sewer operation also included a noticeable \$0.6 million increase from interest charges from the debt bonds, a \$0.3 increase in utilities, and other projects related increase from Anza Pump Station Repairs, Ultraviolet Disinfection, and Linda Mar Pump station repairs that were capitalized this year, meaning that these investments were added as capital assets and not considered expenses. Other categories stayed consistent with the prior year (Table 2).

Governmental Activities Revenues. In FY2022-23, the City received nearly 58% of its revenue from taxes, including 26% from property taxes, 24% from other taxes, 6% from sales tax, and 2% from franchise taxes. The City also received 12% in charges for services, 16% from operating contributions and grants, 4% from capital grants, and 9% from Motor Vehicle in Lieu.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2023

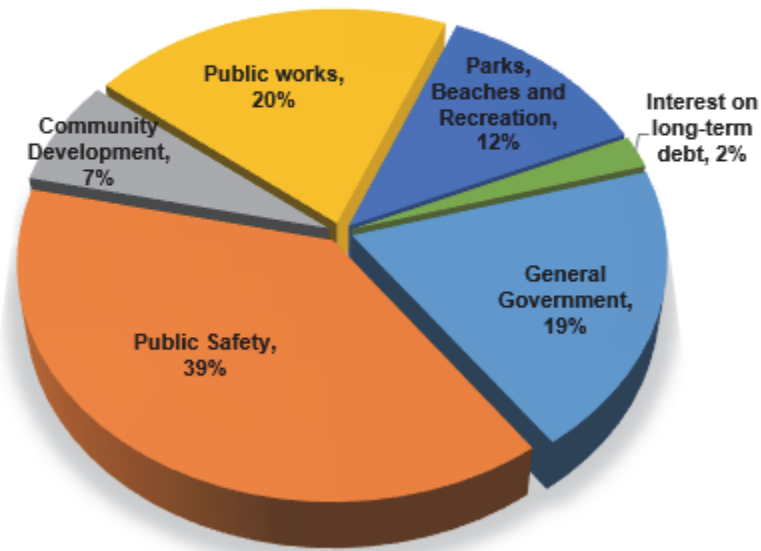


Governmental Activities Expenses. In FY2023, 78% of expenses were attributable to direct municipal services such as Public Safety, Public Works, Parks, Beaches and Recreation, and Community Development with 39%, 20%, 12%, and 7%, respectively. This was a little decreased compared with 81% in the prior year. Total expenditures were \$44.2 million in FY2023, which was \$0.3 million less than \$44.6 million for the previous year.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2023

Governmental Activities - Sources of Expenses
FY2023
\$44.27 M



The majority of these governmental activities are financed from City taxes. However, funds collected in program revenues for these various activities served to offset the departmental spending associated with some services. Governmental expenses totaling \$44.3 million were partially offset by program revenues for governmental activities of \$19.4 million, an increase of \$2 million from \$17.3 in the prior year (Table 3). These program revenues included \$7.4 million in service charges, \$9.8 million in operating grants and contributions, and \$2.2 million in capital grants and contributions. Charges for services include traffic safety fines, plan check fees, building inspection fees, other charges related to new construction, and fees charged for parks, beaches, and recreational events. Operating grants and contributions include amounts that can only go toward operations-related expenses, while capital grants and contributions are required to go toward capital investments. (Table 2)

Table 3
Governmental Activities
Program Revenues and Net Revenue (Expense) From Services for fiscal year ended June 30, 2023

	Program Revenues		Operating Expenses		Net Revenue (Expense)	
	FY23	FY22	FY23	FY22	FY23	FY22
General government	\$ 5,948,478	\$ 5,880,070	\$ 8,606,518	\$ 7,481,370	\$ (2,658,040)	\$ (1,601,300)
Public Safety	1,415,010	1,822,149	17,048,970	18,632,393	(15,633,960)	(16,810,244)
Community development	2,472,480	2,671,243	3,184,443	3,243,238	(711,963)	(571,995)
Public works	3,510,188	3,574,592	9,052,066	9,326,203	(5,541,878)	(5,751,611)
Parks, beaches, and recreation	6,018,748	3,373,944	5,418,584	4,928,418	600,164	(1,554,474)
Interest on long-term debt	-	-	959,687	969,550	(959,687)	(969,550)
	\$19,364,904	\$17,321,998	\$ 44,270,268	\$44,581,172	\$ (24,905,364)	\$ (27,259,174)



City of Pacifica

Management's Discussion and Analysis, Continued

For the year ended June 30, 2023

Business-type Activities

The net position of the City's business-type activities increased by \$2.1 million from a beginning net position of \$31.1 million to \$33.2 million. Total revenues were \$21.2 million. As mentioned above, the increase is primarily due to receiving a one-time insurance settlement payment of \$1.6 million for the Anza Pump station emergency repairs project recorded in the sewer operating fund. Also, an increase of \$0.3 million is attributable to the interest allocation for a total interest revenue of \$0.6 million in FY2022-23. It is important to note that the sewer utility rate increase of 3.5% did not result in a projected revenue because of the lower residential water usage, leading to a \$0.3 million decrease in sewer revenues from \$18.6 million in FY2022 to \$18.3 million in FY2022-23. (Table 2 and Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position)

Business-type expenses totaled \$18.5 million at the end of the fiscal year compared to \$16.9 million in FY2021-22, which is a \$1.6 million or 10% increase, as follows: \$0.6 million in bonds interest payments, \$0.3 million in utilities expense increases, and \$0.7 million in other operating increases. Beach parking remained relatively flat (Table 2 and Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position)

Sewer Utility Fund also made a transfer-out of \$0.5 million to the City's Motor Pool for future vehicle replacement purchases in accordance with the City's previously approved replacement schedule.

Unlike governmental activities, program revenues in business-type activities cover the total cost of operations with no contribution from City taxes. The City periodically reviews and adjusts sewer and parking rates to sufficiently cover expenditures and future liabilities. The adopted five-year annual 3.5% rate increase schedule will be implemented through FY2026-27.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

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 financial requirements and stability of the City. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

In FY2022-23, the City's governmental funds reported total fund balances of \$46.9 million, an increase of \$1.7 million from \$45.1 million in the prior fiscal year. This increase is a result of the following factors: an increase of \$4.3 million in the General Fund, an increase of \$1.4 million in the Disaster Accounting Fund, an increase of \$0.16 million in all other governmental funds, a decrease of \$1.4 million in General Capital Improvement Fund, and a decrease of \$2.6 million in Debt Service Fund. (Table 4)

The General Fund, General Capital Improvement Fund, Disaster Accounting Fund, and Debt Service Fund are considered major funds and are reported separately in the basic Financial Statements.



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2023

Table 4
Total Governmental Funds

	Fund Balance FY23	Fund Balance FY22	Net change in Fund Balance
General Fund	\$ 20,547,470	\$ 16,292,224	\$ 4,255,246
Disaster Accounting Fund	7,472,999	6,088,414	1,384,585
General Capital Improvement Fund	5,316,581	6,722,964	(1,406,383)
Debt Service Fund	2,699,165	5,317,384	(2,618,219)
Other Governmental Funds	10,833,411	10,675,637	157,774
Total Governmental Funds	\$ 46,869,626	\$ 45,096,623	\$ 1,773,003

General Fund

The General Fund is the City's primary operating fund. General Fund revenues totaled \$49.0 million in the current fiscal year compared to \$42.5 million in the prior fiscal year. This \$6.5 million or 15.3% increase is primarily due to the following: an increase of \$1.6 million in property tax, \$0.7 million increase in sales tax, a substantial increase in the transient occupancy tax (TOT) and utility user tax of \$1.6 million and \$1.0 million respectively, an increase of \$1.5 million from VLF backfill payment, as well as a decrease in charges for services of \$0.6 million, and a reduction of \$0.9 million in franchise taxes, due to recording of the portion of franchise fee in the streets improvement fund per the supreme court's ruling based on Zolly versus City of Oakland.

Expenditures totaled \$42.9 million, a \$4.8 million or 12.6% increase from the \$38.1 million in the prior year. General government expenditures increased by \$1.9 million from \$7.2 million in FY2022, mainly from non-departmental expenses such as \$0.5 million increase in the retiree healthcare, \$0.5 million increase in insurance premium for MPA and PLAN JPA workers' compensation and general liability insurance pools, \$0.1 million increase in election cost, and \$0.1 million for economic development program. The police department incurred an increase of \$0.9 million primarily due to the overtime cost and additional limited-term records technician positions added this year. The fire department's expenditures increased by \$0.4 million due to overtime costs. Planning department expenditures stayed flat. The Public Works department's expenditure saw an increase of \$0.7 million from FY2022-23 compared to the prior fiscal year due to filling vacancies and the overtime cost in the street and traffic maintenance and engineering divisions because of the time and efforts spent on the 2022 winter storm. Parks, Beaches, and Recreation department saw an increase of \$0.9 million in department expenditures, mainly due to the increased activities in the state-run childcare and preschool programs that are partially grant-funded and the expanded recreational swimming programs returning to the pre-COVID activity level.

The General Fund also received transfers of \$1.1 million from various funds, including the Measure A Street Construction Fund, Gas Tax Fund, and NPDES stormwater Fund, to offset the salaries and benefits cost for staff directly working in these programs. The General Fund also transferred \$2.9 million as this year's contribution to the Capital Improvement Program, Debt Service, and Internal Service Fund to fund future replacements and fire equipment purchases in the motor pool. Detailed notes on the transfers can be found in the Interfund Transactions section - Note 9B in the Notes to the Basic Financial Statements.



City of Pacifica

Management's Discussion and Analysis, Continued

For the year ended June 30, 2023

The General Fund balance was \$20.5 million as of June 30, 2023, which is \$.4.2 million more than the prior fiscal year's balance of \$16.3 million. The City Council previously assigned \$4.8 million in reserves for specific purposes, as further described in Note 11 of the Notes to the Basic Financial Statements. A total of \$11.1 million of the General Fund balance remains unassigned, a positive increase of \$3.7 million from the prior year of \$7.4 million.

Disaster Accounting Fund

The Disaster Accounting Fund accounts for revenues and expenditures associated with catastrophic events in the City.

The Disaster Accounting Fund had a balance of \$5.0 million, an increase of \$2.8 million from the prior year due to the portion of San Mateo County tax remittance for excess ERAF (Educational Revenue Augmentation Fund) being recorded in this fund. The total expenditures of \$2.4 million increased by \$1.8 million due to the legal settlement payment of \$1.9 million to the state condemnation fund related to the 310-330 Esplanade project. The fund also contributed to the Beach Blvd. and Pier repairs by transferring out \$1.2 million towards this CIP project. The fund balance increased by \$1.4 million to \$7.5 million due to the allocation of Excess ERAF revenues in the Disaster Accounting Fund per City policy previously approved by the Council.

General Capital Improvement Fund

The General Capital Improvement Fund accounts for funds used for capital improvements and significant maintenance projects. The City's equipment capitalization policy is on the cost basis of at least \$5,000, and the estimated useful life is more than one year. Structures, improvements, and infrastructure are also capitalized upon the projects' notice of completion. All capital assets are valued at historical cost. For more information on capital assets, please refer to Note 4 on the Notes to the Basic Financial Statement.

The General Capital Improvement Fund incurred expenditures of \$7.5 million in accordance with the City's approved CIP Program. About \$6.3 million of this cost was related to the Civic Center project. Other expenditures included the council chambers renovations, Beach Blvd Seawall repairs, North Pacifica Pedestrian Improvement, and Sharp Park Pedestrian Design. The General Capital Fund also received a transfer of \$6.0 million from other funds to support ongoing investments in City infrastructure and construction costs for previously approved projects. This includes a transfer of \$3.9 million in loan proceeds from the debt service fund and \$1.2 million from the Disaster Accounting Fund towards the funding of the Civic Center project as previously approved in the CIP budget, leading to the negative \$1.4 million net change, and the General Capital Improvement Fund balance of \$5.3 million at the end of the year. The General Capital Fund is restricted to the ongoing construction of capital projects. (Table 4)



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2023

Debt Service Fund

The Debt Service Fund accounts for resources used to repay general long-term debt and records the payments of principal, interest, and other expenditures related to debt administration. This fund balance was \$2.7 million as of June 30, 2023 (Table 4), a decrease of \$2.6 million from the prior fiscal year of \$5.3 million. The main reason for this decrease was a transfer out of \$3.9 million of the Civic Center loan that was initially recorded in the Debt Service Fund in FY2021-22 when the debt was acquired. The regular transfers in the General Fund also occurred to account for the scheduled debt service payments for 2016 COP bonds and 2019 Pension Obligation Bonds. In addition, per the original 2008 COP, the Gas Tax Fund and Streets Construction Fund Measure A also contributed to the debt service payments for the 2016 COP. A detailed description of the City's outstanding debt and long-term obligations associated with each issue can be found in Note 5 in the Notes to the Basic Financial Statements.

Proprietary Funds

The City's proprietary fund statements provide the same information found in the government-wide financial statements. The City's enterprise funds include the Sewer Utility fund and Beach parking fund, while the Internal Service funds include Self Insurance Dental, Workers' Compensation, General Liability, Motor Pool Operations, Motor Pool Replacement, and Fire Equipment Replacement Funds. Table 5 shows the change in Net Position for the proprietary funds.

Table 5
Change in Fund Net Position - Proprietary Funds for the year ended June 30, 2023

	Total Enterprise Funds		Total Internal Service Funds	
	FY23	FY22	FY23	FY22
Operating revenues	\$ 20,613,951	\$ 19,524,439	\$ 2,575,023	\$ 2,498,107
Operating expenses	16,337,622	15,280,155	2,905,204	3,623,903
Operating income (loss)	4,276,329	4,244,284	(330,181)	(1,125,796)
Non-operating revenues (expenses)	(1,632,495)	(1,312,473)	93,588	20,552
Net income (loss) before contributions and transfers	2,643,834	2,931,811	(236,593)	(1,105,244)
Transfers in (out)	(500,000)	(499,600)	699,250	145,932
Change in net position	\$ 2,143,834	\$ 2,432,211	\$ 462,657	\$ (959,312)

Sewer Utility Enterprise Fund

The Sewer Utility Enterprise Fund accounts for the operation and maintenance of the City's wastewater system, including the operating costs of the wastewater collection system and water recycling plant. It is a major enterprise fund in the proprietary funds.

The fund's total revenue increased by \$1.2 million from the prior year's \$19 million, mainly from a one-time insurance settlement payment of \$1.6 million for the Anza Pump station emergency repairs project. Despite the budgeted 3.5% sewer rate increase, the actual sewer revenues decreased by \$0.3 million due to lower residential water usage, which should be factored in the future rate study.



City of Pacifica Management's Discussion and Analysis, Continued For the year ended June 30, 2023

Total operating expenses of the Sewer Utility Fund increased by \$1.1 million, primarily due to increased utility fees and projects such as smoke testing and ultraviolet (UV) disinfection maintenance completed during the year.

The non-operating expenses increased by \$0.3 million to \$1.6 million from \$1.3 million in the prior fiscal year. Interest revenue increased by \$0.3 million. Interest expense increased by \$0.6 million. The debt payment interest increases mainly due to the debt issuance costs of \$0.2 million related to the 2022-23 \$21 million iBank loan to fund the Lower Linda Mar Rehab and Replacement and UV Disinfection System Replacement projects, was partially offset by the increase in the interest revenue earned.

The Sewer Utility Fund showed an increase of \$2.2 million in the fund's overall net position of \$33 million compared to the prior year's \$30.8 million. Still, a large portion of the net position is related to the City's investment in capital assets, resulting in the unrestricted net position of a negative \$1.2 million. Sewer Utility Fund uses the full accrual basis of accounting where unfunded OPEB and pension liabilities are recorded, resulting in a negative unrestricted net position.

Internal Service Funds

The Internal Service Funds represent funds to cover employee dental expenses and insurance deductibles for general liability and worker's compensation. In addition, funds are also set aside to support replacement purchases and the day-to-day operation and maintenance of city vehicles and equipment. The internal service funds experienced an increase in net position of \$0.5 million from the prior year due to transfers from other funds, such as \$0.5 million from the Sewer Fund and \$0.1 million from the General Fund towards future vehicle replacements in the motor pool, and \$0.1 from General Fund into the Fire Equipment Fund (Table 5).

GENERAL FUND BUDGETARY HIGHLIGHTS

Detailed information on budget variances can be found in the Budgetary Comparison Schedule General Fund notes. The Adopted Fiscal Year 2023 General Fund budget conservatively assumed slow revenue growth. The ongoing budgeted expenditures were also contained mainly at the same service level within the forecasted revenue to maintain a structurally balanced budget.

Total General Fund revenues were \$49.0 million, which is \$0.5 million less than the amended budget of \$49.5 million. Total expenditures were \$42.9 million, \$2.4 million less than the amended budget of \$45.3 million.

The most significant differences between estimated and actual results were as follows:

- General Fund total revenues were under budget by \$0.5 million.
- Property tax revenues were over budget by \$0.5 million.
- Sales tax was under budget by \$0.1 million: Measure Y's actual \$0.56 million came in slightly below the budgeted \$0.65.
- Other taxes, which include transient occupancy, business license, utility users, and cannabis taxes, along with franchise tax, outperformed the budget by \$0.8 million.



City of Pacifica

Management's Discussion and Analysis, Continued

For the year ended June 30, 2023

- Charges for current services didn't materialize as expected. The actual revenue was under budget by \$1.2 million, mainly because of the delays in submitting reimbursements for the childcare program from the State. With the new PB&R Director and Assistant coming on board this year, the PB&R Department is quickly catching up on the departmental operations and priorities, and the reimbursement is expected to go through next year.
- General fund total expenditures were under budget by \$2.4 million, a favorable variance mainly due to the delay in cost-reimbursable accounting in the Planning Department.
- Expenditures in general government were under budget by \$0.6 million.
- Expenditures in public safety were over budget by \$0.6 million primarily because of salaries, benefits, and overtime costs.
- Expenditures in other operating departments, such as Planning and Public Works, were under budget by \$2.3 million and \$0.1 million, respectively, primarily due to delays in processing cost-reimbursable payments and some salary savings resulted from the challenging recruitment market and many positions remaining vacant for the big part of the year.
- Expenditures for Parks, Beaches, and Recreation aligned with the budget.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

As reported in the Statement of Net Position, capital assets for the governmental and business-type activities totaled \$160.3 million on June 30, 2023, increased by \$9.2 million from \$151.1 million in the prior fiscal year. The investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. The City records its capital assets at historical cost or estimated historical cost if actual historical cost is unavailable. The City depreciates all capital assets on a straight-line basis over their estimated useful lives. The City's capital assets are summarized in Table 6. Additional information on capital assets may be found in Note 4 in the Notes to the Basic Financial Statements.

Governmental activity's capital assets increased by \$7.7 million from the prior year's \$88.6 million to the current year's \$96.3 million. Business Type activities capital assets increased by \$1.4 million from the last fiscal year of \$62.6 to \$64.0 million in the current fiscal year.

Table 6
Capital Assets at June 30, 2023

	Governmental Activities		Business Type Activities		Total	
	FY23	FY22	FY23	FY22	FY23	FY22
Governmental activities						
Land	\$40,445,580	\$ 40,445,580	\$ 4,014,412	\$ 4,014,412	\$ 44,459,992	\$ 44,459,992
Construction in progress	10,389,899	6,488,358	5,472,830	1,753,904	15,862,729	8,242,262
Building and improvements	16,949,741	16,606,545	77,688,329	77,688,329	94,638,070	94,294,874
Vehicles	8,878,312	8,467,796			8,878,312	8,467,796
Collection Systems			50,516,055	48,731,775	50,516,055	48,731,775
Machinery and equipment	3,541,025	3,541,025	4,263,935	4,200,960	7,804,960	7,741,985
Infrastructure	58,377,682	52,174,564			58,377,682	52,174,564
Less accumulated depreciation	(42,254,450)	(39,164,186)	(78,003,792)	(73,827,516)	(120,258,242)	(112,991,702)
Totals	\$96,327,789	\$ 88,559,682	\$ 63,951,769	\$ 62,561,864	\$ 160,279,558	\$ 151,121,546



City of Pacifica
Management's Discussion and Analysis, Continued
For the year ended June 30, 2023

Long Term Debt

On June 30, 2023, the City's long-term debt obligations totaled \$81.3 million. Governmental Activities had an outstanding debt of approximately \$25.4 million, and the business-type activities had an outstanding \$55.9 million. In May 2023, the City entered into a 30-year loan agreement executed with the State of California IBank for \$21 million for two sewer utility fund projects: Lower Linda Mar Rehab and Replacement and UV Disinfection System Replacement. The total reduction of \$4.5 million from the prior year for other debts was due to normal debt service payments. Overall, the City-wide total debt increased by \$16.5 million in FY2023. Additional information on long-term debt activity may be found in Note 5 of the Notes to the Basic Financial Statements.

Table 7
Outstanding Debt at June 30, 2023

	Governmental Activities		Business-type Activities		Total	
	FY23	FY22	FY23	FY22	FY23	FY22
2016 Certificate of Participation	\$ 14,378,309	\$ 15,198,188	\$ -	\$ -	\$ 14,378,309	\$ 15,198,188
Capital Lease Payable	4,000,000	4,070,080			4,000,000	4,070,080
2019 Pension Obligation Refunding Bond	7,058,742	7,847,478	906,258	1,007,522	7,965,000	8,855,000
2014 Wastewater Revenue Refunding Bond			5,635,176	7,254,031	5,635,176	7,254,031
2017 Wastewater Revenue Bond			24,612,965	25,363,482	24,612,965	25,363,482
2012 Loan Agreement			3,741,239	4,047,649	3,741,239	4,047,649
2023 Ibank Notes Payable	-	-	21,000,000		21,000,000	-
Total Debt Outstanding	\$ 25,437,051	\$ 27,115,746	\$ 55,895,638	\$ 37,672,684	\$ 81,332,689	\$ 64,788,430

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's economic conditions and major initiatives for the coming year are discussed in the accompanying Transmittal Letter.

Development of the Fiscal Year 2023-24 Budget incorporates a positive economic outlook that balances the continuing stable trends of critical economic indicators following the post-COVID-19 recovery, with corresponding growth in property tax and sales tax, including the new transaction and additional transaction and use tax (Measure Y) that helped resolve the ongoing budget deficit. Inflation has taken off the last two years since March 2021, with a high of 8.93% in June 2022 and steadily slowed to 4.13% in May 2023.

Overall, the San Francisco Bay Area economy has recovered from the pandemic, exceeding pre-pandemic figures in many economic sectors. According to the 2023 Joint Venture Silicon Valley Index report, 91,000 people departed over the past two years (the highest number on record since the dot-com bust), and there is no longer a significant influx of people from other places. However, the economy continues growing even despite rounds of layoffs in the tech industry.

Below are some key points and assumptions applied to the FY2023-2024 budget (additional information can be found in the FY2023-24 budget book, also available on the City website).



City of Pacifica

Management's Discussion and Analysis, Continued For the year ended June 30, 2023

Base Budget General Fund Revenue Assumptions

Revenue estimates are based on the most current information from department feedback, external sources, and further analysis. The following revenue assumptions were included in the Base Budget:

- **Property Tax** is the City's largest revenue source. Historically, Pacifica's property tax base has only very slowly expanded. For the FY 2022-23 Budget, property taxes comprise approximately 33% of City General Fund revenues. Both secured and unsecured property taxes are levied based on the assessed accurate property valuation (the basis for property tax levy) as of January 1, 2023. The FY 2023-24 property tax revenues are projected at \$16.2 million based on the information provided by the County and HdL, the City's property tax consultant.
- **Charges for services are the second largest revenue category, which** includes building, planning, other permits, recreation revenues and rentals, fines, and reimbursements. The building and planning revenues are projected to increase based on the current activity level and CPI factors. This category shows an increase of \$1.1 million, or 13.4%.
- **Vehicle License Fee (VLF) in Lieu** is the third largest revenue category. Through the State, there has been insufficient ERAF to fund the VLF in Lieu allocation for FY 2019-20, 2020-21, and 2021-22. Staff has previously reported to the Council a projected loss (delay) of this major revenue stream currently owed to the City by the State. In the past, the State has backfilled the VLF shortfall, but the State's payment lags two years behind the shortfall year. The state paid the shortfall for FY 2019-20 and 2020-21, totaling \$2.1 million, most of which occurred in this fiscal year 2022-23. It is uncertain if the state will pay the true-up for FY 2021-22 (\$691,185) due to be paid back to the City in FY 2023-24. Therefore, the VLF category shows a decrease of \$1.5 million compared to FY 2022-23 due to the large payback in the current FY 2022-23 and no shortfall backfill planned by the state in FY 2023-24.
- **Sales Tax** is the City's fourth-largest revenue category. Based on discussions with the City's sales tax advisor and sales tax projections prepared by HdL, the local sales activities forecast is expected to show slightly better performance than initially expected. This is due to an increase in the Restaurants and Hotel category of 2.5% and the State / County pool allocation for online sales increasing 4.3% over the FY 2022-23 projections. The most considerable offset is projected to occur in the Fuel and Service Stations industry group, with a decrease of 7.7%. Total sales tax is estimated at \$3.4 million.
- **Measure Y** is a ½ cent Transaction & Use Tax that the voters passed in the City of Pacifica in November 2022. The tax became effective April 1, 2023, and FY 2023-24 will be the first full year of collections. HdL projects this revenue to be \$2.8 million in FY 2023-24. This revenue source is now the fifth-largest revenue category



City of Pacifica

Management's Discussion and Analysis, Continued For the year ended June 30, 2023

Base Budget General Fund Expenditure Assumptions

- Salary and benefits projections include funding for 188.25 full-time equivalent (FTE) positions citywide at 100%. Funding for part-time positions is consistent with the prior year's allocation. Salaries and benefits increased by \$354k compared to the FY 2022-23 mid-year revised Budget. The increase is minimal, primarily due to decreases in CalPERS UAL payments due to the appreciation of the market value of the assets as a result of favorable investment market conditions by CalPERS. The gains in the market value of the assets directly reduce the total unfunded liability and are amortized over 20 years. The annual UAL payment is also reduced by year one of the 20-year amortization of the gain. The upcoming mid-year budget review will account for the provisions of the new labor agreements negotiated after the budget was adopted.
- FY 2023-24 PERS retirement rates are budgeted as CalPERS provides for classic miscellaneous and safety members and Public Employees' Pension Reform Act (PEPRA) rates for miscellaneous and safety employees without prior municipal experience or who have had a break in service.
- PERS Unfunded Accrued Liability (UAL) payment is budgeted at \$4.8 million for Safety and Miscellaneous employees, a decrease of approximately \$320,000 or 6%. An additional contribution to the 115 trust administered by Public Agency Retirement Services (PARS) of \$167,500 is included to help fund the City's pension obligations in accordance with the Pension Funding Policy. A continuing contribution of \$200,000 to PARS is budgeted to fund OPEB's unfunded liability, consistent with the Council funding strategy approved in April 2022.
- Most Professional Services contractual obligations were increased by 2% over the FY 2023-24 Revised Budget to account for regular inflationary increases unless the further cost increase was noted and factored into the Budget by operating departments. The General Liability expenses have been moved to the General Liability Internal Service Fund, with a corresponding increase in transfer out to the General Liability Insurance Fund.
- Similarly, most Material, Supplies, and Maintenance categories assume a modest 1% increase.

REQUEST FOR INFORMATION

This report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances and show its accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to:

City of Pacifica
Finance Department
Attn: Yulia Carter, Assistant City Manager
540 Crespi Drive, Pacifica, California 94044.

An electronic version of this financial report is available at the City's website at <http://www.cityofpacifica.org>.

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CITY OF PACIFICA
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$39,058,796	\$5,675,202	\$44,733,998
Cash and investments with fiscal agents (Note 3)	4,218,908	25,155,723	29,374,631
Restricted cash and investments (Note 3)	2,888,080		2,888,080
Taxes receivable			
Accounts receivable, net of allowance	6,674,333	99,466	6,773,799
Interest receivable	227,611		227,611
Prepaid items	99,530	384,780	484,310
Inventories	2,129		2,129
Receivable from successor agency (Note 10)	3,516,264		3,516,264
Internal balances (Note 9)	(297,339)	297,339	
Capital assets, not being depreciated (Note 4)	50,835,479	9,487,242	60,322,721
Capital assets, being depreciated, net of accumulated depreciation (Note 4)	45,492,310	54,464,527	99,956,837
Total Assets	152,716,101	95,564,279	248,280,380
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding of debt	247,562	186,837	434,399
Related to OPEB (Note 6)	1,369,291	300,576	1,669,867
Related to pension (Note 7)	28,150,125	1,671,628	29,821,753
Total Deferred Outflows of Resources	29,766,978	2,159,041	31,926,019
LIABILITIES			
Accounts payable and accrued liabilities	4,124,201	1,723,603	5,847,804
Interest payable	339,347	590,755	930,102
Refundable deposits	793,465		793,465
Claims payable due within one year (Note 8)	303,001		303,001
Compensated absences (Note 1L):			
Due within one year	806,638	268,218	1,074,856
Due in more than one year	608,517	180,046	788,563
Long term debt (Note 5):			
Due within one year	1,651,909	3,046,223	4,698,132
Due in more than one year	23,785,142	52,849,415	76,634,557
Net OPEB liabilities, due in more than one year (Note 6)	3,621,693	795,006	4,416,699
Net pension liabilities, due in more than one year (Note 7)	65,729,251	3,952,002	69,681,253
Total Liabilities	101,763,164	63,405,268	165,168,432
DEFERRED INFLOWS OF RESOURCES			
Related to OPEB (Note 6)	3,696,321	811,388	4,507,709
Related to pension (Note 7)	5,396,036	279,970	5,676,006
Total Deferred Inflows of Resources	9,092,357	1,091,358	10,183,715
NET POSITION (Note 11)			
Net investment in capital assets	78,197,042	34,304,949	112,501,991
Restricted for:			
PARS Pension Trust	185,519		185,519
Construction of capital assets	4,777,874		4,777,874
Streets, highways, and other related purposes	3,122,087		3,122,087
Parks, beaches and recreation	4,881,097		4,881,097
Stormwater operations	281,057		281,057
Public safety	7,792,276		7,792,276
Unrestricted	(27,609,394)	(1,078,255)	(28,687,649)
Total Net Position	\$71,627,558	\$33,226,694	\$104,854,252

See accompanying notes to financial statements

**CITY OF PACIFICA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Governmental Activities:				
General government	\$8,606,518	\$151,145	\$5,797,333	
Public safety	17,048,970	857,381	557,629	
Community development	3,184,443	2,463,602	8,878	
Public works	9,052,066	1,237,884	92,339	\$2,179,965
Parks, beaches and recreation	5,418,584	2,672,621	3,346,127	
Interest on long-term debt	959,687			
Total Governmental Activities	44,270,268	7,382,633	9,802,306	2,179,965
Business-type Activities:				
Sewer	17,983,716	20,158,923		
Beach Parking	545,599	455,028		
Total Business-type Activities	18,529,315	20,613,951		
Total	\$62,799,583	\$27,996,584	\$9,802,306	\$2,179,965

General Revenues:

Taxes:

 Property taxes

 Sales and use taxes

 Franchise taxes

 Other taxes

Motor vehicle in lieu, unrestricted

Investment earnings

Gain on sale of capital assets

Miscellaneous

Transfers

 Total General Revenues and Transfer

Change in Net Position

Net Position at beginning of year

Net Position at end of year

See accompanying notes to financial statements

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
(\$2,658,040)		(\$2,658,040)
(15,633,960)		(15,633,960)
(711,963)		(711,963)
(5,541,878)		(5,541,878)
600,164		600,164
(959,687)		(959,687)
<u>(24,905,364)</u>		<u>(24,905,364)</u>
	\$2,175,207	2,175,207
	(90,571)	(90,571)
	<u>2,084,636</u>	<u>2,084,636</u>
<u>(24,905,364)</u>	<u>2,084,636</u>	<u>(22,820,728)</u>
15,983,214		15,983,214
3,877,828		3,877,828
1,197,067		1,197,067
14,868,245		14,868,245
5,870,043		5,870,043
659,790	559,198	1,218,988
9,310		9,310
279,988		279,988
500,000	(500,000)	
<u>43,245,485</u>	<u>59,198</u>	<u>43,304,683</u>
18,340,121	2,143,834	20,483,955
<u>53,287,437</u>	<u>31,082,860</u>	<u>84,370,297</u>
<u>\$71,627,558</u>	<u>\$33,226,694</u>	<u>\$104,854,252</u>

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

	General	Disaster Accounting Special Revenue Fund	General Capital Improvement Capital Projects Fund	Debt Service Fund
Assets:				
Cash and investments (Note 3)	\$16,535,624	\$5,846,078	\$2,523,483	\$2,326,589
Cash and investments with fiscal agents (Note 3)			3,935,732	283,176
Restricted cash and investments (Note 3)	185,519			
Receivables:				
Accounts	4,561,006	1,665,250	6,250	
Interest	227,611			
Due from other funds	332,080			
Prepaid items	10,130			89,400
Inventories	2,129			
Receivable from RDA successor agency (Note 10)	3,516,264			
Total Assets	\$25,370,363	\$7,511,328	\$6,465,465	\$2,699,165
Liabilities:				
Accounts payable and accrued liabilities	\$2,179,442	\$38,329	\$1,148,884	
Due to other funds				
Refundable deposits	793,465			
Unearned revenue				
Advance from other funds (Note 9)	297,339			
Total Liabilities	3,270,246	38,329	1,148,884	
Deferred inflows of resources:				
Unavailable revenue	1,552,647			
Fund balances (Note 11):				
Non-spendable	3,528,523			\$89,400
Restricted	185,519	7,472,999	3,935,732	2,609,765
Assigned	5,777,214		1,380,849	
Unassigned	11,056,214			
Total Fund Balances	20,547,470	7,472,999	5,316,581	2,699,165
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$25,370,363	\$7,511,328	\$6,465,465	\$2,699,165

See accompanying notes to financial statements

Other Governmental Funds	Total
\$8,579,636	\$35,811,410
	4,218,908
2,702,561	2,888,080
441,827	6,674,333
	227,611
	332,080
	99,530
	2,129
	3,516,264
<u>\$11,724,024</u>	<u>\$53,770,345</u>
\$558,533	\$3,925,188
332,080	332,080
	793,465
	297,339
<u>890,613</u>	<u>5,348,072</u>
	1,552,647
	3,617,923
10,977,100	25,181,115
	7,158,063
(143,689)	10,912,525
<u>10,833,411</u>	<u>46,869,626</u>
<u>\$11,724,024</u>	<u>\$53,770,345</u>

CITY OF PACIFICA
Reconciliation of the
GOVERNMENTAL FUNDS - BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2023

Fund Balance - Governmental Funds	\$46,869,626
Amounts reported for Governmental Activities in the Statement of Net Position is different from those reported in the governmental funds because of the following:	
Capital assets used in Governmental Activities are not current resources and, therefore, are not reported in the governmental funds.	94,492,747
Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	1,552,647
Deferred charge on refunding, net of accumulated amortization has not been reported in the governmental funds. This was capitalized and amortized over the life of the new debt or old debt whichever is shorter in the Statement of Net Position.	247,562
The items below are not financial resources / (not due and payable) in the current period and, therefore are not reported in the governmental funds.	
Compensated Absences	(1,391,443)
Long term debt	(25,285,716)
Interest payable	(338,995)
Net OPEB liabilities	(3,621,693)
Net Pension Liabilities	(65,729,251)
Deferred inflows related to pension and OPEB	(9,092,357)
Deferred outflows related to pension and OPEB	29,519,416
Internal service funds are used by management to charge costs of certain activities, such as insurance and central garage, to individual funds. The assets and liabilities of the internal service funds are included in Governmental Activities in the Statement of Net Position.	4,405,015
Net Position of Governmental Activities	\$71,627,558

See accompanying notes to financial statements

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CITY OF PACIFICA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General</u>	<u>Disaster Accounting Special Revenue Fund</u>	<u>General Capital Improvement Capital Projects Fund</u>	<u>Debt Service Fund</u>
REVENUES				
Taxes	\$28,561,337	\$4,800,132		
Licenses and permits	1,092,091		\$14,721	
Fines and forfeitures	197,653			
Use of money and property	513,330		10	\$1,002
Intergovernmental	12,332,582			
Charges for current services	3,040,003			
Recreation programs	688,195			
Other	2,582,901	161,281	83,693	1,132,522
	<u>49,008,092</u>	<u>4,961,413</u>	<u>98,424</u>	<u>1,133,524</u>
Total Revenues				
EXPENDITURES				
Current:				
General government	9,130,395			
Public safety	19,920,279			
Community development	3,080,138		7,864	
Public works	5,009,407	17,408		
Parks, beaches, and recreation	5,674,609			
Capital outlay	108,537	2,359,420	7,467,675	
Debt service:				
Principal				1,546,906
Interest and fiscal charges				911,586
	<u>42,923,365</u>	<u>2,376,828</u>	<u>7,475,539</u>	<u>2,458,492</u>
Total Expenditures				
Excess (Deficit) of Revenues over Expenditures	<u>6,084,727</u>	<u>2,584,585</u>	<u>(7,377,115)</u>	<u>(1,324,968)</u>
Other Financing Sources (Uses):				
Transfers in (Note 9)	1,130,900		5,970,732	2,642,481
Transfers out (Note 9)	(2,960,381)	(1,200,000)		(3,935,732)
	<u>(1,829,481)</u>	<u>(1,200,000)</u>	<u>5,970,732</u>	<u>(1,293,251)</u>
Total Other Financing Sources (Uses)				
Net Changes in Fund Balances	4,255,246	1,384,585	(1,406,383)	(2,618,219)
Fund Balances - Beginning	16,292,224	6,088,414	6,722,964	5,317,384
Fund Balances - Ending	<u>\$20,547,470</u>	<u>\$7,472,999</u>	<u>\$5,316,581</u>	<u>\$2,699,165</u>

See accompanying notes to financial statements

Other Governmental Funds	Total
\$4,369,213	\$37,730,682
	1,106,812
	197,653
231,679	746,021
219,856	12,552,438
337,553	3,377,556
	688,195
1,014,144	4,974,541
<u>6,172,445</u>	<u>61,373,898</u>
149	9,130,544
38,595	19,958,874
374,974	3,462,976
2,791,307	7,818,122
163,587	5,838,196
764,759	10,700,391
	1,546,906
	911,586
<u>4,133,371</u>	<u>59,367,595</u>
<u>2,039,074</u>	<u>2,006,303</u>
1,701,035	11,445,148
<u>(3,582,335)</u>	<u>(11,678,448)</u>
<u>(1,881,300)</u>	<u>(233,300)</u>
157,774	1,773,003
<u>10,675,637</u>	<u>45,096,623</u>
<u>\$10,833,411</u>	<u>\$46,869,626</u>

CITY OF PACIFICA
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, which measure only changes in current asset and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net Change in fund balance	\$1,773,003
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Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over estimated lives and reported as depreciation expense.

Capital outlay expenditures are therefore added back to fund balances	10,447,856
Depreciation expense	(2,505,884)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of debt principal	1,546,906
Transfer of debt principal to Internal Service Fund	34,050
Amortization of loss on refunding	(139,463)

The amounts below included in the Statement of Activities do not provide (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Interest payable	95,969
Unavailable revenue	1,552,647
Compensated absences	183,681
Net pension liabilities	4,443,591
Net OPEB liabilities	445,108

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

462,657

Changes in net position of governmental activities

\$18,340,121

See accompanying notes to financial statements

**CITY OF PACIFICA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Business-Type Activities			Governmental Activities
	Major Enterprise Fund Sewer Utility	Non-Major Enterprise Fund Beach Parking	Total Enterprise Funds	Internal Service Funds
Assets:				
Current Assets:				
Cash and investments (Note 3)	\$5,469,073	\$206,129	\$5,675,202	\$3,247,386
Cash and investments with fiscal agents (Note 3)	25,155,723		25,155,723	
Accounts receivable	92,167	7,299	99,466	
Prepaid items	384,780		384,780	
Inventory				
Total Current Assets	31,101,743	213,428	31,315,171	3,247,386
Noncurrent Assets:				
Advance to other funds (Note 9)	297,339		297,339	
Capital assets, not being depreciated (Note 4)	9,487,242		9,487,242	258,774
Capital assets, being depreciated, net of accumulated depreciation (Note 4)	54,400,926	63,601	54,464,527	1,576,268
Total Noncurrent assets	64,185,507	63,601	64,249,108	1,835,042
Total Assets	95,287,250	277,029	95,564,279	5,082,428
Deferred Outflows of Resources				
Deferred charge on refunding (Note 5)	186,837		186,837	
Related to OPEB (Note 6)	300,576		300,576	
Related to pension (Note 7)	1,671,628		1,671,628	
Total Deferred Outflows of Resources	2,159,041		2,159,041	
Liabilities:				
Current Liabilities:				
Accounts payable and accrued liabilities	1,707,699	15,904	1,723,603	199,013
Interest payable	590,755		590,755	352
Claims payable due in one year (Note 8)				303,001
Compensated absences due in one year (Note 1L)	220,329	47,889	268,218	23,712
Long term debt due in one year (Note 5)	3,046,223		3,046,223	18,050
Total Current Liabilities	5,565,006	63,793	5,628,799	544,128
Noncurrent Liabilities:				
Compensated absences, due in more than one year (Note 1L)	153,109	26,937	180,046	
Long term debt due in more than one year (Note 5)	52,849,415		52,849,415	133,285
Net OPEB Liabilities due in more than one year (Note 6)	795,006		795,006	
Net pension liabilities due in more than one year (Note 7)	3,952,002		3,952,002	
Total Non-Current Liabilities	57,749,532	26,937	57,776,469	133,285
Total Liabilities	63,314,538	90,730	63,405,268	677,413
Deferred Inflows of Resources:				
Related to OPEB (Note 6)	811,388		811,388	
Related to pension (Note 7)	279,970		279,970	
Total Deferred inflows of Resources	1,091,358		1,091,358	
Net Position:				
Net investment in capital assets	34,241,348	63,601	34,304,949	1,835,042
Unrestricted	(1,200,953)	122,698	(1,078,255)	2,569,973
Total Net Position	\$33,040,395	\$186,299	\$33,226,694	\$4,405,015

See accompanying notes to financial statements

**CITY OF PACIFICA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

	Business-Type Activities			Governmental Activities
	Major Enterprise Fund Sewer Utility	Non-Major Enterprise Fund Beach Parking	Total Enterprise Funds	Internal Service Funds
Operating Revenues:				
Charges for services	\$18,348,544	\$455,028	\$18,803,572	\$1,457,872
Other operating income	1,810,379		1,810,379	1,117,151
Total Operating Revenues	20,158,923	455,028	20,613,951	2,575,023
Operating Expenses:				
Personnel services	4,614,230	452,234	5,066,464	596,929
Administration	1,266,286	45,691	1,311,977	7,787
Supplies and materials	2,053,980	9,522	2,063,502	515,719
Insurance	821,100		821,100	845,239
Outside contractors	119,948		119,948	10,044
Maintenance	530,049	23,800	553,849	84,799
Utilities	2,224,506		2,224,506	
Insurance claims				260,307
Depreciation (Note 4)	4,161,924	14,352	4,176,276	584,380
Total Operating Expenses	15,792,023	545,599	16,337,622	2,905,204
Operating Income (Loss)	4,366,900	(90,571)	4,276,329	(330,181)
Non-operating revenues (Expenses):				
Investment earnings	555,315	3,883	559,198	88,885
Gain on sale of capital assets				9,310
Interest and fiscal charges	(2,170,657)		(2,170,657)	(4,607)
Amortization	(21,036)		(21,036)	
Total Non-Operating Revenues (Expenses)	(1,636,378)	3,883	(1,632,495)	93,588
Income (Loss) Before Transfers	2,730,522	(86,688)	2,643,834	(236,593)
Transfers:				
Transfers in (Note 9)				733,300
Transfers out (Note 9)	(500,000)		(500,000)	(34,050)
Changes in Net Position	2,230,522	(86,688)	2,143,834	462,657
Net Position, Beginning of Year, as Restated (Note 11D)	30,809,873	272,987	31,082,860	3,942,358
Net Position, End of Year	\$33,040,395	\$186,299	\$33,226,694	\$4,405,015

See accompanying notes to financial statements

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**CITY OF PACIFICA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	Business-Type Activities			Governmental Activities
	Major Enterprise Fund Sewer Utility	Non-Major Enterprise Fund Beach Parking	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:				
Receipts from customers	\$20,067,837	\$447,729	\$20,515,566	\$2,595,261
Payments to suppliers	(6,754,765)	(80,993)	(6,835,758)	(1,566,044)
Payments for claims				(261,510)
Payments to and on behalf of employees	(5,229,593)	(373,158)	(5,602,751)	(590,771)
Net Cash Provided (Used) by Operating Activities	8,083,479	(6,422)	8,077,057	176,936
Cash Flows from Noncapital and Related Financing Activities:				
Interfund payments	(147,401)		(147,401)	
Interfund receipts				733,300
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(147,401)		(147,401)	733,300
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(5,534,667)	(31,514)	(5,566,181)	(410,515)
Proceeds from sale of capital assets				9,310
Issuance of debt	21,000,000		21,000,000	
Cost of issuance	(210,000)		(210,000)	
Principal payments on bonds and notes	(2,552,674)		(2,552,674)	(16,910)
Interest paid	(1,669,793)		(1,669,793)	(4,607)
Net Cash Provided (Used) by Capital and Related Financing Activities	11,032,866	(31,514)	11,001,352	(422,722)
Cash Flows from Investing Activities:				
Interest received	555,315	3,883	559,198	88,885
Net Cash Provided by Investing Activities	555,315	3,883	559,198	88,885
Net Increase (Decrease) in Cash and Cash Equivalents	19,524,259	(34,053)	19,490,206	576,399
Cash and Cash Equivalents at the Beginning of the Fiscal year	11,100,537	240,182	11,340,719	2,670,987
Cash and Cash Equivalents at the End of the Fiscal Year	\$30,624,796	\$206,129	\$30,830,925	\$3,247,386
Reconciliation of Cash and Cash Equivalents to Statement of Net Position:				
Cash and investments	\$5,469,073	\$206,129	\$5,675,202	\$3,247,386
Cash and investments with fiscal agents	25,155,723		25,155,723	
Total Cash and Cash Equivalents	\$30,624,796	\$206,129	\$30,830,925	\$3,247,386

(Continued)

See accompanying notes to financial statements

**CITY OF PACIFICA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	Business-Type Activities			Governmental Activities
	Major Enterprise Fund Sewer Utility	Non-major Enterprise Fund Beach Parking	Total Enterprise Funds	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (loss)	\$4,366,900	(\$90,571)	\$4,276,329	(\$330,181)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	4,161,924	14,352	4,176,276	584,380
(Increase) Decrease in Operating Assets:				
Accounts Receivable	(92,167)	(7,299)	(99,466)	1,523
Prepaid Items	(5,516)		(5,516)	
Inventories	6,597		6,597	18,715
Increase (Decrease) in Operating Liabilities:				
Accounts payable	472,250	12,585	484,835	(76,236)
Accrued interest payable				22
Claims payable				(1,203)
Net Pension/OPEB Liability, Deferred Inflows and Deferred Outflows	(896,193)		(896,193)	
Compensated Absences	69,684	64,511	134,195	(20,084)
Net Cash Provided (Used) by Operating Activities	\$8,083,479	(\$6,422)	\$8,077,057	\$176,936
Noncash Transactions				
Amortization of loss on refunding of bonds	(\$21,036)			
Amortization of bond premiums	(\$224,372)			

See accompanying notes to financial statements

**CITY OF PACIFICA
STATEMENT OF FIDUCIARY NET POSITION
SUCCESSOR AGENCY
PRIVATE PURPOSE TRUST FUND
JUNE 30, 2023**

Assets:

Cash and investments with fiscal agents (Note 3)	<u>\$232,746</u>
Total Assets	<u>232,746</u>

Liabilities:

Accounts payable and accrued liabilities	146,745
Interest payable	24,974
Loan payable to the City (Notes 10 and 13)	
Due in more than one year	3,516,264
Long-term debt:	
Due within one year (Note 13)	75,000
Due in more than one year (Note 13)	<u>795,000</u>
Total Liabilities	<u>4,557,983</u>

Net Position:

Restricted for Trust Fund	<u>(4,325,237)</u>
Total Net Position (Deficit)	<u><u>(\$4,325,237)</u></u>

See accompanying notes to financial statements

CITY OF PACIFICA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SUCCESSOR AGENCY
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2023

Additions:

Investment revenue	\$4,554
Taxes and assessments	<u>116,742</u>

Total Additions	<u>121,296</u>
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Deductions:

Interest expense	52,411
Community development expense	<u>12,486</u>

Total Deductions	<u>64,897</u>
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Change in Net Position	56,399
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Net Position (Deficit) at Beginning of Year	<u>(4,381,636)</u>
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Net Position (Deficit) at End of Year	<u><u>(\$4,325,237)</u></u>
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See accompanying notes to financial statements

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CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 – Summary of Significant Accounting Policies:

The basic financial statements of the City of Pacifica (City) have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") as applied to governmental agencies. The Governmental Accounting Standards Boards ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles are described below.

A. *Reporting Entity*

The City of Pacifica was incorporated November 22, 1957 under the general laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. The City operates under a Council-Manager form of government. There are five Council Members who serve overlapping terms of four years, and the Council, in turn, elects one of the Council Members to serve as Mayor for one year. This legislative body selects a City Manager to administer the affairs of the City. The City provides the following services: public safety (police, fire, and civil defense), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements include the financial activities of the City.

The City of Pacifica Financing Authority is a separate government entity whose purpose is to assist with the financing certain public capital facilities for the City through the issuance of bonds or other forms of debt. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The Authority is a blended component unit of the City and does not issue separate financial statements.

The City participates in the ABAG Plan Corporation, a public entity risk pool, whose financial activities are not included in the basic financial statements as it is administered by a board, separate from and independent of the City (See Note 8).

There are no other entities which meet criteria under generally accepted accounting principles for blended or discrete disclosure within these financial statements.

B. *Basis of Presentation*

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 – Summary of Significant Accounting Policies (Continued):

B. Basis of Presentation (Continued)

The City's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities and business-type activities for the City, accompanied by a total column. These financial statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed generally through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed generally through user fees.

C. Government-wide and Fund Financial Statements

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Interfund services provided and used are not eliminated in the process of consolidation on the Statement of Activities.

Certain eliminations have been made as prescribed by generally accepted accounting principles in regard to interfund activities, payables and receivables.

D. Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the government-wide financial statements.

The governmental fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for all proprietary funds. The internal service funds are also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 – Summary of Significant Accounting Policies (Continued):

D. Financial Statements (Continued)

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liabilities are incurred.

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

Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. Fiduciary funds represent private-purpose trust funds, which the City serves as a trustee for the Successor Agency. Fiduciary funds are accounted for on an economic resources measurement focus and full accrual basis of accounting. The City has one fiduciary fund, the RDA Successor Agency private-purpose trust fund.

E. Major Funds

Generally accepted accounting principles define major funds and require that the City’s major governmental funds be identified and presented separately in the Fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type. Major funds are defined as funds which have either assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses equal to or greater than ten percent of their fund-type total and five percent of the grand total of all fund types, excluding fiduciary. The general fund is always a major fund. The major funds of the City are:

- **General Fund** – The General Fund is used to account for the resources to carry out basic governmental activities of the City such as general government, public safety, public works, community development, and parks, beaches, and recreation, which are not required to be accounted for in another fund.
- **Disaster Accounting Special Revenue Fund** – This fund is used to account for all revenues received and expenditures incurred due to natural and man-made disasters.
- **General Capital Improvement Capital Projects Fund** – This fund is used to account for revenues derived from fees and apportionments from General Fund to be used for the acquisition, construction, and improvement of major capital facilities of the City.
- **Debt Service Fund** – This fund is used to account for the accumulated and the disbursement of account for expenditures and financing of various long-term debt liabilities.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1 – Summary of Significant Accounting Policies (Continued):

E. Major Funds (Continued)

The City reports the following major enterprise fund:

- **The Sewer Utility Enterprise Fund** – This fund accounts for the operation and maintenance of the City's wastewater collection system including operating costs of the wastewater collection system and water recycling plant.

Additionally, the City reports the following fund types:

- **The Internal Service Funds** account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units on a cost reimbursement basis. The City has three internal service funds, the Motor Pool Fund, the Self Insurance Fund and the Fire Equipment Replacement Fund. The Motor Pool Fund accounts for the City's central garage, the Self Insurance Fund accounts for the employee dental, workers' compensation, general liability, property, and automobile liability insurance, and the Fire Equipment Replacement Fund accounts for the funding and replacement of fire equipment for the Fire Department.
- **The RDA Successor Agency Private-Purpose Trust Fund** accounts for the former Redevelopment Agency activities.

F. Basis of Accounting

The government-wide, proprietary funds, and fiduciary funds financial statements are required by generally accepted accounting principles to be reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and deferred outflows, liabilities and deferred inflows, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which the liability is incurred regardless of when the related cash flows take place.

The governmental fund financial statements are reported using the current financial resources measurement focus, and the modified accrual basis of accounting. Accordingly, only current assets and liabilities (except for long-term advances from the City) are included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 – Summary of Significant Accounting Policies (Continued):

F. Basis of Accounting (Continued)

The City considers all revenues reported in the governmental funds to be available if the revenue is collected within ninety days after fiscal year end. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales taxes, intergovernmental revenues, other taxes and investment earnings. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term debt, including lease liabilities, subscription liabilities, and compensated absences, which are recognized as expenditures to the extent that they have matured. Capital asset acquisitions, including entering into contracts giving the City the right to use leased assets and right-to-use subscription assets, are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under lease financings and subscription liabilities are reported as other financing sources.

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

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

G. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considered cash and cash equivalents (investments with maturities of three months or less at the time of purchase) as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The City follows the practice of pooling the cash of all funds, including the City's Enterprise and Internal Service Funds.

H. Investments

Investments are reported at fair value, except for investments that are not transferable and have terms that are not affected by change in market rates are reported at cost.

Changes in fair value that occur during a fiscal year are recognized as revenues from use of money reported for that fiscal year. Revenues from use of money include interest earnings, change in fair value, gains or losses realized upon the liquidation, maturity, or sale of investment and rental income. Changes in the fair value of investments during this fiscal year were calculated and booked.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 – Summary of Significant Accounting Policies (Continued):

I. Receivables and Payables

All accounts, grants, tax, and note receivables are shown net of an allowance for uncollectible accounts if applicable, and estimated refunds due.

J. Inventories and Prepaid Items

General fund inventories are recorded as expenditures when consumed, rather than when purchased. These inventories are stated at cost, using the first-in, first-out (FIFO) method. Inventories in the proprietary funds are stated at the lower of cost or market, and consist of expendable materials and supplies.

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventories and prepaid items, as reported in the fund financial statements, are offset by nonspendable fund balance for noncurrent assets in governmental funds, to indicate that they do not constitute resources available for appropriation.

K. Encumbrances

The City uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities, but as restricted, assigned or unassigned fund balance.

L. Compensated Absences

City employees accrue vacation, sick, holiday, and compensatory time off benefits. An employee may accumulate vacation time equal to an amount as stipulated in their contracts. No cash compensation is payable for accrued vacation until the employee terminates employment. Sick leave is compensated in cash only upon an employee's retirement. Maximum limit per employee is \$3,000 or one quarter of employee's sick leave credit, whichever is lower. Two employee groups have elected to participate in a retirement health savings program and have directed vacation and limited sick leave cash out to separation of this program. It is the City's policy to allow employees to accumulate compensatory time within set limits instead of drawing overtime. This accumulation may subsequently be exchanged into cash or time taken.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured (such as vacation time, estimated to be paid upon retirement by the end of the fiscal year with expendable available financial resources). Each fiscal year, an adjustment to the liability is made based on pay rate changes and adjustments for the current portion. The General Fund is primarily responsible for the repayment of the governmental portion of compensated absences.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 – Summary of Significant Accounting Policies (Continued):

L. *Compensated Absences (Continued)*

Changes in compensated absences for the year ended June 30, 2023, were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$1,618,920	\$314,069	\$1,932,989
Additions	547,150	581,842	1,128,992
Payments	(750,915)	(447,647)	(1,198,562)
Ending Balance	<u>\$1,415,155</u>	<u>\$448,264</u>	<u>\$1,863,419</u>
Current Portion	<u>\$806,638</u>	<u>\$268,218</u>	<u>\$1,074,856</u>
Non-current Portion	<u>\$608,517</u>	<u>\$180,046</u>	<u>\$788,563</u>

M. *Property Tax Revenues*

California Constitution Article XIII A limits the combined property tax rate to one percent of a property's assessed valuation. Additional taxes may be imposed with voter approval. Assessed value is calculated at one hundred percent of a property's fair value, as defined by Article XIII A, and may be increased no more than two percent per year unless a change in ownership occurs. The County of San Mateo collects the taxes and distributes them to taxing jurisdictions on the basis of assessed valuations subject to adjustments for voter-approved debt. The City receives property taxes pursuant to an arrangement with the County known as the "Teeter Plan," whereby the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City. The City recognizes property tax revenues (including tax increment revenues) to the extent of each year's tax allocation received or to be received within 60 days after the end of each fiscal year.

The County assesses properties, bills for, collects, and distributes property taxes per the following schedule:

	<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 April 10	August 31

The term "Unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on property being taxed.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 – Summary of Significant Accounting Policies (Continued):

N. 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, liabilities, revenues and expenses. Actual results could differ from those estimates.

O. Fair Value Measurements

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

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

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

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

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

P. Leases

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The City recognizes lease receivables or liabilities with an initial, individual value of \$150,000 or more, based on the future lease payments remaining at the start of the lease.

The City has no leases subject to being recorded as of June 30, 2023.

Q. Subscription-Based Information Technology Arrangements

A Subscription-Based Information Technology Arrangement (SBITA) is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The City recognizes SBITA assets/liabilities with an initial, individual value of \$150,000 or more.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1 – Summary of Significant Accounting Policies (Continued):

Q. Subscription-Based Information Technology Arrangements (Continued)

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

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments as follows:

- The City uses the interest rate charged by the IT vendor as the discount rate. When the interest rate charged by the IT vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscription liabilities.
- The subscription term includes the noncancellable period of the subscription.

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

Subscription assets are reported with other capital assets and subscription liabilities are reported on the statement of net position. The City did not have any SBITAs that met the criteria for capitalization as of June 30, 2023.

R. New Funds

During the year ended June 30, 2023, the City established the following funds:

Measure W Special Revenue Fund – This fund was established to account for the City's portion of the special half cent sales tax (Measure W) receipts restricted for street expenditures.

Street Improvement Special Revenue Fund – This fund was established to account for miscellaneous funding for local streets and roads that are not from Measure A and Measure W.

Tree Preservation Special Revenue Fund – This fund was established to account for funding for the preservation of trees in Pacifica.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 2 – Stewardship, Compliance, and Accountability:

A. *Budgetary information*

The City operates under the general law of the State of California, and annually adopts a budget to be effective July 1 for the ensuing fiscal year. The City Manager submits a Preliminary Budget to the City Council on or about May 15 each year. This Preliminary Budget is the fiscal plan for the ensuing twelve months starting July 1, and includes proposals for expenditures for operations and capital improvement, and the resources to meet them. City Council conducts public hearings in the Council Chambers before adopting the budget. The Council approves total appropriations at the department level in the General Fund, and at the fund level in other funds. The Budget is adopted by City resolution prior to June 30.

The appropriated budget is prepared by fund, function, and department. The City Manager is authorized to transfer budget appropriations within departments in conformance with the adopted policies set by the City Council. All other transfers must be approved by the City Council. Any revisions that alter the total expenditures of any department must be approved by the City Council. Expenditures are budgeted at, and may not legally exceed, the department level for the General Fund and the fund level for Special Revenue, Debt Service, Capital Projects and Internal Service Funds. Budgeted amounts shown are as originally adopted, or as amended by the City Council during the fiscal year. During the fiscal year, several supplementary appropriations were necessary.

Budgets for General, Special Revenue, Debt Service, Capital Projects, and Internal Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (US GAAP). Except for Capital Project Funds, appropriations lapse at fiscal year-end and are re-budgeted for the coming year. The following capital projects funds are not budgeted annually: Aircraft Noise Project Fund and Pacific Library Fund. The Housing In-Lieu, Parking In-lieu and Housing Successor Special Revenue Funds are only budgeted when the need for expenditures arise. The Measure W, Street Improvement and Tree Preservation Special Revenue Funds were newly established during fiscal year 2023 and not included in the annual budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at fiscal year-end are recorded as restricted, committed, or assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 2 – Stewardship, Compliance, and Accountability (Continued):

B. Expenditures in Excess of Appropriations

The following funds incurred departmental or fund expenditures in excess of appropriations:

Fund/Department	Excess of Expenditures Over
Major Funds:	
General Fund:	
<i>Public Safety</i>	\$592,206
<i>Parks, Beaches and Recreation</i>	15,684
Disaster Accounting Special Revenue Fund	1,475,828
General Capital Improvement Capital Projects Fund	2,411,539
Non-Major Special Revenue Funds:	
Gas Tax	190,165
Parks and Playfields	374,974
Pacifica Library	12,036

Sufficient resources were available in each fund to finance these excess amounts.

C. Deficit Fund Balance

As of June 30, 2023, the Gas Tax Special Revenue Fund had a deficit fund balance of \$143,689.

The deficit in this governmental fund is due to the City paying expenditures in advance of receiving revenues. The deficit is going to be repaid once reimbursements are received from the funding source, and if there is an outstanding deficit after the repayments, or if needed, the General Fund would cover the deficit.

NOTE 3 – Cash and Investments:

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$44,733,998
Cash and investments with fiscal agents	29,374,631
Restricted cash and investments	2,888,080
Statement of fiduciary net position:	
Cash and investments with fiscal agents	232,746
Total cash and investments	<u><u>\$77,229,455</u></u>

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3 – Cash and Investments (Continued):

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage/ Investment of Portfolio	Maximum Investment in One Issuer
Local Agency Obligations of the City	5 years	None	None	None
U.S. Treasury Bills, Bonds and Notes	5 years	None	None	None
State of California Obligations and Obligations of the other 49 States	2 years	Aa/AA	25%	None
Federal Agency or U.S. Government-Sponsored Enterprise Obligations	5 years	Aa/AA	None	None
Bankers Acceptances (domestic banks only)	180 days	A	25%	30%
Commercial Paper	270 days	P-1/A-1+A	25%	10% (A)
Money market funds or money market mutual funds	N/A	Highest Ranking	20%	None
State of California Local Agency Investment Fund (State Pool)	N/A	None	Statutory Limit	Statutory Limit
Shares of Beneficial Interest issued by a Joint Powers Authority, such as California Asset Management Program (CAMP) and CalTrust	N/A	AAAm	25%	25%
Medium Term Corporate Notes	5 years	A for 3 years or less AA for over 3 years	25%	10% (A)
Non-Negotiable Certificates of Deposit (FDIC insured)	5 years	None	None	None
Repurchase Agreements	180 days	None	25%	None

(A) No more than 10 percent of the outstanding commercial paper and medium-term notes of any single issuer

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3 – Cash and Investments (Continued):

B. Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
Municipal Bonds	None	AAA
Commercial Paper	270 days	A-1
U.S. Treasury Obligations	None	None
U.S. Agency Securities	None	None
Time Deposits (Unsecured)	30 days	A-1
Money Market Funds	None	AAAm
Investment Contracts	None	AA-
Local Agency Investment Fund	None	None
Certificates of Deposit	1 year	A-1+
Bankers Acceptances	1 year	A-1+
Pre-refunding Municipal Bonds	None	AAA
State and Municipal Bonds	None	Two Highest Categories

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 change in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments and those held by trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)	
	12 Months Or Less	Totals
California Local Agency Investment Fund	\$15,117,572	\$15,117,572
Non-Negotiable Certificates of Deposit (Certificate of Deposit Account Registry Service (CDARS))	12,500,000	12,500,000
Non-Negotiable Certificate of Deposit	2,702,561	2,702,561
Held by Trustees:		
Money Market Funds	29,792,895	29,792,895
Total Investments	<u>\$60,113,028</u>	<u>60,113,028</u>
Cash in Banks		17,112,982
Petty Cash		3,445
Total Cash in Banks and On Hand		<u>17,116,427</u>
Total Cash and Investments		<u><u>\$77,229,455</u></u>

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3 – Cash and Investments (Continued):

C. Interest Rate Risk (Continued)

Money market mutual funds are available for withdrawal on demand at June 30, 2023, and have an average maturity of 40 days.

The City does not hold any specific investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

D. Fair Value Hierarchy

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

Investment in the California Local Agency Investment Fund and money market mutual funds are classified as exempt in the fair value hierarchy, as it is valued at amortized cost, which is exempt from being classified under the fair value hierarchy.

E. Credit Risk

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

Investment Type	Rating as of Fiscal Year End		Total
	AAAm	Not Rated	
California Local Agency Investment Fund		\$15,117,572	\$15,117,572
Non-Negotiable Certificates of Deposit (Certificate of Deposit Account Registry Service (CDARS))		12,500,000	12,500,000
Non-Negotiable Certificate of Deposit Held by Trustees:		2,702,561	2,702,561
Money Market Funds	\$29,792,895		29,792,895
Total Investments	<u>\$29,792,895</u>	<u>\$30,320,133</u>	60,113,028
Cash in Banks			17,112,982
Petty Cash			3,445
Total Cash in Banks and On Hand			<u>17,116,427</u>
Total Cash and Investments			<u>\$77,229,455</u>

F. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. The City has no investments in any one issuer (other than money market funds and an external investment pool) that represent 5% or more of total City investments.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3 – Cash and Investments (Continued):

G. *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair 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, all of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

H. *Investment in State Investment Pool*

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of \$5,000, a maximum transaction amount of \$75 million and at least 24 hours advance notice for withdrawals of \$10 million or more. Bond proceeds accounts are subject to a one-time deposit with no cap and are set up with a monthly draw down schedule. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. On June 30, 2023, these investments matured in an average of 260 days.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 3 – Cash and Investments (Continued):

I. Investment held in Trust for Pension Benefits

The City established an irrevocable Section 115 Pension Trust administered by Public Agency Retirement Services (PARS) in the fiscal year 2021. The Trust is an irrevocable trust and qualifies as an Internal Revenue Section 115 trust. Investments of funds held in Trust are governed by the Investment Guideline Document for the investment account and by the agreement for administrative services with PARS, rather than the general provisions of the California Government Code or the City's investment policy. This trust will assist the City in mitigating the CalPERS contribution rate volatility. The City elected a discretionary investment approach, which allows the City to maintain oversight of the investment management, control on target yield and the portfolio's risk tolerance, under the Balanced Index PLUS investment option. This pension trust is a secondary trust to the City's CalPERS Pension Plan; therefore, the assets are reported in the City's Pension Stabilization Internal Service Fund. The assets in the Trust will eventually be used to fund pension plan obligations.

As of June 30, 2023, the trust had a balance of \$185,519. PARS' policy for the allocation of invested assets is established as:

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equity	20-40%
Fixed Income	50-80%
Cash	0-20%

NOTE 4 – Capital Assets:

All capital assets are valued at historical cost or estimated cost if actual historical cost is not available. Donated capital assets and those received in a service concession arrangement are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Generally accepted accounting principles requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of the depreciation is to spread the cost of the capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro-rata share of the cost of the capital assets. Depreciation is provided using the straight-line method over its expected useful life. Capital assets with a value of \$5,000 or more are capitalized.

The City has assigned the following useful lives to capital assets: Buildings and improvements (25-30 years); Police Vehicles (4 years); Other Vehicles (5-25 years); Machinery and Equipment (5-15 years); Collection System (20 years); and Infrastructure (15-30 years).

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 – Capital Assets (Continued):

The following is a summary of capital assets for governmental activities as of June 30, 2023:

	Balance June 30, 2022	Additions	Transfers	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$40,445,580			\$40,445,580
Construction in progress	6,488,358	\$10,447,855	(\$6,546,314)	10,389,899
Total capital assets not being depreciated	46,933,938	10,447,855	(6,546,314)	50,835,479
Capital assets being depreciated:				
Buildings & improvements	16,606,545		\$343,196	16,949,741
Vehicles	8,467,796	410,516		8,878,312
Machinery and equipment	3,541,025			3,541,025
Infrastructure	52,174,564		6,203,118	58,377,682
Total capital assets being depreciated	80,789,930	410,516	6,546,314	87,746,760
Less accumulated depreciation for:				
Buildings & improvements	(11,665,449)	(464,392)		(12,129,841)
Vehicles	(6,889,830)	(559,235)		(7,449,065)
Machinery & equipment	(3,259,123)	(120,709)		(3,379,832)
Infrastructure	(17,349,784)	(1,945,928)		(19,295,712)
Total accumulated depreciation	(39,164,186)	(3,090,264)		(42,254,450)
Depreciable capital assets, net	41,625,744	(2,679,748)	6,546,314	45,492,310
Total capital assets, net	\$88,559,682	\$7,768,107		\$96,327,789

Depreciation expense for governmental activities was charged to functions as follows:

General government	\$110,600
Public safety	368,360
Public works	1,675,926
Parks, beaches, and recreation	350,998
Internal Service Fund	584,380
Total Governmental Activities	\$3,090,264

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 – Capital Assets (Continued):

The following is a summary of capital assets for business-type activities as of June 30, 2023:

	Balance June 30, 2022	Additions	Balance June 30, 2023
Capital assets not being depreciated:			
Land	\$4,014,412		\$4,014,412
Construction in progress	1,753,904	\$3,718,926	5,472,830
Total capital assets not being depreciated	<u>5,768,316</u>	<u>3,718,926</u>	<u>9,487,242</u>
Depreciable capital assets:			
Buildings & improvements	77,688,329		77,688,329
Collection system	48,731,775	1,784,280	50,516,055
Machinery and equipment	4,200,960	62,975	4,263,935
Total capital assets being depreciated	<u>130,621,064</u>	<u>1,847,255</u>	<u>132,468,319</u>
Less accumulated depreciation for:			
Buildings & improvements	(58,885,015)	(1,909,107)	(60,794,122)
Collection system	(12,567,621)	(1,982,078)	(14,549,699)
Machinery & equipment	(2,374,880)	(285,091)	(2,659,971)
Total accumulated depreciation	<u>(73,827,516)</u>	<u>(4,176,276)</u>	<u>(78,003,792)</u>
Depreciable capital assets, net	<u>56,793,548</u>	<u>(2,329,021)</u>	<u>54,464,527</u>
Total capital assets, net	<u><u>\$62,561,864</u></u>	<u><u>\$1,389,905</u></u>	<u><u>\$63,951,769</u></u>

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 – Long-Term Debt:

The City generally incurs debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The City's debt issues and transactions related to both governmental and business-type activities are summarized below and discussed in detail subsequently.

Governmental Activities:

	Balance July 1, 2022	Retirements	Balance June 30, 2023	Due within One Year
Certificates of Participation:				
2016 COP	\$13,475,000	(\$705,000)	\$12,770,000	\$760,000
Premium	1,723,188	(114,879)	1,608,309	
Sub-total COP	<u>15,198,188</u>	<u>(819,879)</u>	<u>14,378,309</u>	<u>760,000</u>
Capital Lease Payable (Direct borrowing):				
Energy retrofit lease	70,080	(70,080)		
2021 Civic Center lease	4,000,000		4,000,000	50,000
Sub-total capital leases	<u>4,070,080</u>	<u>(70,080)</u>	<u>4,000,000</u>	<u>50,000</u>
Pension Obligation Bonds:				
2019 Pension obligation refunding bond (88.622%)	<u>7,847,478</u>	<u>(788,736)</u>	<u>7,058,742</u>	<u>841,909</u>
Total Governmental Activities	<u><u>\$27,115,746</u></u>	<u><u>(\$1,678,695)</u></u>	<u><u>\$25,437,051</u></u>	<u><u>\$1,651,909</u></u>

Business-type Activities:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Due within One Year
Revenue bonds:					
2014 Wastewater Revenue Refunding	\$6,740,000		(\$1,520,000)	\$5,220,000	\$1,595,000
Net Premium	514,031		(98,855)	415,176	
2017 Wastewater Revenue Bonds	22,100,000		(625,000)	21,475,000	655,000
Net Premium	3,263,482		(125,517)	3,137,965	
Sub-total Revenue bonds:	<u>32,617,513</u>		<u>(2,369,372)</u>	<u>30,248,141</u>	<u>2,250,000</u>
Pension Obligation bonds:					
2019 Pension obligation bond (11.378%)	<u>1,007,522</u>		<u>(101,264)</u>	<u>906,258</u>	<u>108,091</u>
Notes payable (Direct Borrowing):					
Loan and Installment Agreement	4,047,649		(306,410)	3,741,239	317,437
IBank Loan		\$21,000,000		21,000,000	370,695
Total notes payable	<u>4,047,649</u>	<u>21,000,000</u>	<u>(306,410)</u>	<u>24,741,239</u>	<u>688,132</u>
Total Business-Type Activities:	<u><u>\$37,672,684</u></u>	<u><u>\$21,000,000</u></u>	<u><u>(\$2,777,046)</u></u>	<u><u>\$55,895,638</u></u>	<u><u>\$3,046,223</u></u>

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 5 – Long-Term Debt (Continued):

A. Governmental Activities Debt

2021 Civic Center Campus Improvement Project Lease Financing (Direct Borrowing): On April 26, 2021, the Pacifica City Council provided input on the Civic Center Renovation conceptual design and approved the funding strategy. The Civic Center Project is estimated to cost about \$10 million. The basic funding strategy entails \$6 million in various one-time sources of funding while financing the remaining \$4 million. On November 22, 2021, the City adopted a Resolution of the Board of Directors of the City of Pacifica Financing Authority approving lease financing in the aggregate amount of \$4 million to finance a portion of the construction of the Civic Center Campus Improvement Project. Sterling National Bank was chosen from seven financial institutions who responded to the request for proposal. The loan is a 15-year loan at 1.97% and the bank will commit to provide the City with an additional \$1 million within a 24-month period if the City chooses to increase the borrowing amount. Lease payments are payable semiannually on July 1 and January 1, commencing July 1, 2022. The lease ends on July 1, 2036.

Annual debt service requirements, to maturity, for the 2021 Civic Center Lease are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$50,000	\$78,308	\$128,308
2025	75,000	77,077	152,077
2026	100,000	75,353	175,353
2027	311,000	71,304	382,304
2028	317,000	65,118	382,118
2029 - 2033	1,680,000	228,540	1,908,540
2034 - 2037	1,467,000	58,518	1,525,518
Total	<u>\$4,000,000</u>	<u>\$654,218</u>	<u>\$4,654,218</u>

2016 Certificates of Participation: On October 5, 2016, the City of Pacifica Financing Authority issued Certificates of Participation (COP) in the amount of \$14,680,000 (par value) payable annually beginning January 1, 2021 and with interest rates ranging from 3.000% to 5.000%, payable each July 1 and January 1, beginning January 1, 2017. The COP matures on January 1, 2037. The purpose of the COP is to (i) prepay and defease certain outstanding certificates of participation which were executed and delivered in 2008 for the purpose of financing and refinancing various municipal improvements of the City, and (ii) pay certain costs of executing and delivering the Certificates.

Accounting gains or losses resulting from advance refunding of long-term debt is deferred and amortized over the shorter of the life of the new debt or refunded debt. The deferred charge on refunding balance at June 30, 2023 was \$389,596 for the 2016 COP.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 – Long-Term Debt (Continued):

A. Governmental Activities Debt (Continued)

The 2016 COP are general obligations of the City, payable solely by the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. No such events occurred during the fiscal year ending June 30, 2023.

Annual debt service requirements, to maturity, for the 2016 Certificates of Participation are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$760,000	\$566,350	\$1,326,350
2025	760,000	528,350	1,288,350
2026	815,000	490,350	1,305,350
2027	790,000	449,600	1,239,600
2028	870,000	410,100	1,280,100
2029 - 2033	4,655,000	1,382,500	6,037,500
2034 - 2037	4,120,000	341,900	4,461,900
Total	<u>\$12,770,000</u>	<u>\$4,169,150</u>	<u>\$16,939,150</u>

Energy Retrofit Lease (Direct Borrowing): On November 1, 2012, the City entered into a lease/purchase agreement with Holman Capital Corporation for energy efficiency measures at various City owned buildings. The effective interest rate on the lease is 4.0% and lease payments were payable semiannually on November 15 and May 15, commencing May 15, 2013. The lease ended on November 15, 2022, and was fully paid as of June 30, 2023.

2019 Taxable Pension Obligation Refunding Bonds: During September 2019, the City of Pacifica issued \$9,685,000 of Pension Obligation Refunding Bonds bearing interest between 2.243% and 3.060% and payable semiannually on June 1 and December 1 each year, commencing June 1, 2020. The bonds mature on June 1, 2030. These bonds were issued to refund in full the 2010 taxable pension obligation bonds outstanding principal amount of \$8,995,000 and pay costs of issuance of the bonds. Approximately 88.622% of the bond proceeds were allocated to governmental activities (including 1.52% to the Motor Pool internal service fund).

The Bonds are general obligations of the City, payable solely by the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. No such events occurred during the fiscal year ending June 30, 2023.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 – Long-Term Debt (Continued):

A. Governmental Activities Debt (Continued)

Annual debt service requirements, to maturity, for the 2019 Pension Obligation Refunding Bonds (governmental portion) are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$841,909	\$197,039	\$1,038,948
2025	899,513	177,102	1,076,615
2026	957,118	154,046	1,111,164
2027	1,028,015	128,559	1,156,574
2028	1,094,482	99,157	1,193,639
2029 - 2030	2,237,705	100,122	2,337,827
Total	<u>\$7,058,742</u>	<u>\$856,025</u>	<u>\$7,914,767</u>

B. Business Type Activities Debt

Loan and Installment Agreement (Direct Borrowing): On August 27, 2012, the City of Pacifica entered into a loan and installment agreement with the City of Pacifica Financing Authority in the amount of \$6,402,594 payable annually beginning July 1, 2013 at an interest rate of 3.6%, payable each July 1 and January 1, beginning January 1, 2013. The agreement matures on July 1, 2032. The purpose of this agreement is to (i) fund an escrow to cause the mandatory tender of the outstanding 2001B Wastewater Revenue Bonds (ii) provide funds relating to the Equalization Basin Project, the Collection System Capacity Improvement Projects, and the Collection System Repair, Rehabilitation, and Replacement Projects, (iii) fund certain costs relating to the defeasance of the 2001B Wastewater Revenue Bonds, (iv) fund or provide for satisfaction of the Reserve Fund Requirement, and (vi) pay the costs incurred in connection with the execution of the Loan and Installment Sale.

Accounting gains or losses resulting from advance refunding of long-term debt is deferred and amortized over the shorter of the life of the new debt or refunded debt. The deferred charge on refunding balance at June 30, 2023 was \$150,463 for the Loan and Installment Sale.

The defeased 2001B Wastewater Revenue Bonds have been paid off. Annual debt service requirements, to maturity, for the Loan and Installment Agreement are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$317,437	\$128,970	\$446,407
2025	328,865	117,337	446,202
2026	340,746	105,285	446,031
2027	352,970	92,799	445,769
2028	365,677	79,864	445,541
2029 - 2033	2,035,544	188,383	2,223,927
Total	<u>\$3,741,239</u>	<u>\$712,638</u>	<u>\$4,453,877</u>

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 – Long-Term Debt (Continued):

B. Business Type Activities Debt (Continued)

2019 Taxable Pension Obligation Refunding Bonds: During September 2019, the City of Pacifica issued \$9,685,000 of Pension Obligation Refunding Bonds bearing interest between 2.243% and 3.060% and payable semiannually on June 1 and December 1 each year, commencing June 1, 2020. The bonds mature on June 1, 2030. These bonds are being issued to refund in full the 2010 taxable pension obligation bonds outstanding principal amount of \$8,995,000 and pay costs of issuance of the bonds. Approximately 11.378% of the bond proceeds were allocated to business-type activities.

The Bonds are general obligations of the City, payable solely by the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. No such events occurred during the fiscal year ending June 30, 2023.

Annual debt service requirements, to maturity, for the 2019 Pension Obligation Refunding Bonds (business portion) are as follows:

Fiscal year ended	Principal	Interest	Total
2024	\$108,091	\$25,297	\$133,388
2025	115,487	22,738	138,225
2026	122,882	19,778	142,660
2027	131,985	16,505	148,490
2028	140,518	12,731	153,249
2029 - 2031	287,295	12,855	300,150
Total	<u>\$906,258</u>	<u>\$109,904</u>	<u>\$1,016,162</u>

2014 Wastewater Revenue Refunding Bonds: In November 2014, the City issued \$6,470,000 in 2014 Wastewater Revenue Refunding Bonds (2014 bonds) with interest rates ranging from 5% to 5.25%. The proceeds were used to advance refund the 2004 Wastewater Revenue Refunding Bonds.

Net proceeds of \$9.3 million (including a \$1.4 million premium and other city funds) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2004 Wastewater Revenue Refunding Bonds are considered defeased and the liability for those bonds was removed. The reacquisition price totaled to the net carrying amount of the refunded bonds. The refunded bonds were called in November 2014.

Interest on the 2014 bonds is payable semiannually on April 1 and October 1 each year, commencing April 1, 2015. Principal payments which are due each October 1, commencing October 1, 2022, with the last payment due on October 1, 2026. The bonds are paid from and secured by the net revenues of the wastewater collection system of the City on parity with the Loan and Installment Agreement, 2017 Wastewater Revenue Bonds and the IBank Loan.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 – Long-Term Debt (Continued):

B. Business Type Activities Debt (Continued)

Accounting gains or losses resulting from advance refunding of long-term debt is deferred and amortized over the shorter of the life of the new debt or refunded debt. The deferred charge on refunding balance at June 30, 2023 was \$36,374 for the Refunding Bonds.

The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. No such events occurred during the fiscal year ending June 30, 2023.

Annual debt service requirements, to maturity, for the 2014 Wastewater Revenue Refunding Bonds are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$1,595,000	\$221,125	\$1,816,125
2025	1,675,000	139,375	1,814,375
2026	1,755,000	53,625	1,808,625
2027	195,000	4,875	199,875
Total	<u>\$5,220,000</u>	<u>\$419,000</u>	<u>\$5,639,000</u>

2017 Wastewater Revenue Bonds: In June 2017, the City issued \$22,100,000 in 2017 Wastewater Revenue Refunding Bonds (2017 bonds) at an interest rate of 5%. The proceeds were used to fund the acquisition, construction, and installation of certain improvements to the Wastewater system.

Net proceeds of \$26.2 million (including a \$4 million premium and other city funds) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds.

Interest on the 2017 bonds is payable semiannually on April 1 and October 1 each year, commencing October 1, 2017. Principal payments which are due each October 1, commencing October 1, 2022, with the last payment due on October 1, 2042. The bonds are paid from and secured by the net revenues of the wastewater collection system of the City on parity with the Loan and Installment Agreement, 2014 Wastewater Revenue Refunding Bonds and the IBank Loan.

The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. No such events occurred during the fiscal year ending June 30, 2023.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 – Long-Term Debt (Continued):

B. Business Type Activities Debt (Continued)

Annual debt service requirements, to maturity, for the 2017 Wastewater Revenue Refunding Bonds are as follows:

Fiscal year ended	Principal	Interest	Total
2024	\$655,000	\$1,013,975	\$1,668,975
2025	690,000	980,350	1,670,350
2026	725,000	944,975	1,669,975
2027	760,000	907,850	1,667,850
2028	800,000	868,850	1,668,850
2029 - 2033	4,665,000	3,684,875	8,349,875
2034 - 2038	5,790,000	2,552,800	8,342,800
2039 - 2043	7,390,000	960,750	8,350,750
Total	<u>\$21,475,000</u>	<u>\$11,914,425</u>	<u>\$33,389,425</u>

California Infrastructure and Economic Development Bank (IBank) Loan (Direct Borrowing): In May 2023, the City entered into an installment sale agreement with the IBank in the amount of \$21,000,000 at an interest rate of 4.06%. The loan also bears the IBank Annual Fee year in an amount equal to three tenths of one percent (0.3%) of the outstanding principal balance. The proceeds were used to fund the acquisition, construction, and installation of repair and replacement of the Wastewater system in the Lower Linda Mar neighborhood and of the system's UV Disinfection facility.

Interest on the IBank Loan is payable semiannually on April 1 and October 1 each year, commencing October 1, 2023. Principal payments which are due each October 1, commencing October 1, 2023, with the last payment due on October 1, 2052. The bonds are paid from and secured by the net revenues of the wastewater collection system of the City, on parity with the Loan and Installment Agreement, 2014 Wastewater Revenue Refunding Bonds and the 2017 Wastewater Revenue Bonds.

The loan agreement contain events of default that require the principal and unpaid interest to become due and payable immediately as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments of the IBank Loan or other parity debt; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. No such events occurred during the fiscal year ending June 30, 2023.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 – Long-Term Debt (Continued):

B. Business Type Activities Debt (Continued)

Annual debt service requirements to maturity, including the annual fee, for the IBank Loan are as follows:

Fiscal year ended	Principal	Interest and Annual Fee	Total
2024	\$370,695	\$815,710	\$1,186,405
2025	385,745	891,607	1,277,352
2026	401,406	874,471	1,275,877
2027	417,703	856,638	1,274,341
2028	434,662	838,082	1,272,744
2029 - 2033	2,452,792	3,884,604	6,337,396
2034 - 2038	2,992,816	3,293,718	6,286,534
2039 - 2043	3,651,733	2,572,735	6,224,468
2044 - 2048	4,455,723	1,693,014	6,148,737
2049 - 2053	5,436,725	619,609	6,056,334
Total	<u>\$21,000,000</u>	<u>\$16,340,188</u>	<u>\$37,340,188</u>

Pledge of Sewer Utility Enterprise Fund Revenues: The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay the Loan and Installment Agreement, 2014 Wastewater Revenue Refunding Bonds, 2017 Wastewater Revenue Bonds and IBank Loan through 2053. The Sewer Utility Enterprise Fund's total principal and interest remaining to be paid on the loans and bonds is \$80,822,490. The Sewer Utility Enterprise Fund's principal and interest paid for the current year and total customer net revenues were \$3,936,582 and \$8,791,401, respectively.

NOTE 6 – Other Post-Employment Benefits (OPEB):

A. Plan Description

The City provides medical benefits through the CalPERS medical program under the City' agent multiple-employer defined benefit health care plan. Employees in the following bargaining groups who retire from the City and receive a CalPERS pension are eligible to receive City contributions towards the costs of their OPEB coverage:

- Department Directors
- Battalion Chiefs
- Firefighters
- Management Unit
- Police Officers
- Police Supervisors
- Police Management
- Wastewater Treatment Plant
- Miscellaneous Employees

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 6 – Other Post-Employment Benefits (OPEB) (Continued):

A. Plan Description (Continued)

In general, employees in the above groups may choose to receive their medical benefits from Union Trust Plans (except Public Safety – Firefighters and Police) or enroll in any of the CalPERS medical plans. For the retirees who do not participate in the CalPERS medical programs, the City does not make a contribution toward the cost of postemployment healthcare benefits.

B. Funding Policy

Under its arrangement with the CalPERS medical program, the City contributes the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act (PEHMCA). The PEHMCA minimum for 2023 was \$151 per month. Retirees must contribute any premium amounts in excess of the City contribution.

Retired Department Directors, retired Management Unit employees, unrepresented managers, and confidential employees receive an additional \$100 monthly benefit.

Prior to July 1, 2021, the City's policy was to contribute an amount sufficient to pay the current year's minimum employer contribution only.

On September 2, 2020, the City adopted the Public Agencies Post-Employment Benefits Trust (PARS) to prefund other post-employment benefits (OPEB), and the City began making contributions to the trust during fiscal year 2022. The Trust is an irrevocable trust and qualifies as an Internal Revenue Section 115 trust. Investments of funds held in Trust are governed by the Investment Guideline Document for the investment account and by the agreement for administrative services with PARS, rather than the general provisions of the California Government Code or the City's investment policy. The City elected a discretionary investment approach, which allows the City to maintain oversight of the investment management, control on target yield and the portfolio's risk tolerance, under the Capital Appreciation HighMark PLUS investment option. The City's intent is to pay for retiree healthcare expenses on a pay-as-you-go basis from the City's general asset and deposit the difference between the Actuarially Determined Contribution and the retiree healthcare expenses to the Trust.

Employees Covered

Membership in the plan consisted of the following at June 30, 2023:

Active employees	177
Inactive employees receiving benefit payments	59
Inactive employees entitled to but not yet receiving benefit payments	102
Total	<u>338</u>

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 6 – Other Post-Employment Benefits (OPEB) (Continued):

C. Net OPEB Liability

Actuarial Methods and Assumptions: The City's total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022 to determine the total OPEB liability as of June 30, 2023, based on the following actuarial methods and assumptions:

Actuarial Assumption	June 30, 2022 Measurement Date
Actuarial Valuation Date	June 30, 2022
Contribution Policy	Entry Age Normal Level Percentage of Pay
Discount Rate	6.50%
Inflation	2.30%
Payroll Growth	2.80%
	Based on 2022 Getzen model that reflects actual premium changes from 2022 to 2023 followed by 6.50% in 2023 decreasing gradually to an ultimate rate of 3.73% in 2075
Helathcare Trend Rates	

Discount Rate: The expected long-term real rate of return of the OPEB Trust is 6.50% as of June 30, 2022 as provided by the City's investment advisor. This rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return net of investment expense 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 rates of return by the target allocation percentage. The City's expected future real rates of return by asset class is as shown below.

<u>Asset Classes</u>	<u>Target Allocation</u>	<u>Expected Long-Term Real Rates of Return (a)</u>
Global Equity	73%	3.20%
Fixed Income	20%	1.05%
Real Estate	2%	3.54%
Cash	5%	-0.45%
Total	<u>100%</u>	

(a) The assumed inflation rate of 2.30% is added to the weighted expected future real rate of return to obtain the assumed discount rate. Expected long-term real rates of return in the table above are geometric returns based on the 2022 Survey of Capital Market Assumptions produced by Horizon Actuarial Services.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 6 – Other Post-Employment Benefits (OPEB) (Continued):

C. Net OPEB Liability (Continued)

Changes in Actuarial Assumptions - The assumptions for the Plan changed from the measurement date June 30, 2021 to the measurement date June 30, 2022 as follows:

- Discount Rate increased from 2.16% as of June 30, 2021 to 6.50% as of June 30, 2022.
- Payroll growth, mortality, termination, disability, and retirement rates assumptions were updated from CalPERS Experience Study and Review of Actuarial Assumptions published in December 2017 to the most recent study published in November 2021.
- Health care trend rates were updated as follows based on the updated Getzen Model of Long-Run Medical Cost Trend and publicly available healthcare trend rate surveys and medical inflation data:
 - Medical/prescription drug costs: from an initial rate of 7.00% non-Medicare / 6.10% Medicare that decreases gradually to an ultimate rate of 4.00% by FYE 2076 to Getzen 2022 table that reflects actual premium increases from 2022 to 2023 followed by 6.50% that decreases gradually to an ultimate rate of 3.73% by FYE 2076.
 - PEMHCA minimum: from 4.25% to 1.30% from 2022 to 2023 followed by 3.50% for all subsequent years.
- Percentage of active employees assumed to elect spousal coverage at retirement has been reduced from 80% to 50% based on actual spousal election for retirees in the June 30, 2022 census data.

D. Changes in Net OPEB Liability

The changes in the net OPEB Liability follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2022: (Measurement date 6/30/21)	\$8,998,717		\$8,998,717
Changes Recognized for the Measurement Period:			
Service cost	552,648		552,648
Interest	203,996		203,996
Benefit changes			
Differences between expected and actual experience	(1,097,576)		(1,097,576)
Changes of assumptions	(3,856,679)		(3,856,679)
Contributions from the employer		\$415,446	(415,446)
Benefit payments	(215,446)	(215,446)	
Net investment income		(30,177)	30,177
Administrative expenses		(862)	862
Net changes	(4,413,057)	168,961	(4,582,018)
Balance as of June 30, 2023: (Measurement date 6/30/22)	\$4,585,660	\$168,961	\$4,416,699

The General Fund is typically used to liquidate the liabilities for OPEB.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 6 – Other Post-Employment Benefits (OPEB) (Continued):

E. Sensitivity of the Net OPEB Liability

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

Net OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(5.50 %)	(6.50%)	(7.50%)
\$4,930,889	\$4,416,699	\$3,980,979

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

Net OPEB Liability/(Asset)		
1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$3,952,467	\$4,416,699	\$4,979,725

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

For the year ended June 30, 2023, the City recognized OPEB Expense of (\$124,855). As of the fiscal year ended June 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date*	\$612,991	
Differences between actual and expected experience	146,888	(\$1,074,514)
Changes in assumptions or other inputs	880,750	(3,433,195)
Net differences between projected and actual earnings on OPEB plan investment	29,238	
Total	<u>\$1,669,867</u>	<u>(\$4,507,709)</u>

* Based on actual benefit payments of \$245,491 (including implicit subsidy credit) and additional City contribution of \$367,500

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 6 – Other Post-Employment Benefits (OPEB) (Continued):

F. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

The contributions made after the measurement date of the net OPEB liability but before the end of the City's reporting period will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year rather than in the current fiscal year. Therefore, \$612,991 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ended June 30	Annual Amortization
2024	(\$607,955)
2025	(523,794)
2026	(450,755)
2027	(486,887)
2028	(677,603)
Thereafter	(703,839)
Total	(\$3,450,833)

NOTE 7 – Pension Plans:

A. General Information about the Pension Plans

The City has pension plans with the California Public Employees Retirement System (CalPERS) and the California Public Employees Retirement System (PARS). Information about the pension plans follows.

California Public Employees Retirement System (CalPERS)

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's defined benefit pension plans as follows:

- Miscellaneous (agent multiple-employer plan)
- Safety Police (cost-sharing multiple-employer plan)
- PEPRSA Safety Police (cost-sharing multiple-employer plan)
- Safety Fire (cost-sharing multiple-employer plan)
- PEPRSA Safety Fire (cost-sharing multiple-employer plan)

These plans are administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the 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 PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 – Pension Plans (Continued):

A. General Information about the Pension Plans (Continued)

At June 30, 2023, the City reported the following amounts related to the pension plans:

	Miscellaneous Plan Agent-Multiple	Safety Plan Cost-Sharing	PARS REP	Total
Net pension liabilities	\$23,247,068	\$44,031,142	\$2,403,043	\$69,681,253
Deferred outflows of resources	9,833,107	19,818,296	170,350	29,821,753
Deferred inflows of resources	1,646,880	4,029,126		5,676,006
Pension expenses	5,783,492	4,144,271	603,859	10,531,622
Employer Contributions	3,172,328	4,545,479	143,054	7,860,861

The General Fund is typically used to liquidate the liabilities for pensions.

B. Miscellaneous Plan

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

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

	<u>Miscellaneous</u>
Benefit formula	2.5% @ 55 2% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50-55
Monthly benefits, as a % of eligible compensation	2-2.5%
Required employee contribution rates	8.00%
Required employer contribution rates	11.10%

The Following employees were covered by the benefit terms for the Plan as of the most recent actuarial valuation date of June 30, 2021 and measurement date of June 30, 2022.

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	208
Inactive employees entitled to but not yet receiving benefits	191
Active employees	112
Total	<u>511</u>

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 – Pension Plans (Continued):

B. Miscellaneous Plan (Continued)

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers to be determined on an annual basis by the actuary and be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan 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. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Net Pension Liability – The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Changes in the Net Pension Liability – The changes in the Net Pension Liability for the Miscellaneous Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2021 Measurement Date	\$112,902,747	\$104,124,282	\$8,778,465
Changes in the year:			
Service cost	2,027,984		2,027,984
Interest on the total pension liability	7,695,427		7,695,427
Changes of Benefit Terms			
Changes of assumptions	3,375,679		3,375,679
Difference between expected and actual experience	(2,876,564)		(2,876,564)
Net plan to plan resource movement			
Contributions - employer		2,878,445	(2,878,445)
Contributions - employees		780,752	(780,752)
Net investment income		(7,840,411)	7,840,411
Benefit payments, including refunds of employee contributions	(5,775,851)	(5,775,851)	
Administrative expense		(64,863)	64,863
Other miscellaneous income/(expense)			
Net changes	4,446,675	(10,021,928)	14,468,603
Balance at June 30, 2022 Measurement Date	\$117,349,422	\$94,102,354	\$23,247,068

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 – Pension Plans (Continued):

B. Miscellaneous Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the Miscellaneous Plan, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or 1 percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	5.90%
Net Pension Liability	\$38,618,468
Current Discount Rate	6.90%
Net Pension Liability	\$23,247,068
1% Increase	7.90%
Net Pension Liability	\$10,575,132

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the year ended June 30, 2023, the City recognized pension expense of \$5,783,492. At June 30, 2023, the City reported deferred outflows of resources related to pensions for the Plan from the following sources:

	<u>Miscellaneous</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$3,172,328	
Differences between actual and expected experience		(\$1,646,880)
Changes in assumptions	1,907,992	
Net differences between projected and actual earnings on plan investments	4,752,787	
Total	<u>\$9,833,107</u>	<u>(\$1,646,880)</u>

The contributions made after the measurement date of the net pension liability but before the end of the City's reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal year rather than in the current fiscal year. Therefore, \$3,172,328 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 pension will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2024	\$961,526
2025	743,349
2026	320,109
2027	2,988,915
	<u>\$5,013,899</u>

Contributions, Actuarial assumptions and information regarding the discount rate are discussed in Note 7E below.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 – Pension Plans (Continued):

C. Safety Plan

Generally accepted accounting principles indicate that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 6.90% used for the June 30, 2022 measurement date is without reduction of pension plan administrative expense.

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

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

	Safety-Police	Police PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	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%	2% - 2.7%
Required employee contribution rates	9.00%	13.00%
Required employer contribution rates	23.75%	12.78%

	Safety-Fire	Fire PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	50-57
Monthly benefits, as a % of eligible compensation	2.4% - 3%	2% - 2.7%
Required employee contribution rates	9.00%	13.00%
Required employer contribution rates	21.84%	12.78%

Contributions, actuarial assumptions and information regarding the discount rate are discussed in Note 7E below.

As of June 30, 2023, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Safety Plan as \$44,031,142.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 – Pension Plans (Continued):

C. Safety Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the Safety Plan, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or 1 percentage point higher than the current rate:

	<u>Safety</u>
1% Decrease	5.90%
Net Pension Liability	\$63,784,630
Current Discount Rate	6.90%
Net Pension Liability	\$44,031,142
1% Increase	7.90%
Net Pension Liability	\$27,887,128

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For purposes of measuring the net pension liability and deferred outflows/inflows or resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, using an annual 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 plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2021 was as follows:

Proportion - June 30, 2021	0.699%
Proportion - June 30, 2022	<u>0.641%</u>
Change - Increase (Decrease)	<u><u>-0.058%</u></u>

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 7 – Pension Plans (Continued):

C. Safety Plan (Continued)

For the year ended June 30, 2023, the City recognized pension expense of \$4,144,271. At June 30, 2023, the City reported deferred outflows of resources related to pensions for the Plan from the following sources:

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$4,545,479	
Differences between actual and expected experience	1,822,289	(\$478,143)
Changes in assumptions	4,439,672	
Net differences between projected and actual earnings on plan investments	6,953,133	
Differences between actual contributions and proportionate share of contributions		(3,550,983)
Change in proportion	2,057,723	
Total	<u>\$19,818,296</u>	<u>(\$4,029,126)</u>

The contributions made after the measurement date of the net pension liability but before the end of the City's reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal year rather than in the current fiscal year. Therefore, \$4,545,479 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 pension will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2024	\$2,905,990
2025	2,606,334
2026	1,489,866
2027	4,241,501
	<u>\$11,243,691</u>

D. PARS Plan

Plan Description – The City's Agent Multiple-Employer PARS Retirement Enhancement Plan (REP) was implemented July 1, 2003 and closed to new participants hired after January 1, 2012. Eligibility to participate in REP is for the following positions: City Attorney, Administrative Services Director, non-safety Department Director or non-safety management employee of the City on or after July 1, 2003. Participants receiving the benefits are non-safety Management Group Employees. This plan is separate from CalPERS and is established as a 401(a) Defined Benefit Plan. The REP is administered by PARS.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 – Pension Plans (Continued):

D. PARS Plan

The REP provides a benefit equal to 0.5% of final average compensation for City management service earned after plan inception (July 1, 2003). In addition, any City employee in a covered management position as of the date of plan inception will receive up to an additional 10 years of service for any City service (management or non-management) prior to July 1, 2003.

Eligibility for an immediate benefit is defined as reaching age 55, completing five years of full-time City management service, and retiring concurrently from both the City and CalPERS after leaving City employment.

Employees Covered – At June 30, 2023, the following employees covered by the benefit terms of the plan.

	REP
Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	0
Active employees	2
Total	24

Changes in the Net Pension Liability – The net pension liability of the REP is measured as of June 30, 2023, using an annual actuarial valuation as of June 30:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2022 Measurement Date	\$4,129,943	\$2,120,725	\$2,009,218
Changes in the year:			
Service cost	21,296		21,296
Interest on the total pension liability	271,109		271,109
Difference between expected and actual experience	205,177		205,177
Effect of assumptions changes or inputs	174,017		174,017
Net investment income		143,671	(143,671)
Contribution - employer		143,054	(143,054)
Benefit payments	(269,603)	(269,603)	
Administrative expenses		(8,951)	8,951
Other changes			
Net changes	401,996	8,171	393,825
Balance at June 30, 2023 Measurement Date	\$4,531,939	\$2,128,896	\$2,403,043

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 – Pension Plans (Continued):

D. PARS Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the PARS Plan, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or 1 percentage point higher than the current rate:

	REP
1% Decrease	5.18%
Net Pension Liability	\$2,907,237
Current Discount Rate	6.18%
Net Pension Liability	\$2,403,043
1% Increase	7.18%
Net Pension Liability	\$1,977,966

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – For the year ended June 30, 2023, the City recognized pension expense of \$603,859. At June 30, 2023, the City reported deferred outflows of resources related to pensions for the Plan from the following sources:

	REP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	\$170,350	
Total	\$170,350	

The REP Measurement Date is the same as the fiscal year end date, therefore, the fiscal year 2024 contribution of \$143,054 was recognized as part of the pension expense during the current year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2024	\$46,519
2025	29,217
2026	98,177
2027	(3,563)
	\$170,350

Contributions, Actuarial assumptions and information regarding the discount rate are discussed in Note 7E below.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 – Pension Plans (Continued):

E. Information Common to the Miscellaneous, Safety and PARS Plans

Beginning in fiscal year 2016, CalPERS collects employer contributions for the cost-sharing plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability in the Miscellaneous and Safety Plans were \$1,934,602 and \$3,137,408 respectively.

Contributions – The discount rate used to measure the total pension liability for each Plan was 6.90%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and the contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all period of projected benefit payments to determine the total pension liability for each Plan.

PARS Retirement Enhancement Plan (REP) – The City makes all contributions necessary to fund the benefits available under the REP. Employees are not permitted to make any contributions.

Subsequent Event – Reduction of CalPERS Discount Rate – On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy approved by the CalPERS Board in 2015, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the CalPERS Board elected to defer any changes to the asset allocation until the ALM process concluded.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense, but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the CalPERS Board. These new assumptions are reflected in the CalPERS GASB 68 accounting valuation reports for the June 30, 2023, measurement date.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 – Pension Plans (Continued):

E. Information Common to the Miscellaneous, Safety and PARS Plans (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2022, for CalPERS, the total pension liabilities were determined by rolling forward the June 30, 2021 total pension liability. The PARS REP total pension liability for the measurement period ended June 30, 2023, was determined by an actuarial valuation as of that date. The June 30, 2023 total pension liabilities were based on the following actuarial methods and assumptions:

	CalPERS	PARS REP
Valuation Date	June 30, 2021	June 30, 2023
Measurement Date	June 30, 2022	June 30, 2023
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB 68	
Actuarial Assumptions:		
Discount Rate	6.90%	6.18%
Inflation	2.30%	2.30%
Payroll Growth	2.80%	2.80%
Projected Salary Increase	Varied by Entry Age and Service	Consistent with the rates used to value the Miscellaneous Agency CalPERS Pension Plans (Entry Age 30).
Investment Rate of Return	6.90% (1)	6.18%
Mortality	Derived using CalPERS' Membership Data for all Funds (2)	Pre-retirement: Consistent with the Non-Industrial rates used to value Miscellaneous Agency CalPERS Pension Plans after June 30, 2017. Post-retirement: Consistent with the Non-Industrial rates used to value Miscellaneous Agency CalPERS Pension Plans after June 30, 2017.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter	Retirement rates of 30% per year starting at age 50 with required years of service. 100% retirement is assumed as age 70.

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

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

California Public Employees Retirement System Plans (CalPERS)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2020 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 – Pension Plans (Continued):

E. Information Common to the Miscellaneous, Safety and PARS Plans (Continued)

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 6.90%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

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

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

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

Asset Class (1)	Assumed Asset Allocation	Real Return 1,2
Global Equity-Cap Weighted	30.0%	4.54%
Global Equity-Non-Cap Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100%	

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

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

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 – Pension Plans (Continued):

E. Information Common to the Miscellaneous, Safety and PARS Plans (Continued)

Changes of Assumptions – Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

PARS Retirement Enhancement Plan (REP)

The REP's range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation as follows:

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Equity		
Large Cap Core	26.50%	7.70%
Mid Cap Core	5.00%	8.00%
Small Cap Core	7.50%	8.50%
Real Estate	1.75%	6.60%
International	6.00%	7.50%
Emerging Markets	3.25%	7.50%
Fixed Income		
Short-Term Bonds	10.00%	3.30%
Intermediate-Term Bonds	33.50%	4.00%
High-Yield	1.50%	5.70%
Cash	5.00%	2.60%
Total	100%	

Changes of Assumptions – The payroll growth rate increased from 2.75% to 2.80% and the discount rate decreased from 6.75% to 6.18%.

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position with CalPERS and PARS are available in the separately issued CalPERS financial report with CalPERS and City of Pacifica, respectively.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 8 – Risk Management:

A. *Workers' Compensation*

The City is a member of the Municipal Pooling Authority of Northern California, which pools risks under the terms of a joint-powers agreement with 31 other cities and governmental agencies. The City has no workers' compensation deductible for claims and the Authority covers claims up to \$500,000. The Authority purchases excess insurance from \$500,000 to the statutory limit. The City paid premiums of \$845,239 during fiscal year end June 30, 2023 for workers' compensation and excess workers' compensation coverage.

The Authority is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the Authority, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the Authority are in accordance with formulas established by the Authority. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements can be obtained from Municipal Pooling Authority, 1911 San Miguel Drive #100, Walnut Creek, CA 94596.

B. *General Liability*

On July 1, 1986, the City became a member of the Association of Bay Area Governments (ABAG) Pooled Liability Assurance Network (PLAN). PLAN is a not-for-profit organization established to provide certain levels of liability insurance coverage, claims and risk management services, and legal defense to thirty- one San Francisco Bay Area cities. PLAN is governed by a Board of Directors comprised of officials appointed by each participating member and is administered by the Association of Bay Area Governments (ABAG). Complete financial statements for ABAG PLAN may be obtained from their offices at the following address: ABAG PLAN Corporation, Finance Department, 375 Beale Street, Ste 700, San Francisco, CA 94105-2066.

The City paid premiums of \$1,590,865 during fiscal year end June 30, 2023 for general liability and property coverage in excess of the City's self-insured retention. Members may receive rebates when declared by ABAG or, in the event excess liability claims against ABAG exceed available resources, may be required to make additional contributions.

The City is self-insured for the first \$50,000 of general and property liability for each occurrence, and the excess (up to \$30,000,000 for each occurrence and annual aggregate) is covered through the City's participation in the ABAG PLAN.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 8 – Risk Management (Continued):

C. Dental

On July 1, 1988, the City established a program of self-insurance with respect to Employee's Dental Insurance, in accordance with the provisions of a Memorandum of Understanding between the City and all full-time employees. This program is administered by Preferred Benefit Insurance Administrators and provides claims review and processing. The maximum benefit per employee per plan year varies between \$1,500 and \$2,000; the maximum benefit per dependent per plan year is also between \$1,500 and \$2,000.

The City maintains an internal service fund to account for these insurance programs. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Changes in the total reported liability resulted from the following:

	Fiscal Year ended in June 30,	
	2022	2023
July 1 Liability	\$305,345	\$304,204
Claims and changes in estimates	375,560	260,307
Payments for claims	(376,701)	(261,510)
June 30 Liability	<u>\$304,204</u>	<u>\$303,001</u>

NOTE 9 – Interfund Transactions:

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

A. Internal Balances

Internal balances are presented in the entity-wide financial statements only. They represent the net interfund receivables and payables after the elimination of all such balances within governmental and business-type activities.

B. Transfers

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

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9 – Interfund Transactions (Continued):

B. Transfers (Continued)

The following is a summary of transfers for the fiscal year ended June 30, 2023:

Funds	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$1,130,900 (A)	\$2,960,381 (B),(C),(D)
Disaster Accounting Special Revenue Fund		1,200,000 (C)
General Capital Improvement Capital Projects Fund	5,970,732 (C)	
Debt Service Fund	2,642,481 (B)	3,935,732 (C)
Major Enterprise Funds:		
Sewer Utility Fund		500,000 (D)
Nonmajor Governmental Funds:		
Gas Tax Special Revenue Fund		1,222,500 (A),(B)
Davies Trust Special Revenue Fund	300,000 (B)	160,000 (C)
NPDES Stormwater Special Revenue Fund		132,100 (A)
Street Construction Special Revenue Fund	750,000 (A)	1,747,735 (A),(B),(E)
Measure W Special Revenue Fund	651,035 (E)	
Parks and Playfields Capital Projects Fund		320,000 (C)
Internal Service Funds:		
Motor Pool	600,000 (D)	
Fire Equipment Replacement	133,300 (F)	
Total	<u>\$12,178,448</u>	<u>\$12,178,448</u>

- (A) For general government operation purposes
 (B) For debt service payments
 (C) For various city projects
 (D) For motor pool related purposes
 (E) To establish new Measure W fund
 (F) For fire equipment replacement

In addition, the Motor Pool Internal Service Fund transferred \$34,050 to governmental activities, which represented a reallocation of the pension obligations bonds long-term debt balance.

C. Advances

At June 30, 2023, the funds below had made advances that are not expected to be repaid within the next year. These long-term interfund advances are expected to be repaid out of future fees.

Advances from Sewer Utility Enterprise Fund to General Fund \$297,339 as of June 30, 2023:

- Per the repayment plan approved by the Pacifica City Council on June 23, 2014, and revised on June 24, 2019, repayment of this advance began in 2017-18 and concludes in 2023-24.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 10 – Loan Receivable from Successor Agency Private-purpose Trust Fund:

Prior to the dissolution of the former redevelopment agency, the General Fund had loaned money to the former Redevelopment Agency Rockaway Beach Fund to carry out redevelopment activities. As a result of the dissolution, the loan receivable is now recorded as a loan receivable from the Successor Agency Private-purpose Trust Fund. Interest accrued on the original advance at the current Local Agency Investment Fund (LAIF) rate and effective September 22, 2015, calculated at a simple interest rate of 3%. The City stopped accruing additional interest on the loan as of June 30, 2021 and at June 30, 2023, outstanding loans totaled \$1,900,000 in principal and \$1,616,264 in accrued interest.

Repayment of the loan is contingent upon the annual approval from the State of California Department of Finance (DOF), which was received in fiscal year 2023 in the amount of \$125,335. However, the DOF denied the Successor Agency's application for the fiscal year 2024 repayment amount of \$131,237. The City and Successor Agency can appeal the decision of the DOF and the City is working to determine the next course of action, but management intends to pursue collection of the outstanding loan balance.

NOTE 11 – Net Position and Fund Balances:

A. Net Position

Net position is measured on the full accrual basis, while Fund Balance is measured on the modified accrual basis.

Net position is divided into three captions. These captions apply only to net position as determined at the government-wide level, and are described below:

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

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include capital projects, revolving loan programs, and other various grant programs.

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

When both restricted and unrestricted net position is available, restricted resources are depleted first before the unrestricted resources are used.

B. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 11 – Net Position and Fund Balances (Continued):

B. Fund Balances (Continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinance).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City ordinance (City Manager).

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 11 – Net Position and Fund Balances (Continued):

B. Fund Balances (Continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2023 are as follows:

	General Fund	Disaster Accounting Fund	General Capital Improvement Fund	Debt Service Fund	Non-Major Governmental Fund	Total Governmental Funds
Nonspendable:						
Prepaid items	\$10,130			\$89,400		\$99,530
Loan receivable	3,516,264					3,516,264
Advances						
Subtotal	3,528,523			89,400		3,617,923
Restricted for:						
PARS Pension Trust	185,519					185,519
Supplemental law enforcement					\$319,277	319,277
Trust activities					2,870,876	2,870,876
Catastrophic events		\$7,472,999				7,472,999
Streets and roads					2,870,034	2,870,034
Housing					623,394	623,394
Parking					2,129,631	2,129,631
Debt services				2,609,765		2,609,765
Stormwater operations					281,057	281,057
Tree preservation					1,748	1,748
Capital projects			\$3,935,732		1,881,083	5,816,815
Subtotal	185,519	7,472,999	3,935,732	2,609,765	10,977,100	25,181,115
Assigned for:						
Fund Balance Reserve	4,777,623					4,777,623
Facility Main & Replace Reserve	205,000					205,000
Compensated Absences Reserve	200,000					200,000
Child Care Reserve	494,591					494,591
Legal Reserve	100,000					100,000
Capital projects			1,380,849			1,380,849
Subtotal	5,777,214		1,380,849			7,158,063
Unassigned	11,056,214				(143,689)	10,912,525
Total	\$20,547,470	\$7,472,999	\$5,316,581	\$2,699,165	\$10,833,411	\$46,869,626

C. Net Investment in Capital Assets

The Net Investment in Capital Assets are calculated as below:

	Activities	Activities	Total
Capital Assets, net of accumulated depreciation	\$96,327,789	\$63,951,769	\$160,279,558
Less: Capital debt	(18,130,747)	(54,802,543)	(72,933,290)
Plus: Unspent bond proceeds		25,155,723	25,155,723
Net Investment in Capital Assets	<u>\$78,197,042</u>	<u>\$34,304,949</u>	<u>\$112,501,991</u>

D. Restatement of Net Position

The City discovered that accumulated depreciation in the Motor Pool Internal Service Fund had been overstated and as a result, the beginning net position of the fund was restated and increased in the amount of \$203,514 as of July 1, 2021.

**CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 12 – Contingencies:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 13 – Successor Agency to Former Redevelopment Agency Activities:

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 Pacifica that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit. On January 23, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of the City resolution number 01-2012.

Long Range Property Management Plan – On December 10, 2015, the Successor Agency received confirmation from the California Department of Finance that it had reviewed and approved the Successor Agency’s Long Range Property Management Plan (LRPMP).

Long-term Debt – Long-term debt of the Successor Agency as of June 30, 2023, consisted of the following:

	Balance July 01, 2022	Retirements	Balance June 30, 2023	Due in One Year
Loan payable to City	\$3,641,599	(\$125,335)	\$3,516,264	
2004 Tax allocation bonds	945,000	(75,000)	870,000	\$75,000
Total	<u>\$4,586,599</u>	<u>(\$200,335)</u>	<u>\$4,386,264</u>	<u>\$75,000</u>

Loan Payable to the City: Please see Note 10.

2004 Tax Allocation Bonds: In August 2004, the former Redevelopment Agency (Agency) issued \$1,725,000 in Rockaway Beach Redevelopment Project 2004 Tax Allocation Bonds at interest rates ranging from 2.9% to 5.75%. The net proceeds of the bonds were issued to refinance redevelopment activities by repaying a portion of the loan made by the City to the Agency and to establish a reserve fund. Interest on the bonds will be payable semiannually on January 1 and July 1 each year, commencing January 1, 2005. The bonds mature on July 1, 2031. The bonds are payable exclusively from pledged tax revenues to be derived from the project area and from the amounts on deposits in certain funds and accounts, including the reserve account and the revenue account.

The Bonds are general obligations of the Agency payable by the Agency. The bond covenants contain events of default that require the revenue of the Agency to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Agency to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Agency; or if any court or competent jurisdiction shall assume custody or control of the Agency. No such events occurred during the fiscal year ending June 30, 2023.

CITY OF PACIFICA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023

NOTE 13 – Successor Agency to Former Redevelopment Agency Activities (Continued):

The Bonds are general obligations of the Agency payable by the Agency. The bond covenants contain events of default that require the revenue of the Agency to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Agency to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Agency; or if any court or competent jurisdiction shall assume custody or control of the Agency. No such events occurred during the fiscal year ending June 30, 2023.

Annual debt service requirements, to maturity, for the 2004 Tax Allocation Bonds are as follows:

<u>Fiscal year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
0	\$75,000	\$47,809	\$122,809
0	80,000	43,392	123,392
0	85,000	38,669	123,669
0	90,000	33,638	123,638
0	95,000	28,319	123,319
1900 - 1900	445,000	53,044	498,044
Total	<u>\$870,000</u>	<u>\$244,871</u>	<u>\$1,114,871</u>

NOTE 14 – Subsequent Event

On September 2, 2023, the City entered into a lease financing agreement in the amount of \$1,091,763 with Community First National Bank, to acquire one fire engine. Principal and interest are due annually starting on July 15, 2025, with one payment of \$125,000, followed by six annual payments of \$212,104 through 2031. The lease bears an interest rate of 4.994%.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PACIFICA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

Schedule of Changes in Net Pension Liability and Related Ratios

	Miscellaneous			
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Total Pension Liability				
Service Cost	\$1,445,205	\$1,427,162	\$1,495,380	\$1,631,204
Interest	5,862,583	6,123,624	6,346,516	6,501,283
Differences between expected and actual experience		(328,078)	(755,420)	(1,136,322)
Changes in assumptions		(1,478,509)		5,308,829
Changes in benefits				
Benefit payments, including refunds of employee contributions	(3,440,758)	(3,784,383)	(4,047,332)	(4,185,238)
Net change in total pension liability	3,867,030	1,959,816	3,039,144	8,119,756
Total pension liability - beginning	79,165,549	83,032,579	84,992,395	88,031,539
Total pension liability - ending (a)	\$83,032,579	\$84,992,395	\$88,031,539	\$96,151,295
Plan fiduciary net position				
Contributions - employer	\$993,077	\$1,081,227	\$1,256,738	\$1,459,527
Contributions - employee	622,734	622,660	685,119	711,067
Net investment income	11,283,773	1,641,405	382,638	7,967,324
Administrative expense		(83,654)	(45,303)	(107,140)
Benefit payments, including refunds of employee contributions	(3,440,758)	(3,784,383)	(4,047,332)	(4,185,238)
Net Plan to Plan Resource Movement				
Other Miscellaneous Income/(Expense)	9,458,826	(522,745)	(1,768,140)	5,845,540
Net change in plan fiduciary net position	9,458,826	(522,745)	(1,768,140)	5,845,540
Plan fiduciary net position - beginning	65,398,696	74,857,522	74,334,777	72,566,637
Plan fiduciary net position - ending (b)	\$74,857,522	\$74,334,777	\$72,566,637	\$78,412,177
Net pension liability - ending (a)-(b)	\$8,175,057	\$10,657,618	\$15,464,902	\$17,739,118
Plan fiduciary net position as a percentage of the total pension liability	90.15%	87.46%	82.43%	81.55%
Covered payroll	\$7,982,929	\$8,049,221	\$8,463,442	\$9,007,097
Net pension liability as percentage of covered payroll	102.41%	132.41%	182.73%	196.95%

Notes to Schedule:

Benefit changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions - In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, 2018, 2019, 2020 and 2021, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal year 2015 was the 1st year of implementation.

**CITY OF PACIFICA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

Miscellaneous				
6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
\$1,716,353	\$1,756,360	\$1,869,810	\$1,748,773	\$2,027,984
6,687,032	7,042,527	7,404,044	7,659,792	7,695,427
(407,869)	1,371,619	1,330,180	(230,958)	(2,876,564)
(739,131)				3,375,679
(4,675,098)	(4,971,021)	(5,288,206)	(5,522,755)	(5,775,851)
2,581,287	5,199,485	5,315,828	3,654,852	4,446,675
96,151,295	98,732,582	103,932,067	109,247,895	112,902,747
<u>\$98,732,582</u>	<u>\$103,932,067</u>	<u>\$109,247,895</u>	<u>\$112,902,747</u>	<u>\$117,349,422</u>
\$1,571,937	\$1,896,427	\$2,217,115	\$2,515,162	\$2,878,445
749,462	733,521	769,486	782,756	780,752
6,524,986	5,347,965	4,206,783	19,473,439	(7,840,411)
(122,188)	(58,680)	(120,079)	(86,870)	(64,863)
(4,675,098)	(4,971,021)	(5,288,206)	(5,522,755)	(5,775,851)
(191)				
(232,037)	191			
3,816,871	2,948,403	1,785,099	17,161,732	(10,021,928)
78,412,177	82,229,048	85,177,451	86,962,550	104,124,282
<u>\$82,229,048</u>	<u>\$85,177,451</u>	<u>\$86,962,550</u>	<u>\$104,124,282</u>	<u>\$94,102,354</u>
<u>\$16,503,534</u>	<u>\$18,754,616</u>	<u>\$22,285,345</u>	<u>\$8,778,465</u>	<u>\$23,247,068</u>
83.28%	81.95%	79.60%	92.22%	80.19%
\$9,138,180	\$9,754,931	\$11,058,613	\$10,084,809	\$10,091,313
180.60%	192.26%	201.52%	87.05%	230.37%

**CITY OF PACIFICA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

Miscellaneous Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*
Schedule of Contributions

Fiscal Year Ended June 30	Miscellaneous				
	2015	2016	2017	2018	2019
Actuarially determined contribution	\$1,081,226	\$1,256,739	\$1,454,468	\$1,571,900	\$1,896,427
Contributions in relation to the actuarially determined contributions	(1,081,226)	(1,256,739)	(1,454,468)	(1,571,900)	(1,896,427)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$8,049,221	\$8,463,442	\$9,007,097	\$9,138,180	\$9,754,931
payroll	13.43%	14.85%	16.15%	17.20%	19.44%

Notes to Schedule

Valuation date: 6/30/2013 6/30/2014 6/30/2015 6/30/2016 6/30/2017

Fiscal Year Ended June 30	2020	2021	2022	2023
Actuarially determined contribution	\$2,217,115	\$2,515,162	\$2,691,698	\$3,172,328
Contributions in relation to the actuarially determined contributions	(2,217,115)	(2,515,162)	(2,691,698)	(3,172,328)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$11,058,613	\$10,084,809	\$10,091,313	\$10,575,260
payroll	20.05%	24.94%	26.67%	30.00%

Notes to Schedule

Valuation date: 6/30/2018 6/30/2019 6/30/2020 6/30/2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Asset valuation method	Market Value of Assets
Inflation	2.75% for 2015 to 2019, 2.625% for 2020, 2.50% for 2021, 2.375% for 2022, and 2.50% for 2023
Salary increases	Varies by entry age and service
Payroll Growth	2.75%
Investment rate of return	7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, 7.125% for 2021, and 7.00% for 2022 & 2023, net of pension plan investment expense and administrative expenses, includes inflation
Retirement age	The probabilities of retirement are based on the CalPERS Experience Study.
Mortality	The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries for 2015 to 2018. For 2019, 2020, 2021, and 2022, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation.

**CITY OF PACIFICA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

Safety Cost Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Measurement Date	Safety Plan				
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Plan's proportion of the Net Pension Liability (Asset)	0.50100%	0.69850%	0.00000%	0.52919%	0.54700%
Plan's proportion share of the Net Pension Liability (Asset)	\$18,808,357	\$20,914,148	\$27,461,120	\$31,620,401	\$32,079,854
Plan's Covered Payroll	\$6,019,600	\$5,843,663	\$5,928,087	\$6,058,030	\$5,988,447
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	312.45%	357.89%	463.24%	521.96%	521.96%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	79.82%	78.40%	74.06%	73.31%	75.26%
Measurement Date	6/30/2019	6/30/2020	6/30/2021	6/30/2022	
Plan's proportion of the Net Pension Liability (Asset)	0.55658%	0.57053%	0.69850%	0.64080%	
Plan's proportion share of the Net Pension Liability (Asset)	\$34,744,594	\$38,010,670	\$24,515,482	\$44,031,142	
Plan's Covered Payroll	\$6,575,368	\$4,398,589	\$7,147,760	\$7,319,572	
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	535.70%	528.41%	342.98%	601.55%	
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	75.26%	75.10%	88.29%	76.68%	

* Fiscal year 2015 was the 1st year of implementation.

**CITY OF PACIFICA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

Cost Sharing Multiple-Employer Defined Benefit Pension Plan

Last 10 Fiscal Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	Safety Plan				
	2015	2016	2017	2018	2019
Actuarially determined contributions	\$1,437,730	\$1,364,845	\$2,158,037	\$2,398,015	\$2,830,926
Contributions in relation to the actuarially determined contributions	(1,437,730)	(1,364,845)	(2,158,037)	(2,398,015)	(2,830,926)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	<u>\$5,843,663</u>	<u>\$5,928,087</u>	<u>\$6,058,030</u>	<u>\$5,988,447</u>	<u>\$6,575,368</u>
Contributions as a percentage of covered payroll	24.60%	23.02%	35.62%	40.04%	43.05%
Fiscal Year Ended June 30	2020	2021	2022	2023	
Actuarially determined contributions	\$2,002,059	\$3,724,131	\$3,932,902	\$4,545,479	
Contributions in relation to the actuarially determined contributions	(2,002,059)	(3,724,131)	(3,932,902)	(4,545,479)	
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Covered payroll	<u>\$4,398,589</u>	<u>\$7,147,760</u>	<u>\$7,319,572</u>	<u>\$7,451,755</u>	
Contributions as a percentage of covered payroll	45.52%	52.10%	53.73%	61.00%	

* Fiscal year 2015 was the first year of implementation.

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**CITY OF PACIFICA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

PARS REP Agent Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

Schedule of Changes in Net Pension Liability and Related Ratios

	PARS			
	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Total Pension Liability				
Service Cost	\$97,626	\$55,073	\$56,725	\$47,461
Interest	218,058	228,048	238,515	244,298
Differences between expected and actual experience				
Effect of economic/demographic gains or losses		(136,732)		(78,177)
Effect of assumptions changes or inputs		143,356	196,706	
Benefit payments, including refunds of employee contributions	(126,197)	(144,782)	(149,371)	(157,202)
Net change in total pension liability	189,487	144,963	342,575	56,380
Total pension liability - beginning	2,972,061	3,161,548	3,306,511	3,649,086
Total pension liability - ending (a)	\$3,161,548	\$3,306,511	\$3,649,086	\$3,705,466
Plan fiduciary net position				
Contributions - employer	\$159,573	\$127,848	\$123,391	\$121,576
Net investment income	44,261	7,840	172,456	133,898
Investment expense	(8,227)			
Benefit payments, including refunds of employee contributions	(126,197)	(144,782)	(149,371)	(157,202)
Administrative expenses	(8,448)	(9,150)	(8,664)	(9,009)
Net change in plan fiduciary net position	60,962	(18,244)	137,812	89,263
Plan fiduciary net position - beginning	1,994,520	2,055,482	2,037,238	2,175,050
Plan fiduciary net position - ending (b)	\$2,055,482	\$2,037,238	\$2,175,050	\$2,264,313
Net pension liability - ending (a)-(b)	\$1,106,066	\$1,269,273	\$1,474,036	\$1,441,153
 Plan fiduciary net position as a percentage of the total pension liability	 65.02%	 61.61%	 59.61%	 61.11%
Covered payroll	\$1,485,442	\$1,530,005	\$1,303,994	\$1,351,614
 Net pension liability as percentage of covered payroll	 74.46%	 82.96%	 113.04%	 106.62%

Notes to Schedule:

Benefit changes - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions - In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, 2018, 2019, 2020, and 2021, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

* Fiscal year 2015 was the 1st year of implementation.

**CITY OF PACIFICA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

PARS				
6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
\$48,885	\$35,933	\$36,921	\$20,726	\$21,296
247,550	253,625	263,809	267,267	271,109
	12,653			205,177
	57,961		24,928	
	8,541			174,017
<u>(176,795)</u>	<u>(210,707)</u>	<u>(227,211)</u>	<u>(239,609)</u>	<u>(269,603)</u>
119,640	158,006	73,519	73,312	401,996
3,705,466	3,825,106	3,983,112	4,056,631	4,129,943
<u>\$3,825,106</u>	<u>\$3,983,112</u>	<u>\$4,056,631</u>	<u>\$4,129,943</u>	<u>\$4,531,939</u>
\$98,849	\$96,419	\$97,888	\$97,904	\$143,054
136,800	65,576	492,499	(337,585)	143,671
<u>(176,795)</u>	<u>(210,707)</u>	<u>(227,211)</u>	<u>(239,609)</u>	<u>(269,603)</u>
<u>(9,066)</u>	<u>(9,143)</u>	<u>(9,559)</u>	<u>(9,848)</u>	<u>(8,951)</u>
49,788	(57,855)	353,617	(489,138)	8,171
2,264,313	2,314,101	2,256,246	2,609,863	2,120,725
<u>\$2,314,101</u>	<u>\$2,256,246</u>	<u>\$2,609,863</u>	<u>\$2,120,725</u>	<u>\$2,128,896</u>
<u>\$1,511,005</u>	<u>\$1,726,866</u>	<u>\$1,446,768</u>	<u>\$2,009,218</u>	<u>\$2,403,043</u>
60.50%	56.65%	64.34%	51.35%	46.98%
\$988,068	\$1,015,240	\$630,037	\$647,363	\$322,533
152.93%	170.09%	229.63%	310.37%	745.05%

**CITY OF PACIFICA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS**

**PARS Retirement Enhance Plan (REP) Defined Benefit Pension Agent Multiple-Employer Plan
Last 10 Years*
Schedule of Contributions**

Fiscal Year Ended June 30	PARS				
	2015	2016	2017	2018	2019
Actuarially determined contribution	\$220,169	\$134,581	\$159,218	\$161,606	\$159,968
Contributions in relation to the actuarially determined contributions	(159,573)	(127,848)	(123,391)	(121,576)	(98,849)
Contribution deficiency (excess)	<u>\$60,596</u>	<u>\$6,733</u>	<u>\$35,827</u>	<u>\$40,030</u>	<u>\$61,119</u>
Covered payroll	\$1,485,442	\$1,530,005	\$1,303,994	\$1,351,614	\$988,068
Net Pension Liability as a percentage of covered payroll	10.74%	8.36%	9.46%	8.99%	10.00%

Notes to Schedule

Valuation date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2017
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Fiscal Year Ended June 30	2020	2021	2022	2023
Actuarially determined contribution	\$164,367	\$152,028	\$152,028	\$238,078
actuarially determined contributions	(96,419)	(97,888)	(97,904)	(143,054)
Contribution deficiency (excess)	<u>\$67,948</u>	<u>\$54,140</u>	<u>\$54,124</u>	<u>\$95,024</u>
Covered payroll	\$1,015,240	\$630,037	\$647,363	\$322,533
percentage of covered payroll	9.50%	15.54%	15.12%	44.35%

Notes to Schedule

Valuation date:	6/30/2018	6/30/2019	6/30/2020	6/30/2021
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar of payroll, closed
Remaining amortization period	15 years as of June 30, 2017
Asset valuation method	None
Inflation	2.30%
Salary increases	Consistent with the rates used to value the Miscellaneous Agency CalPERS Pension Plans (Entry Age 30)
Investment rate of return	6.18%
Retirement	Retirement rates of 30% per year starting at age 55 with required years of service.
Mortality	Consistent with the Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans.

* Fiscal year 2015 was the 1st year of implementation.

CITY OF PACIFICA
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 YEARS

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
Single Employer Other Post-Employment Benefits Plan (OPEB)
Last 10 fiscal years*

Measurement Date	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Total OPEB Liability (1)					
Service Cost	\$303,274	\$328,277	\$368,174	\$524,816	\$552,648
Interest	233,437	234,697	239,312	195,445	203,996
Changes of benefit terms					
Differences between expected and actual experience	(527,075)		254,368		(1,097,576)
Changes of assumptions	(320,279)	345,836	1,192,492	72,300	(3,856,679)
Benefit payments	(173,450)	(167,371)	(184,166)	(225,411)	(215,446)
Net change in total OPEB liability	(484,093)	741,439	1,870,180	567,150	(4,413,057)
Total OPEB liability - beginning	6,304,041	5,819,948	6,561,387	8,431,567	8,998,717
Total OPEB liability - ending (a)	\$5,819,948	\$6,561,387	\$8,431,567	\$8,998,717	\$4,585,660
Plan Fiduciary Net Position (FNP) (2)					
Contributions - employer					\$415,446
Contributions - employees					
Benefit payments					(215,446)
Net investment income					(30,177)
Administrative expenses					(862)
Net change in Plan FNP					168,961
Fiduciary Net Position - beginning					
Fiduciary Net Position - ending					\$ 168,961
Net OPEB Liability - ending					\$ 4,416,699
FNP as % of TOL					3.7%
Covered-employee payroll	\$18,617,151	\$16,078,058	\$16,614,061	\$17,232,569	\$16,464,771
Net OPEB liability as a percentage of covered-employee payrc	31.3%	40.8%	50.7%	52.2%	26.8%

Notes to Schedule:

- (1) No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.
- (2) The FNP as of June 30, 2022 has been pro-rated among the different group in the same proportion as the liability (i.e. each group has the same funded ratio)

* Fiscal year 2018 was the first year of implementation.

**CITY OF PACIFICA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property	\$15,225,200	\$15,598,000	\$16,071,214	\$473,214
Sales	3,111,200	4,006,000	3,877,828	(128,172)
Franchise	1,657,200	1,657,200	775,857	(881,343)
Other	5,182,200	6,156,000	7,836,438	1,680,438
Licenses and permits	919,900	1,118,900	1,092,091	(26,809)
Fines and forfeitures	180,000	180,000	197,653	17,653
Use of money and property	212,400	212,400	513,330	300,930
Intergovernmental	12,986,965	13,948,672	12,332,582	(1,616,090)
Charges for current services	4,256,569	4,256,569	3,040,003	(1,216,566)
Recreation programs	489,500	489,500	688,195	198,695
Other	1,923,229	1,923,229	2,582,901	659,672
Total revenues	46,144,363	49,546,470	49,008,092	(538,378)
Expenditures:				
Current				
General Government:				
City Council	189,348	189,348	236,439	(47,091)
City Manager	2,334,024	2,359,024	2,038,275	320,749
Human Resources	848,140	848,140	1,008,450	(160,310)
City Attorney	1,371,986	1,921,986	1,368,308	553,678
Finance	2,470,437	2,470,437	2,155,135	315,302
Non-departmental	1,424,300	1,936,300	2,323,788	(387,488)
Total General Government	8,638,235	9,725,235	9,130,395	594,840
Public Safety:				
Police	11,506,318	11,506,318	11,635,564	(129,246)
Fire	7,821,755	7,821,755	8,284,715	(462,960)
Total Public Safety	19,328,073	19,328,073	19,920,279	(592,206)
Community development:				
Planning	5,394,439	5,394,439	3,080,138	2,314,301
Total Community Development	5,394,439	5,394,439	3,080,138	2,314,301
Public Works:				
Engineering Services	1,461,924	1,461,924	1,484,025	(22,101)
Street and traffic maintenance	1,682,068	1,682,068	1,765,579	(83,511)
Building maintenance and improvement	618,935	618,935	604,274	14,661
Fishing pier/rest stop maintenance	336,054	336,054	367,525	(31,471)
City parks and playfields	1,002,694	1,002,694	788,004	214,690
Total Public Works	5,101,675	5,101,675	5,009,407	92,268

(Continued)

**CITY OF PACIFICA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current:				
Parks, Beaches, and Recreation:				
Parks, beaches, and recreation	319,408	319,408	349,784	(30,376)
Community center programs	235,818	235,818	231,806	4,012
Cultural arts	5,202	5,202	184	5,018
Elementary age recreation	145,653	145,653	194,099	(48,446)
Teens and j-teens recreation	44,859	44,859	55,357	(10,498)
Adult sports	100	100	66	34
Senior	273,370	273,370	231,650	41,720
Instructional class	96,451	96,451	58,413	38,038
Recreation swimming	323,831	323,831	453,345	(129,514)
Swim Team	100,636	100,636	81,830	18,806
Special community recreation	78,848	78,848	101,788	(22,940)
Special projects	4,034,749	4,034,749	3,916,287	118,462
Total Parks, Beaches and Recreation	5,658,925	5,658,925	5,674,609	(15,684)
Capital Outlay	50,500	122,500	108,537	13,963
Total Expenditures	44,171,847	45,330,847	42,923,365	2,407,482
Excess (Deficit) of Revenues over Expenditures	1,972,516	4,215,623	6,084,727	1,869,104
Other Financing Sources (Uses)				
Transfers in	1,130,900	1,130,900	1,130,900	
Transfers (out)	(3,100,381)	(3,100,381)	(2,960,381)	140,000
Total Other Financing Sources (Uses)	(1,969,481)	(1,969,481)	(1,829,481)	140,000
Net Change in Fund Balance	\$3,035	\$2,246,142	4,255,246	\$2,009,104
Fund Balance at Beginning of Year			16,292,224	
Fund Balance at End of Year			\$20,547,470	

CITY OF PACIFICA
BUDGETARY COMPARISON SCHEDULE
DISASTER ACCOUNTING SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$3,347,498	\$4,800,132	\$1,452,634
Other	581,000	161,281	(419,719)
Total revenues	<u>3,928,498</u>	<u>4,961,413</u>	<u>1,032,915</u>
Expenditures:			
Current			
Public Safety		17,408	(17,408)
Capital outlay	901,000	2,359,420	(1,458,420)
Total expenditures	<u>901,000</u>	<u>2,376,828</u>	<u>(1,475,828)</u>
Excess (Deficit) of Revenues over Expenditures	3,027,498	2,584,585	(442,913)
Other Financing Sources (Uses)			
Transfers (out)	(1,200,000)	(1,200,000)	
Net change in fund balance	<u><u>\$1,827,498</u></u>	<u><u>1,384,585</u></u>	<u><u>(\$442,913)</u></u>
Fund balance (deficit) at beginning of year		<u>6,088,414</u>	
Fund balance (deficit) at end of year		<u><u>\$7,472,999</u></u>	

CITY OF PACIFICA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2023

1. BUDGETARY BASIS OF ACCOUNTING

The City prepares a budget for each fiscal year on or before June 30. Budgeted expenditures are enacted into law through the passage of an Appropriation Resolution. This resolution mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the City Council.

From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The legal level of control is the department. The City Council may amend the budget by resolution during the fiscal year.

Formal budgetary integration is employed as a management control device during the fiscal year for the General fund and Special Revenue and Capital Project Funds. The General Fund budget and Special Revenue and Capital Project Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States (USGAAP) and are consistent with the basis used for financial reporting. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any reconciliation.

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SUPPLEMENTARY INFORMATION

CITY OF PACIFICA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Use of money and property	\$7,000	\$1,002	(\$5,998)
Other		1,132,522	1,132,522
	<u>7,000</u>	<u>1,133,524</u>	<u>1,126,524</u>
Total Revenues			
	<u>7,000</u>	<u>1,133,524</u>	<u>1,126,524</u>
Expenditures:			
Debt Service:			
Principal	1,694,200	1,546,906	147,294
Interest and fiscal charges	1,206,600	911,586	295,014
	<u>2,900,800</u>	<u>2,458,492</u>	<u>442,308</u>
Total expenditures			
	<u>2,900,800</u>	<u>2,458,492</u>	<u>442,308</u>
Excess (Deficit) of Revenues over Expenditures	<u>(2,893,800)</u>	<u>(1,324,968)</u>	<u>1,568,832</u>
Other Financing Sources (Uses)			
Transfers in	2,893,800	2,642,481	(251,319)
Transfers (out)		(3,935,732)	(3,935,732)
	<u>2,893,800</u>	<u>(1,293,251)</u>	<u>(4,187,051)</u>
Total Other Financing Sources (Uses)			
	<u>2,893,800</u>	<u>(1,293,251)</u>	<u>(4,187,051)</u>
Net change in fund balance	<u><u>(2,893,800)</u></u>	<u><u>(2,618,219)</u></u>	<u><u>(\$2,618,219)</u></u>
Fund balance at beginning of year		5,317,384	
Fund balance at end of year		<u><u>\$2,699,165</u></u>	

**CITY OF PACIFICA
BUDGETARY COMPARISON SCHEDULE
GENERAL CAPITAL IMPROVEMENT
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Licenses and permits	\$25,000	\$14,721	(\$10,279)
Intergovernmental	1,795,000		(1,795,000)
Use of money and property	1,000	10	(990)
Other		83,693	83,693
Total revenues	1,821,000	98,424	(1,722,576)
Expenditures:			
Current:			
Community development		7,864	(7,864)
Capital Outlay	5,064,000	7,467,675	(2,403,675)
Total expenditures	5,064,000	7,475,539	(2,411,539)
Excess (Deficit) of Revenues over Expenditures	(3,243,000)	(7,377,115)	(4,134,115)
Other Financing sources (Uses)			
Transfers in	2,035,000	5,970,732	3,935,732
Total Other Financing Sources (Uses)	2,035,000	5,970,732	3,935,732
Net Change in Fund Balance	(\$1,208,000)	(1,406,383)	(\$198,383)
Fund balance (deficit) at beginning of year		6,722,964	
Fund balance (deficit) at end of year		\$5,316,581	

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CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2023

SPECIAL REVENUE FUNDS

Special Revenue Funds are created in accordance with Federal, State, or City regulations which require that monies apportioned from these specific funds be spent only for certain designated purposes. Funds included in this fund category are:

GAS TAX SPECIAL REVENUE FUND – This fund was established to receive and expend the City's allocation of the State Gasoline Taxes. Each City is allocated funds on a population basis in accordance with Section 2103, 2105, 2106, 2107 and 2107.5 of the California Street and Highway Code. Population is determined by the latest Federal Census or survey requested and certified by the Cities and conducted by the State Department of Finance. Expenditures may be made for construction or purchasing of right-of-way on minor streets. Expenditures of money apportioned under Section 2107 may be made for any street purpose. Under Section 2107.5 a flat allocation of \$6,000 per year is granted the City for street engineering.

DAVIES TRUST SPECIAL REVENUE FUND – This fund was established to account for a donation by a private individual which is restricted for specific purposes. The funds are to be used to help acquire, build, remodel, improve, support, and maintain the equipment, buildings, grounds, yard, gardens, and landscaped areas of the various parks, beaches, and recreational area located in Pacifica, to conduct related educational and recreational programs for the benefit of the general public.

SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND – This fund was created to account for revenues and expenditures associated with money allocated by the legislature to all cities and counties throughout the state to supplement front line law enforcement services.

NPDES STORMWATER FUND – The NPDES (National Pollution Discharge Elimination System) Stormwater Fund was established in fiscal year 1994-95 to account for revenues and expenditures associated with Federal and State mandated stormwater operations.

HOUSING IN-LIEU FUND – This fund was established to account for receipts from fees imposed on developers to provide for improvements.

PARKING IN-LIEU FUND – This fund was established to account for receipts and expenditures from fees imposed on developers to provide for parking facilities improvements.

STREET CONSTRUCTION FUND – This fund was established to account for Measure A and the transportation related local funding and other grant funding for streets and roads.

PARKS, BEACHES AND RECREATION FUND – This fund was established to account for various donations specifically designated for Park, Beaches and Recreation activities.

HOUSING SUCCESSOR FUND – This fund accounts for the assets and activities to the dissolved former Redevelopment Agency low and moderate income housing fund.

CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2023

MEASURE W FUND – This fund was established to account for the City’s portion of the special half cent sales tax (Measure W) receipts restricted for street expenditures.

STREET IMPROVEMENT SPECIAL REVENUE FUND – This fund was established to account for miscellaneous funding for local streets and roads that are not from Measure A and Measure W.

TREE PRESERVATION SPECIAL REVENUE FUND – This fund was established to account for funding for the preservation of trees in Pacifica.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are established to account for financial resources to be used for the acquisition, construction, and improvement of major capital facilities of the City. Appropriations are made from the funds annually.

HIGHWAY 1 IMPROVEMENT FUND – This fund is financed by traffic impact mitigation fees as outlined in the Pacifica Municipal Code (Section 8-15.01 to Section 8-15.06).

MANOR DRIVE IMPROVEMENT FUND – This fund was established to account for the Manor Drive/Palmetto Avenue/Oceana Boulevard intersection construction and is financed by traffic impact mitigation fees as outlined in the Pacifica Municipal Code (Section 8-18.01 to Section 8-18.06).

AIRCRAFT NOISE PROJECT FUND – This fund was established to record the financial transactions of an Aircraft Noise Abatement Project funded with Federal and San Francisco Airport grants.

PARKS AND PLAYFIELD FUND – This fund was financed by Parkland Dedication Fees as outlined in the Pacifica Municipal Code (Section 8-19.01 to Section 8-19.03).

PLANNED LOCAL DRAINAGE FUND – Revenues are derived from fees levied on new construction in local districts. Funds can be utilized only for the drainage system in those particular districts.

PACIFICA LIBRARY FUND – This fund was established to account for grants and other sources for the construction of Pacifica’s library.

FRONTIERLAND REMEDIATION FUND – This fund was established to account for remediation fees and remediation costs related to the closed landfill site at the Frontierland Park location. Recology of the Coast, the City’s recyclable/organic materials and solid waste collection franchisee pays the City a remediation fee of \$6,250 per month (\$75,000 annually).

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CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023

	SPECIAL REVENUE FUNDS				
	Gas Tax	Davies Trust	Supplemental Law Enforcement Services	NPDES Stormwater	Housing In-Lieu
Assets:					
Cash and investments		\$168,315	\$320,776	\$279,628	\$250,881
Restricted cash and investments		2,702,561			
Receivable:					
Accounts	\$237,380			3,657	
Advance to other funds					
Total Assets	\$237,380	\$2,870,876	\$320,776	\$283,285	\$250,881
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$48,989		\$1,499	\$2,228	
Due to other funds	332,080				
Advance from other funds					
Total Liabilities	381,069		1,499	2,228	
Fund Balances:					
Restricted		2,870,876	319,277	281,057	\$250,881
Unassigned	(143,689)				
Total Fund Balances (Deficits)	(143,689)	2,870,876	319,277	281,057	250,881
Total Liabilities and Fund Balances	\$237,380	\$2,870,876	\$320,776	\$283,285	\$250,881

SPECIAL REVENUE FUNDS						
<u>Parking In-Lieu</u>	<u>Street Construction</u>	<u>Parks, Beaches and Recreation</u>	<u>Housing Successor</u>	<u>Measure W</u>	<u>Street Improvement</u>	<u>Tree Preservation</u>
\$119,410	\$1,943,597	\$2,119,874	\$372,513	\$332,583	\$634,630	\$1,748
	100,334			100,456		
<u>\$119,410</u>	<u>\$2,043,931</u>	<u>\$2,119,874</u>	<u>\$372,513</u>	<u>\$433,039</u>	<u>\$634,630</u>	<u>\$1,748</u>
	\$100,532	\$109,653		\$141,034		
	<u>100,532</u>	<u>109,653</u>		<u>141,034</u>		
\$119,410	1,943,399	2,010,221	\$372,513	292,005	\$634,630	\$1,748
<u>119,410</u>	<u>1,943,399</u>	<u>2,010,221</u>	<u>372,513</u>	<u>292,005</u>	<u>634,630</u>	<u>1,748</u>
<u>\$119,410</u>	<u>\$2,043,931</u>	<u>\$2,119,874</u>	<u>\$372,513</u>	<u>\$433,039</u>	<u>\$634,630</u>	<u>\$1,748</u>

(Continued)

CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023

	CAPITAL PROJECTS FUNDS				
	Highway 1 Improvement	Manor Drive Improvement	Aircraft Noise Project	Parks and Playfield	Planned Local Drainage
Assets:					
Cash and investments	\$629,743	\$387,645	\$423	\$233,472	\$294,873
Restricted cash and investments					
Receivable:					
Accounts					
Advance to other funds					
Total Assets	\$629,743	\$387,645	\$423	\$233,472	\$294,873
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable and accrued liabilities	\$1,101	\$135,592		\$17,790	
Due to other funds					
Advance from other funds					
Total Liabilities	1,101	135,592		17,790	
Fund Balances:					
Restricted	628,642	252,053	\$423	215,682	294,873
Unassigned					
Total Fund Balances (Deficits)	628,642	252,053	423	215,682	294,873
Total Liabilities and Fund Balances	\$629,743	\$387,645	\$423	\$233,472	\$294,873

**CAPITAL PROJECTS
FUNDS**

Pacifica Library	Frontierland Remediation	Total
\$77,338	\$412,187	\$8,579,636 2,702,561 441,827
\$77,338	\$412,187	\$11,724,024

\$115		\$558,533 332,080
115		890,613

77,223	\$412,187	10,977,100 (143,689)
77,223	412,187	10,833,411
\$77,338	\$412,187	\$11,724,024

CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS				
	Gas Tax	Davies Trust	Supplemental Law Enforcement Services	NPDES Stormwater	Housing In-Lieu
Revenues:					
Taxes:					
Franchise taxes					
Other taxes	\$1,847,286			\$177,730	
Charges for services				6,649	
Use of money and property		\$1,450	\$8,780	7,654	\$6,867
Intergovernmental	58,890		\$158,565		
Other	46,596				
Total Revenues	1,952,772	1,450	167,345	192,033	6,867
Expenditures:					
Current:					
General government		149			
Public Safety			38,595		
Community development					
Public works	712,165			103,041	
Recreation					
Capital outlay	12,200	28,239	35,236		
Total Expenditures	724,365	28,388	73,831	103,041	
Excess (Deficit) of revenues over expenditures	1,228,407	(26,938)	93,514	88,992	6,867
Other financing sources (Uses)					
Transfers in		300,000			
Transfers (out)	(1,222,500)	(160,000)		(132,100)	
Total Other Financing Sources (Uses)	(1,222,500)	140,000		(132,100)	
Net change in fund balances	5,907	113,062	93,514	(43,108)	6,867
Fund Balances at beginning of year	(149,596)	2,757,814	225,763	324,165	244,014
Fund Balances at end of year	(\$143,689)	\$2,870,876	\$319,277	\$281,057	\$250,881

SPECIAL REVENUE FUNDS

Parking In-Lieu	Street Construction	Parks, Beaches and Recreation	Housing Successor	Measure W	Street Improvement	Tree Preservation
	\$1,338,357			\$584,630	\$421,210	
\$3,268	53,199	\$58,024	\$10,196	9,103	175,919 17,371	\$48
					20,130	1,700
3,268	1,391,556	58,024	10,196	593,733	634,630	1,748
	897,244	163,587 5,176		952,763		
	897,244	168,763		952,763		
3,268	494,312	(110,739)	10,196	(359,030)	634,630	1,748
	750,000 (1,747,735)			651,035		
	(997,735)			651,035		
3,268	(503,423)	(110,739)	10,196	292,005	634,630	1,748
116,142	2,446,822	2,120,960	362,317			
\$119,410	\$1,943,399	\$2,010,221	\$372,513	\$292,005	\$634,630	\$1,748

(Continued)

**CITY OF PACIFICA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

	CAPITAL PROJECTS FUNDS				
	Highway 1 Improvement	Manor Drive Improvement	Aircraft Noise Project	Parks and Playfields	Planned Local Drainage
Revenues:					
Taxes:					
Franchise taxes					
Other taxes					
Charges for services	\$21,566			\$131,202	\$2,217
Use of money and property	17,237	\$10,610	\$12	6,390	8,071
Intergovernmental	2,401				
Other		\$1,374		92,237	852,107
Total Revenues	41,204	11,984	12	229,829	862,395
Expenditures:					
Current:					
General government					
Public Safety					
Community development				374,974	
Public works	28,762				\$97,332
Recreation					
Capital outlay	2,050	635,822			
Total Expenditures	30,812	635,822		374,974	97,332
Excess (Deficit) of revenues over expenditures	10,392	(623,838)	12	(145,145)	765,063
Other financing sources (Uses)					
Transfers in					
Transfers (out)				(320,000)	
Total Other Financing Sources (Uses)				(320,000)	
Net change in fund balances	10,392	(623,838)	12	(465,145)	765,063
Fund Balances at beginning of year	618,250	875,891	\$411	680,827	(470,190)
Fund Balances at end of year	\$628,642	\$252,053	\$423	\$215,682	\$294,873

**CAPITAL PROJECTS
FUNDS**

Pacifica Library	Frontierland Remediation	Total
		\$421,210
		3,948,003
		337,553
\$2,117	\$11,282	231,679
		219,856
		1,014,144
2,117	11,282	6,172,445
		149
		38,595
		374,974
		2,791,307
		163,587
\$46,036		764,759
46,036		4,133,371
(43,919)	11,282	2,039,074
		1,701,035
		(3,582,335)
		(1,881,300)
(43,919)	11,282	157,774
121,142	400,905	10,675,637
\$77,223	\$412,187	\$10,833,411

CITY OF PACIFICA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS					
	Gas Tax			Davies Trust		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes						
Other taxes	\$1,973,390	\$1,847,286	(\$126,104)			
Charges for services					\$1,450	\$1,450
Use of money and property						
Intergovernmental	180,000	58,890	(121,110)			
Other		46,596	46,596			
Total Revenues	2,153,390	1,952,772	(200,618)		1,450	1,450
Expenditures:						
Current:						
General government				\$200	149	51
Public Safety						
Community development						
Public works	513,900	712,165	(198,265)			
Recreation						
Capital outlay	20,300	12,200	8,100	1,345,000	28,239	1,316,761
Total Expenditures	534,200	724,365	(190,165)	1,345,200	28,388	1,316,812
Excess (Deficit) of Revenues over Expenditures	1,619,190	1,228,407	(390,783)	(1,345,200)	(26,938)	1,318,262
Other financing sources (Uses):						
Transfers in				300,000	300,000	
Transfers (out)	(1,222,574)	(1,222,500)	74	(160,000)	(160,000)	
Total Other Financing Sources (Uses)	(1,222,574)	(1,222,500)	74	140,000	140,000	
Net change in fund balance	\$396,616	5,907	(\$390,709)	(\$1,205,200)	113,062	\$1,318,262
Fund Balances at beginning of year		(149,596)			2,757,814	
Fund Balance at end of year		(\$143,689)			\$2,870,876	

SPECIAL REVENUE FUNDS

Supplemental Law Enforcement Services			NPDES Stormwater			Parking In-Lieu		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
			\$188,000	\$177,730	(\$10,270)			
			50,000	6,649	(43,351)			
	\$8,780	\$8,780		7,654	7,654		\$3,268	\$3,268
\$130,000	158,565	28,565						
130,000	167,345	37,345	238,000	192,033	(45,967)		3,268	3,268
68,800	38,595	30,205	138,900	103,041	35,859			
58,900	35,236	23,664				102,000		102,000
127,700	73,831	53,869	138,900	103,041	35,859	102,000		102,000
2,300	93,514	91,214	99,100	88,992	(10,108)	(102,000)	3,268	105,268
			20,000		(20,000)			
			(132,081)	(132,100)	(19)			
			(112,081)	(132,100)	(20,019)			
\$2,300	93,514	\$91,214	(\$12,981)	(43,108)	(\$30,127)	(\$102,000)	3,268	\$105,268
	225,763			324,165			116,142	
	\$319,277			\$281,057			\$119,410	

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CITY OF PACIFICA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE FUNDS					
	Street Construction			Parks, Beaches and Recreation		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes						
Other taxes	\$1,766,519	\$1,338,357	(\$428,162)			
Charges for services	200,000		(200,000)			
Use of money and property		53,199	53,199		\$58,024	\$58,024
Intergovernmental						
Other	2,089,000		(2,089,000)			
Total Revenues	4,055,519	1,391,556	(2,663,963)		58,024	58,024
Expenditures:						
Current:						
General government						
Public Safety						
Community development						
Public works	2,948,800	897,244	2,051,556			
Recreation				\$201,634	\$163,587	\$38,047
Capital outlay	5,100		5,100		5,176	(5,176)
Total Expenditures	2,953,900	897,244	2,056,656	201,634	168,763	32,871
Excess (Deficit) of Revenues over Expenditures	1,101,619	494,312	(607,307)	(201,634)	(110,739)	90,895
Other financing sources (Uses)						
Transfers in	750,000	750,000				
Transfers (out)	(1,096,664)	(1,747,735)	(651,071)			
Total Other Financing Sources (Uses)	(346,664)	(997,735)	(651,071)			
Net change in fund balance	\$754,955	(503,423)	(\$1,258,378)	(\$201,634)	(110,739)	\$90,895
Fund Balances at beginning of year		2,446,822			2,120,960	
Fund Balance at End of Year		\$1,943,399			\$2,010,221	

CAPITAL PROJECTS FUND

Highway 1 Improvement			Manor Drive Improvement			Parks and Playfields		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$29,500	\$21,566	(\$7,934)					\$131,202	\$131,202
	17,237	17,237					6,390	6,390
	2,401	2,401		\$10,610	\$10,610			
			\$2,700,000	1,374	(2,698,626)	120,000	92,237	(27,763)
29,500	41,204	11,704	2,700,000	11,984	(2,688,016)	120,000	229,829	109,829
							374,974	(374,974)
34,952	28,762	6,190						
25,500	2,050	23,450	3,000,000	635,822	2,364,178			
60,452	30,812	29,640	3,000,000	635,822	2,364,178		374,974	(374,974)
(30,952)	10,392	41,344	(300,000)	(623,838)	(323,838)	120,000	(145,145)	(265,145)
						(320,000)	(320,000)	
						(320,000)	(320,000)	
(30,952)	10,392	41,344	(300,000)	(623,838)	(323,838)	(200,000)	(465,145)	(265,145)
	618,250			875,891			680,827	
	\$628,642			\$252,053			\$215,682	

(Continued)

CITY OF PACIFICA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	CAPITAL PROJECTS FUND					
	Planned Local Drainage			Pacifica Library		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues:						
Taxes						
Other taxes						
Charges for services	\$25,000	\$2,217	(\$22,783)			
Use of money and property	2,000	8,071	6,071		\$2,117	\$2,117
Intergovernmental				\$34,000		(34,000)
Other	450,000	852,107	402,107			
Total Revenues	477,000	862,395	385,395	34,000	2,117	(31,883)
Expenditures:						
Current:						
General government						
Public Safety						
Community development						
Public works	102,000	97,332	4,668			
Capital outlay				34,000	46,036	(12,036)
Total Expenditures	102,000	97,332	4,668	34,000	46,036	(12,036)
Excess (Deficit) of Revenues over Expenditures	375,000	765,063	390,063		(43,919)	(43,919)
Other financing sources (Uses):						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
Net change in fund balance	\$375,000	765,063	\$390,063		(43,919)	(\$43,919)
Fund Balances at beginning of year		(470,190)			121,142	
Fund Balance at end of year		\$294,873			\$77,223	

CAPITAL PROJECTS FUND

Frontierland Remediation

Final Budget	Actual	Variance Positive (Negative)
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	\$11,282	\$11,282
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\$75,000		(75,000)
----------	--	----------

75,000	11,282	(63,718)
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75,000	11,282	(63,718)
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\$75,000	11,282	(\$63,718)
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	400,905	
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	\$412,187	
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CITY OF PACIFICA
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 2023

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

MOTOR POOL FUND – The City operates a central garage, which provides services to various City departments on a cost reimbursement basis. Revenues for the fund are derived from rentals to the departments for usage of the equipment. The fund can be used only for the operation and replacement of the equipment.

SELF INSURANCE FUND – The City established Self Insurance Funds to cover Employee Dental Insurance, Workers' Compensation, General Liability, Property, and Automobile Liability Insurance. Expenses are restricted to payments of claims, the premium for umbrella insurance, administration costs, and expenditures relating to the Safety Committee.

FIRE EQUIPMENT REPLACEMENT FUND – The City established this fund to fund and replace fire equipment for the Fire Department.

CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2023

	Motor Pool	Self Insurance	Fire Equipment Replacement	Total
Assets				
Current Assets:				
Cash and investments	\$1,012,327	\$2,083,684	\$151,375	\$3,247,386
Receivable:				
Accounts				
Inventories				
Total Current Assets	1,012,327	2,083,684	151,375	3,247,386
Non-current assets:				
Capital assets, not being depreciated	258,774			258,774
Capital assets, being depreciated, net of accumulated depreciation	1,576,268			1,576,268
Total Noncurrent Assets	1,835,042			1,835,042
Total Assets	2,847,369	2,083,684	151,375	5,082,428
Liabilities				
Current Liabilities:				
Accounts payable and accrued liabilities	194,038	4,975		199,013
Accrued interest payable	352			352
Claims payable		303,001		303,001
Compensated absences	23,712			23,712
Bonds payable	18,050			18,050
Total Current Liabilities	236,152	307,976		544,128
Noncurrent Liabilities:				
Compensated absences				
Bonds payable	133,285			133,285
Total Noncurrent Liabilities	133,285			133,285
Total Liabilities	369,437	307,976		677,413
Net Position				
Net investment in capital assets	1,835,042			1,835,042
Unrestricted	642,890	1,775,708	151,375	2,569,973
Total Net Position	\$2,477,932	\$1,775,708	\$151,375	\$4,405,015

CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Motor Pool	Self Insurance	Fire Equipment Replacement	Total
Operating revenues:				
Charges for services	\$1,216,900	\$240,972		\$1,457,872
Other operating income		1,117,151		1,117,151
Total operating revenues	1,216,900	1,358,123		2,575,023
Operating expenses:				
Personnel services	593,336	3,593		596,929
Administration	7,787			7,787
Supplies and materials	514,123	1,596		515,719
Insurance expense		845,239		845,239
Outside contractors		10,044		10,044
Maintenance	84,799			84,799
Insurance claims		260,307		260,307
Depreciation	584,380			584,380
Total operating expenses	1,784,425	1,120,779		2,905,204
Operating Income (Loss)	(567,525)	237,344		(330,181)
Non-operating revenues (expenses):				
Investment earnings	27,709	57,033	\$4,143	88,885
Interest and fiscal charges	(4,607)			(4,607)
Gain on sale of capital assets	9,310			9,310
Total non-operating revenues (expenses)	32,412	57,033	4,143	93,588
Income (Loss) Before Transfers	(535,113)	294,377	4,143	(236,593)
Transfers:				
Transfers in	600,000		133,300	733,300
Transfers (out)	(34,050)			(34,050)
Change in net position	30,837	294,377	137,443	462,657
Net position at beginning of year, as restated	2,447,095	1,481,331	13,932	3,942,358
Net position at end of year	\$2,477,932	\$1,775,708	\$151,375	\$4,405,015

**CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	Motor Pool	Self Insurance	Fire Equipment Replacement	Total
Cash Flows from Operating Activities				
Receipts from customers	\$1,237,138	\$1,358,123		\$2,595,261
Payments to suppliers and users	(653,337)	(912,707)		(1,566,044)
Payments for claims		(261,510)		(261,510)
Payments to employees	(590,771)			(590,771)
Net Cash Provided (Used) by Operating Activities	(6,970)	183,906		176,936
Cash Flows from Noncapital and Related Financing Activities				
Transfers in	600,000		\$133,300	733,300
Net Cash Provided by Noncapital and Related Financing Activities	600,000		133,300	733,300
Cash Flows from Capital and Related Financing Activities:				
Proceeds from sale of capital assets	9,310			9,310
Purchase of capital assets	(410,515)			(410,515)
Principal paid on long term debt	(16,910)			(16,910)
Interest paid	(4,607)			(4,607)
Net Cash Used by Capital and Related Financing Activities	(422,722)			(422,722)
Cash Flows from Investing Activities:				
Interest received	27,709	57,033	4,143	88,885
Net Cash Provided by Investing Activities	27,709	57,033	4,143	88,885
Net Increase (Decrease) in Cash and Cash Equivalents	198,017	240,939	137,443	576,399
Cash and Cash Equivalents at the Beginning of Fiscal Year	814,310	1,842,745	13,932	2,670,987
Cash and Cash Equivalents at the End of Fiscal Year	\$1,012,327	\$2,083,684	\$151,375	\$3,247,386

(Continued)

**CITY OF PACIFICA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Motor Pool</u>	<u>Self Insurance</u>	<u>Self Insurance</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	(\$567,525)	\$237,344		(\$330,181)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	584,380			584,380
(Increase) Decrease in Operating Assets:				
Accounts receivable	1,523			1,523
Inventories	18,715			18,715
Increase (Decrease) in Operating Liabilities:				
Accounts payable and accrued liabilities	(24,001)	(52,235)		(76,236)
Accrued interest payable	22			22
Claims payable		(1,203)		(1,203)
Compensated absences	(20,084)			(20,084)
Net Cash Provided (Used) by Operating Activities	<u>(\$6,970)</u>	<u>\$183,906</u>		<u>\$176,936</u>

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STATISTICAL SECTION

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CITY OF PACIFICA
STATISTICAL SECTION
FISCAL YEAR ENDED JUNE 30, 2023

This part of the City's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

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

Debt Capacity

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

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources.

Demographic and Economic Information

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

Operating Information

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

Property Tax Information

These schedules contain information to help the reader assess the City's property tax sources and changes.

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<i>Governmental activities</i>				
Net investment in capital assets	\$ 56,995,945	\$ 56,431,400	\$ 56,878,228	\$ 56,601,988
Restricted	9,049,015	11,517,455	13,808,573	17,256,904
Unrestricted	<u>(14,105,441)</u>	<u>(46,030,272)</u>	<u>(39,126,535)</u>	<u>(37,204,436)</u>
Total governmental activities net position	<u><u>\$ 51,939,519</u></u>	<u><u>\$ 21,918,583</u></u>	<u><u>\$ 31,560,266</u></u>	<u><u>\$ 36,654,456</u></u>
<i>Business-type activities</i>				
Net investments in capital assets	\$ 17,679,506	\$ 15,266,626	\$ 15,985,969	\$ 15,985,969
Restricted				
Unrestricted	<u>5,663,853</u>	<u>9,163,991</u>	<u>9,672,252</u>	<u>9,812,211</u>
Total business-type activities net position	<u><u>\$ 23,343,359</u></u>	<u><u>\$ 24,430,617</u></u>	<u><u>\$ 25,658,221</u></u>	<u><u>\$ 25,798,180</u></u>
<i>Primary government</i>				
Net investment in capital assets	\$ 74,675,451	\$ 71,698,026	\$ 72,864,197	\$ 72,587,957
Restricted	9,049,015	11,517,455	13,808,573	17,256,904
Unrestricted	<u>(8,441,588)</u>	<u>(36,866,281)</u>	<u>(29,454,283)</u>	<u>(27,392,225)</u>
Total primary government net position	<u><u>\$ 75,282,878</u></u>	<u><u>\$ 46,349,200</u></u>	<u><u>\$ 57,218,487</u></u>	<u><u>\$ 62,452,636</u></u>

2018	2019	2020	2021	2022	2023
\$ 59,589,114	\$ 67,691,252	\$ 85,689,643	\$ 71,472,901	\$ 69,492,549	\$ 78,197,042
16,314,865	12,119,087	16,166,941	17,244,941	23,043,731	21,039,910
<u>(40,387,356)</u>	<u>(33,917,809)</u>	<u>(52,525,473)</u>	<u>(42,880,812)</u>	<u>(39,248,843)</u>	<u>(27,609,394)</u>
<u><u>\$ 35,516,623</u></u>	<u><u>\$ 45,892,530</u></u>	<u><u>\$ 49,331,111</u></u>	<u><u>\$ 45,837,030</u></u>	<u><u>\$ 53,287,437</u></u>	<u><u>\$ 71,627,558</u></u>
\$ 15,985,969	\$ 15,985,969	\$ 13,000,844	\$ 25,086,051	\$ 26,098,298	\$ 34,304,949
8,612,543	9,935,338	11,042,102	2,469,140	4,984,562	(1,078,255)
<u>\$ 24,598,512</u>	<u>\$ 25,921,307</u>	<u>\$ 24,042,946</u>	<u>\$ 27,555,191</u>	<u>\$ 31,082,860</u>	<u>\$ 33,226,694</u>
\$ 75,575,083	\$ 83,677,221	\$ 98,690,487	\$ 96,558,952	\$ 95,590,847	\$ 112,501,991
16,314,865	12,119,087	16,166,941	17,244,941	23,043,731	21,039,910
<u>(31,774,813)</u>	<u>(23,982,471)</u>	<u>(41,483,371)</u>	<u>(40,411,672)</u>	<u>(34,264,281)</u>	<u>(28,687,649)</u>
<u><u>\$ 60,115,135</u></u>	<u><u>\$ 71,813,837</u></u>	<u><u>\$ 73,374,057</u></u>	<u><u>\$ 73,392,221</u></u>	<u><u>\$ 84,370,297</u></u>	<u><u>\$ 104,854,252</u></u>

CITY OF PACIFICA
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2014	2015	2016	2017	2018
Expenses					
Governmental activities:					
General government	\$ 4,473,909	\$ 4,324,645	\$ 4,604,299	\$ 5,196,272	\$ 7,156,065
Public safety	13,935,234	13,997,209	15,859,890	14,310,434	17,194,894
Community Development	1,250,419	1,089,881	1,629,555	1,964,355	2,329,479
Public Works	4,138,762	5,757,332	4,714,402	5,698,841	7,409,411
Parks, Beaches & Recreation	3,921,499	3,894,017	4,329,044	4,938,859	4,963,552
Interest on Long-term Debt	1,945,156	2,072,272	1,667,485	2,442,966	1,896,665
Total Governmental Activities Expenses	\$ 29,664,979	\$ 31,135,356	\$ 32,804,675	\$ 34,551,727	\$ 40,950,066
Business-type activities:					
Sewer	\$ 10,853,371	\$ 11,897,495	\$ 10,816,732	\$ 11,893,663	\$ 12,922,459
Beach Parking		515,915	532,102	502,373	562,426
Total Business-Type Activities Expenses	\$ 10,853,371	\$ 11,897,495	\$ 10,816,732	\$ 12,396,036	\$ 13,484,885
Total Primary Government Expenses	\$ 40,518,350	\$ 43,032,851	\$ 43,621,407	\$ 46,947,763	\$ 54,434,951
Program Revenues					
Governmental activities:					
Charges for services:					
General Government	\$ 18,796	\$ 29,769	\$ 126,156	\$ 74,899	\$ 109,145
Public Safety	999,209	938,379	1,043,155	987,163	1,141,995
Community Development	989,356	1,922,976	3,638,027	2,333,796	2,216,407
Public Works	791,041	743,700	786,000	743,700	743,700
Parks, Beaches & Recreation	2,248,642	2,107,720	2,220,263	2,231,797	2,486,816
Operating Grants and Contributions	2,153,345	4,321,012	3,923,126	4,124,499	3,541,903
Capital Grants and Contributions	6,364,781	4,709,960	4,912,145	2,458,959	3,759,417
Total Governmental Activities Program Revenues	\$ 13,565,170	\$ 14,773,516	\$ 16,648,872	\$ 12,954,813	\$ 13,999,383
Business-Type Activities:					
Charges for services:					
Sewer	\$ 13,331,596	\$ 13,721,346	\$ 12,959,708	\$ 12,715,024	\$ 13,761,816
Beach Parking		537,192	533,952	493,850	543,919
Total Business-Type Activities Program Revenues	13,331,596	13,721,346	12,959,708	13,208,874	14,305,735
Total Primary Government Program Revenues	\$ 26,896,766	\$ 28,494,862	\$ 29,608,580	\$ 26,163,687	\$ 28,305,118
Net Revenues (Expenses)					
Governmental activities	\$ (16,099,809)	\$ (16,361,840)	\$ (16,155,803)	\$ (21,596,914)	\$ (26,950,683)
Business-type activities	2,478,225	1,845,128	2,144,826	812,838	820,850
Total Net Revenues (Expenses)	\$ (13,621,584)	\$ (14,516,712)	\$ (14,010,977)	\$ (20,784,076)	\$ (26,129,833)
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes:					
Property taxes	\$ 11,275,518	\$ 12,200,335	\$ 12,445,509	\$ 12,679,059	\$ 13,780,294
Sales Taxes	1,686,593	1,754,568	1,983,930	2,374,505	2,350,478
Franchise Tax	1,668,382	1,697,972	1,736,620	1,748,266	1,722,343
Other Taxes	3,329,647	3,529,485	3,710,615	3,749,159	4,904,111
Motor vehicle in lieu - unrestricted	3,164,873	3,320,316	3,543,953	3,731,337	3,973,622
Investment earnings	184,700	29,979	(44,457)	743,630	151,887
Miscellaneous	537,867	259,197	1,481,757	846,648	505,076
Transfers	15,715	(150)	939,559	818,500	98,343
Total Governmental Activities	\$ 21,863,295	\$ 22,791,702	\$ 25,797,486	\$ 26,691,104	\$ 27,486,154
Business-type activities:					
Investment Earnings	\$ 19,808	\$ 16,123	\$ 22,337	\$ 145,621	\$ 442,917
Miscellaneous					204,939
Transfers		150	(939,559)	(818,500)	(98,343)
Total Business-Type Activities	\$ 19,808	\$ 16,273	\$ (917,222)	\$ (672,879)	\$ 549,513
Total Primary Government	\$ 21,883,103	\$ 22,807,975	\$ 24,880,264	\$ 26,018,225	\$ 28,035,667
Changes in Net Position before Extraordinary Item:					
Governmental Activities	\$ 5,763,486	\$ 6,429,862	\$ 9,641,683	\$ 5,094,190	\$ 535,471
Business-type Activities	2,498,033	1,861,401	1,227,604	139,959	1,370,363
Total Primary Government before Extraordinary Item:	\$ 8,261,519	\$ 8,291,263	\$ 10,869,287	\$ 5,234,149	\$ 1,905,834
Extraordinary Item					
Gain on transfer of assets and liabilities to successor agency	\$ -	\$ -	\$ -	\$ -	\$ -
Changes in Net Assets After Extraordinary Item:					
Governmental Activities	\$ 5,763,486	\$ 6,429,862	\$ 9,641,683	\$ 5,094,190	\$ 535,471
Business-Type Activities	1,923,245	2,498,033	1,861,401	1,227,604	139,959
Total Primary Government	\$ 7,686,731	\$ 8,927,895	\$ 11,503,084	\$ 6,321,794	\$ 675,430

2019	2020	2021	2022	2023
\$ 5,709,625	\$ 6,334,939	\$ 7,118,502	\$ 7,481,370	\$ 8,606,518
18,784,090	18,649,308	21,096,292	18,632,393	17,048,970
2,731,034	2,984,755	2,972,473	3,243,238	3,184,443
2,534,274	6,980,889	7,713,891	9,326,203	9,052,066
5,392,377	5,586,758	5,441,842	4,928,418	5,418,584
706,918	1,364,573	961,257	969,550	959,687
<u>\$ 35,858,318</u>	<u>\$ 41,901,222</u>	<u>\$ 45,304,257</u>	<u>\$ 44,581,172</u>	<u>\$ 44,270,268</u>
\$ 14,927,925	\$ 18,794,726	\$ 12,884,968	\$ 16,258,603	\$ 17,983,716
536,423	468,537	715,783	620,511	545,599
<u>\$ 15,464,348</u>	<u>\$ 19,263,263</u>	<u>\$ 13,600,751</u>	<u>\$ 16,879,114</u>	<u>\$ 18,529,315</u>
<u>\$ 51,322,666</u>	<u>\$ 61,164,485</u>	<u>\$ 58,905,008</u>	<u>\$ 61,460,286</u>	<u>\$ 62,799,583</u>
\$ 77,871	\$ 108,746	\$ 86,009	\$ 135,929	\$ 151,145
852,591	788,489	844,530	773,713	857,381
2,318,892	2,100,634	2,673,577	2,520,754	2,463,602
804,110	795,505	892,456	1,059,275	1,237,884
2,588,014	1,902,841	831,914	1,859,921	2,672,621
3,853,971	2,892,136	3,491,531	8,598,184	9,802,306
4,606,092	5,683,998	2,305,188	2,374,222	2,179,965
<u>\$ 15,101,541</u>	<u>\$ 14,272,349</u>	<u>\$ 11,125,205</u>	<u>\$ 17,321,998</u>	<u>\$ 19,364,904</u>
\$ 14,802,705	\$ 16,591,415	\$ 15,760,525	\$ 18,965,244	\$ 20,158,923
675,689	485,883	822,510	559,195	455,028
15,478,394	17,077,298	16,583,035	19,524,439	20,613,951
<u>\$ 30,579,935</u>	<u>\$ 31,349,647</u>	<u>\$ 27,708,240</u>	<u>\$ 36,846,437</u>	<u>\$ 39,978,855</u>
\$ (20,756,777)	\$ (27,628,873)	\$ (34,179,052)	\$ (27,259,174)	\$ (24,736,404)
14,046	(2,185,965)	2,982,284	2,645,325	2,084,636
<u>\$ (20,742,731)</u>	<u>\$ (29,814,838)</u>	<u>\$ (31,196,768)</u>	<u>\$ (24,613,849)</u>	<u>\$ (22,651,768)</u>
\$ 14,731,311	\$ 13,030,713	\$ 15,087,028	\$ 14,445,541	\$ 15,983,214
2,611,801	2,570,334	2,848,681	3,136,433	3,877,828
1,661,717	1,647,467	1,706,107	1,754,500	1,197,067
5,340,307	8,572,837	9,026,832	10,385,735	14,868,245
4,199,391	4,253,924	2,643,981	4,355,327	5,870,043
254,481	341,064	9,364	100,562	659,790
2,384,463	571,114	204,939	324,910	279,988
272,500	80,000	(250,000)	499,600	500,000
<u>\$ 31,455,971</u>	<u>\$ 31,067,453</u>	<u>\$ 31,276,932</u>	<u>\$ 35,002,608</u>	<u>\$ 43,245,485</u>
\$ 415,825	\$ 387,604	\$ 296,784	\$ 286,486	\$ 559,198
(272,500)	(80,000)	250,000	(499,600)	(500,000)
<u>\$ 143,325</u>	<u>\$ 307,604</u>	<u>\$ 546,784</u>	<u>\$ (213,114)</u>	<u>\$ 59,198</u>
<u>\$ 31,599,296</u>	<u>\$ 31,375,057</u>	<u>\$ 31,823,716</u>	<u>\$ 34,789,494</u>	<u>\$ 43,304,683</u>
\$ 10,699,194	\$ 3,438,580	\$ (2,902,120)	\$ 7,743,434	\$ 18,340,121
157,371	(1,878,361)	3,529,068	2,432,211	2,143,834
<u>\$ 10,856,565</u>	<u>\$ 1,560,219</u>	<u>\$ 626,948</u>	<u>\$ 10,175,645</u>	<u>\$ 20,483,955</u>
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 10,699,194	\$ 3,438,580	\$ (2,902,120)	\$ 7,743,434	\$ 18,340,121
157,371	(1,878,361)	3,529,068	2,432,211	2,143,834
<u>\$ 10,856,565</u>	<u>\$ 1,560,219</u>	<u>\$ 626,948</u>	<u>\$ 10,175,645</u>	<u>\$ 20,483,955</u>

CITY OF PACIFICA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year June 30,			
	2014	2015	2016	2017
General Fund				
Non Spendable	\$ 2,540,590	\$ 3,996,158	\$ 3,947,951	\$ 4,021,024
Committed	907,519			
Assigned	168,197	904,240	904,240	904,240
Unassigned	1,341,251	1,893,507	4,960,039	5,404,857
Total General Fund	<u>\$ 4,957,557</u>	<u>\$ 6,793,905</u>	<u>\$ 9,812,230</u>	<u>\$ 10,330,121</u>
All Other Governmental Funds:				
Non Spendable				
Restricted	\$ 10,155,601	\$ 11,503,439	\$ 13,808,573	\$ 17,256,904
Committed				
Assigned		14,016		
Unassigned	(1,656,694)	(1,312,645)	(2,410,718)	(3,518,187)
Total All Other Governmental Funds	<u>\$ 8,498,907</u>	<u>\$ 10,204,810</u>	<u>\$ 11,397,855</u>	<u>\$ 13,738,717</u>
Total Governmental Funds	<u>\$ 13,456,464</u>	<u>\$ 16,998,715</u>	<u>\$ 21,210,085</u>	<u>\$ 24,068,838</u>

Fiscal Year June 30,					
2018	2019	2020	2021	2022	2023
\$ 4,003,847	\$3,911,023	\$ 3,783,486	\$ 3,864,704	\$ 3,768,557	\$ 3,528,523
			200,755	342,510	185,519
1,407,541	3,499,121	4,693,187	4,441,015	4,803,631	5,777,214
7,142,843	7,548,938	8,026,175	7,994,899	7,377,526	11,056,214
<u>\$ 12,554,231</u>	<u>\$ 14,959,082</u>	<u>\$ 16,502,848</u>	<u>\$ 16,501,373</u>	<u>\$ 16,292,224</u>	<u>\$ 20,547,470</u>
					\$ 89,400
\$ 18,219,942	\$ 11,784,231	\$ 19,732,457	\$ 20,533,315	\$ 29,424,185	24,995,596
	4,803,631				1,380,849
(6,077,744)	1,943,978		(188,655)	(619,786)	(143,689)
<u>\$ 12,142,198</u>	<u>\$ 18,531,840</u>	<u>\$ 19,732,457</u>	<u>\$ 20,344,660</u>	<u>\$ 28,804,399</u>	<u>\$ 26,322,156</u>
<u>\$ 24,696,429</u>	<u>\$ 33,490,922</u>	<u>\$ 36,235,305</u>	<u>\$ 36,846,033</u>	<u>\$ 45,096,623</u>	<u>\$ 46,869,626</u>

CITY OF PACIFICA
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues				
Taxes	\$ 18,138	\$ 21,216	\$ 22,294	\$ 22,411
Licenses and permits	515	683	827	812
Fines and forfeitures	301	153	150	161
Use of money and property	178	459	1,663	980
Intergovernmental revenues	10,614	8,567	7,439	6,605
Charges for Services	1,996	2,219	2,829	2,722
Recreation Programs	813	897	898	845
Other Revenues	2,285	4,163	3,690	4,283
Total Revenues:	<u>34,840</u>	<u>38,357</u>	<u>39,790</u>	<u>38,819</u>
Expenditures				
Current:				
General government	3,866	3,899	4,332	4,538
Public safety	12,940	14,199	14,555	15,452
Community Development	1,250	1,318	1,814	1,907
Public Works	3,347	4,259	3,707	4,597
Parks, Beaches & Recreation	3,585	3,988	4,333	4,419
Non-departmental				
Capital outlay	3,529	3,077	3,393	1,952
Debt service:				
Principal retirement	1,791	1,918	2,046	1,667
Interest and Other Chares	1,878	1,777	1,686	1,957
Bond issuance cost				293
Total Expenditures	<u>32,186</u>	<u>34,435</u>	<u>35,866</u>	<u>36,782</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,654</u>	<u>3,922</u>	<u>3,924</u>	<u>2,037</u>
Other Financing Sources (Uses)				
Transfers in	3,766	1,924	2,614	6,191
Transfers out	(4,146)	(2,304)	(2,327)	(5,665)
Refunded to debt escrow agent				(16,794)
Issuance of Debt				17,092
Total other financing sources (uses)	<u>(380)</u>	<u>(380)</u>	<u>287</u>	<u>824</u>
Net change in fund balances	<u>\$ 2,274</u>	<u>\$ 3,542</u>	<u>\$ 4,211</u>	<u>\$ 2,861</u>
Debt service as a percentage of noncapital expenditures	12.8%	11.5%	11.4%	11.1%

2018	2019	2020	2021	2022	2023
\$ 23,768	\$ 25,847	\$ 27,399	\$ 30,227	\$ 31,398	\$ 37,731
1,036	838	969	1,197	1,079	1,107
190	193	182	174	168	198
311	386	338	103	224	746
7,637	6,672	8,312	5,102	11,223	12,552
2,778	2,899	2,358	3,588	3,700	3,378
989	904	495	373	456	688
4,662	8,510	5,411	1,880	3,577	4,975
41,371	46,249	45,464	42,644	51,825	61,375
4,444	5,160	5,628	6,094	7,243	9,131
16,192	16,621	16,352	17,165	18,658	19,959
2,110	2,442	2,579	2,432	3,073	3,463
4,041	4,622	5,917	6,841	8,143	7,818
4,158	4,792	4,886	4,433	4,811	5,838
6,701	5,603	1,585	2,535	3,163	10,700
971	1,017	111	611	1,597	1,547
1,335	1,339	1,272	941	947	912
		212			
39,952	41,596	38,542	41,052	47,635	59,368
1,419	4,653	6,922	1,592	4,190	2,007
2,412	13,059	3,451	3,821	8,292	11,445
(3,203)	(13,721)	(3,341)	(4,211)	(7,938)	(11,678)
		8,436			
		(7,920)		4,000	
(791)	(662)	626	(390)	4,354	(233)
\$ 628	\$ 3,991	\$ 7,548	\$ 1,202	\$ 8,544	\$ 1,773
6.50%	7.4%	3.9%	4.2%	5.8%	5.0%

CITY OF PACIFICA
TAXABLE SALES BY CATEGORY
LAST TEN YEARS (IN \$000's)

<u>Categories</u>	<u>Annual Years</u>									
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Food Stores	\$ 22,826	\$ 23,722	\$ 23,543	\$ 24,727	\$ 27,139	\$ 27,696	\$ 28,115	\$ 30,462	\$ 27,471	\$ 28,765
Eating & Drinking Places	40,164	45,750	49,770	50,616	53,219	56,013	60,071	45,853	63,241	73,506
Building Materials	3,360	3,795	3,933	3,839	4,173	3,900	4,210	5,955	5,544	5,163
Auto Dealers & Supplies	4,757	4,646	4,482	4,532	4,804	4,778	5,134	4,728	4,758	5,131
Service Stations	54,312	52,412	44,660	38,899	42,139	46,839	44,942	29,641	39,074	49,439
Other Retail Stores	39,992	38,653	39,861	42,987	43,499	44,111	45,830	52,880	56,624	65,325
All Other Outlets	36,608	40,072	40,297	48,841	50,643	55,023	61,978	75,620	77,040	83,374
Total	\$ 202,019	\$ 209,050	\$ 206,546	\$ 214,441	\$ 225,616	\$ 238,360	\$ 250,280	\$ 245,139	\$ 273,752	\$ 310,703

Notes:

Due to confidentiality issues, the names of the ten largest revenue payers are not available.

The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

Source: State Board of Equalization, California Department of Taxes and Fees Administration, State Controller's Office and the HdL Companies

**CITY OF PACIFICA
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN YEARS**

Annual Year	State Rate	City Direct Rate	San Mateo County Rate	City/County Public Safety	District Rate	Total
2014	6.00%	0.75%	1.750%	0.50%	0.00%	9.000%
2015	6.00%	0.75%	1.750%	0.50%	0.00%	9.000%
2016	6.00%	0.75%	1.750%	0.50%	0.00%	9.000%
2017	5.75%	0.75%	1.750%	0.50%	0.00%	8.750%
2018	5.75%	0.75%	1.750%	0.50%	0.00%	8.750%
2019	6.00%	0.75%	2.000%	0.50%	0.00%	9.250%
2020	6.00%	0.75%	2.000%	0.50%	0.00%	9.250%
2021	6.00%	0.75%	2.125%	0.50%	0.00%	9.375%
2022	6.00%	0.75%	2.125%	0.50%	0.00%	9.375%
2023	6.00%	0.75%	2.125%	0.50%	0.50%	9.875%

Notes:

Proposition 172 approved by the voters in 1993 provides 1/2 cent sales tax for Public Safety Augmentation.

San Mateo County Transportation Authority District is provided a 1/2 cent sales tax approved by the voters in 1989.

San Mateo County Transit District is provided a 1/2 cent sales tax approved by the voters in 1982.

Voters approved a San Mateo County Transactions and Use Tax of a 1/2 cent effective in 2013.

Voters approved a San Mateo County Transit District Transactions and Use Tax of a 1/2 cent effective in 2019 for traffic congestion and transportation purposes.

Voters approved Measure RR which authorized an additional sales tax of 0.125 percent in San Francisco, Santa Clara and San Mateo counties for the next 30 years.

Voters approved half a cent for Measure Y effective 4/1/2023

Source: State Board of Equalization & HdL Companies

CITY OF PACIFICA
REVENUES BY SOURCE (GOVERNMENTAL FUNDS)
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses & Permits</u>	<u>Fines & Forfeitures</u>	<u>Use of Money & Property</u>	<u>Inter- Governmental</u>	<u>Current Service Chgs.</u>	<u>Other Revenues</u>	<u>TOTAL</u>
2013-2014	\$ 18,137,639	\$ 514,854	\$ 300,611	\$ 177,610	\$ 10,614,499	\$ 1,996,318	\$ 3,099,290	\$ 34,840,821
2014-2015	21,215,649	683,517	153,031	458,823	8,567,028	2,219,356	5,059,783	38,357,187
2015-2016	22,294,417	827,154	149,573	1,663,159	7,439,425	2,828,678	4,588,311	39,790,717
2016-2017	22,411,007	811,803	161,023	980,024	6,604,617	2,722,206	5,037,010	38,727,690
2017-2018	23,767,659	1,035,782	190,202	311,425	7,636,773	2,778,648	5,650,674	41,371,163
2018-2019	25,847,343	837,785	193,046	386,289	6,671,627	2,899,101	9,414,628	46,249,819
2019-2020	27,398,902	968,574	181,883	337,889	8,311,834	2,338,945	5,906,254	45,444,281
2020-2021	30,226,812	1,197,277	174,048	103,437	5,101,845	3,581,214	2,253,219	42,637,852
2021-2022	31,398,335	1,079,376	167,612	223,936	11,222,559	3,700,266	4,032,922	51,825,006
2022-2023	37,730,682	1,106,812	197,653	746,021	12,552,438	3,377,556	5,662,736	61,373,898
% Change 2014-2023	108.02%	114.98%	-34.25%	320.03%	18.26%	69.19%	82.71%	76.16%

Notes:

Above amounts include General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Other Governmental Funds.
Above amounts exclude other financing sources.

Source: Governmental Funds Financial Statement

CITY OF PACIFICA, CALIFORNIA
ASSESSED VALUATION, TAX RATE, AND TAX LEVIES
 (IN \$000's)
LAST TEN FISCAL YEARS

Fiscal Year	LOCALLY ASSESSED					TOTALS				
	Secured		Unsecured			Total Before Exemptions		Exemptions/Net Totals		
	Land Value	Improvements	Personal Property	Land Value	Improvements	Personal Property	Grand Total	H.O.P.T.R. (1)	Other	Net Subject To Tax
2013-2014	\$ 2,174,610	\$ 2,534,526	\$ 2,615	\$ 4,906	\$ 19,263	\$ 19,445	\$ 2,179,516	\$ 56,906	\$ 58,966	\$ 4,639,493
2014-2015	2,294,249	2,647,779	2,352	5,041	21,781	22,507	2,299,290	56,151	61,142	4,876,416
2015-2016	2,460,040	2,815,658	2,172	4,108	22,270	31,051	2,464,148	55,523	65,832	5,213,944
2016-2017	2,622,536	2,952,932	2,132	4,041	18,948	21,509	2,626,577	54,992	52,206	5,514,900
2017-2018	2,836,115	3,100,809	2,089	4,385	14,214	21,638	2,840,500	54,419	56,353	5,868,478
2018-2019	3,056,112	3,236,212	3,449	4,302	13,229	22,588	3,060,414	54,076	78,225	6,203,591
2019-2020	3,274,914	3,403,678	2,674	3,932	12,192	23,895	3,278,846	53,476	86,187	6,581,622
2020-2021	3,483,408	3,545,422	2,535	3,316	5,892	21,984	3,486,724	52,896	87,151	6,922,510
2021-2022	3,648,251	3,683,261	2,820	2,867	4,852	20,784	3,651,118	52,787	90,023	7,220,025
2022-2023	3,924,190	3,911,598	4,409	2,697	4,647	30,208	3,926,887	52,194	39,424	7,786,131
% Change 2014-2023	80.45%	54.33%	68.60%	-45.03%	-75.88%	55.35%	80.17%	-8.28%	-33.14%	67.82%
(1) Homeowner's Property Tax Relief										

Notes:

* California property tax assessments are "acquisition" based, rather than cyclical based. In California, the property tax system is acquisition based, meaning that a real property is assessed upon acquisition or when newly constructed, and assessed at a ratio of 100% of fair market value as of the event date. After the acquisition or new construction basis is determined, year to year increases in assessed value are limited to no more than 2%. In the event of an economic downturn, real property is assessed at the lower of its acquisition basis, increased by the maximum of 2% per year or the fair market value as of January 2, whichever is lower.

Source: San Mateo County Assessor 2022/23 Combined Tax Rolls.

CITY OF PACIFICA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Annual Year	School District						Total Direct & Overlapping Tax Rates	Total Direct Rate
	San Mateo County as Distributor	Jefferson		San Mateo				
		Pacifica Elementary School	High School & Elementary School Districts	Junior College & High School				
2014	1.0000%	0.0403%	0.1287%	0.0194%			1.1884%	0.1941%
2015	1.0000%	0.0392%	0.1192%	0.0190%			1.1774%	0.1934%
2016	1.0000%	0.0250%	0.1257%	0.0250%			1.1757%	0.1934%
2017	1.0000%	0.0311%	0.1480%	0.0247%			1.2038%	0.1934%
2018	1.0000%	0.0281%	0.1479%	0.0235%			1.1995%	0.1935%
2019	1.0000%	0.0517%	0.1302%	0.0175%			1.1994%	0.1935%
2020	1.0000%	0.0505%	0.1478%	0.0266%			1.2249%	0.1936%
2021	1.0000%	0.0415%	0.1609%	0.0213%			1.2237%	0.1936%
2022	1.0000%	0.0288%	0.1253%	0.0227%			1.1768%	0.1937%
2023	1.0000%	0.0250%	0.1236%	0.0193%			1.1679%	0.1937%

Notes:

Under constitutional Amendment (Proposition 13) passed by voters in the State of California in June 1978, the tax rate (excluding bonded debt) is frozen at 1% of the full market value of property. This tax is collected by the County Tax Collector and distributed on a formula determined by the State Legislature. Local agencies levy the tax rate only for general obligation bonds, or in excess of 1% if two-thirds of the voters in the area authorize such a rate increase. All tax levies include Homeowner's Property Tax Relief and Business Inventory Property Tax Relief.

Source: HdL Companies

CITY OF PACIFICA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO
(in \$000's)

Taxpayer	2022/23			2013/2014		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
FPA WD LANDS END LLC	\$ 93,765	1	1.21%			
PACIFICA VILLAGES LP	64,158	2	0.83%			
GRI FAIRMONT LLC	40,449	3	0.52%			
AIMCO ESPLANADE AVENUE APARTMENTS LLC	39,692	4	0.51%	\$ 50,462	1	1.07%
LINDA MAR SHOPPING CENTER, LLP	39,620	5	0.51%	32,905	3	0.70%
CRP/PSE SEASIDE PACIFICA OWNER	27,272	6	0.35%			
NVI RANI INC	20,394	7	0.26%			
PACIFICA HORIZONS WEST LP	19,074	8	0.25%			
2400 SKYLINE BLVD LLC	18,741	9	0.24%			
BAY APARTMENT COMMUNITIES, INC.	16,292	10	0.21%	14,064	7	0.30%
FPA BAF LANDS END ASSOCIATES LP				47,656	2	1.01%
PK III FAIRMONT SHOPPING CENTER				28,568	4	0.61%
MARYMOUNT SUMMIT ,LLC				19,143	5	0.41%
HARRY B. LEWIS, ET AL				14,833	6	0.32%
LBN PROPERTIES LP				13,403	8	0.29%
COMCAST OF CALIFORNIA IX INC.				10,863	10	0.23%
LINDAMAR SC LP						
KIEWIT INFRASTRUCTURE WEST COMPANY				11,526	9	0.25%
PACIFICA VIEW APARTMENTS LP						
Total	\$ 379,457		4.89%	\$ 243,423		5.19%

Notes:

This schedule serves a dual purpose of providing basic information about our jurisdiction's most significant revenue payers and highlighting the degree to which a government is dependent on a small number of payers.

Source: HdL Companies

CITY OF PACIFICA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (IN \$000's)

Fiscal Year Ending June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 9,088	\$ 9,088	100.00%	0	\$ 9,088	100.00%
2015	9,516	9,516	100.00%	0	9,516	100.00%
2016	10,090	10,090	100.00%	0	10,090	100.00%
2017	10,728	10,728	100.00%	0	10,728	100.00%
2018	12,097	12,097	100.00%	0	12,097	100.00%
2019	12,782	12,782	100.00%	0	12,782	100.00%
2020	13,442	13,442	100.00%	0	13,442	100.00%
2021	13,993	13,993	100.00%	0	13,993	100.00%
2022	14,567	14,567	100.00%	0	14,567	100.00%
2023	14,819	14,819	100.00%	0	14,819	100.00%
% Change 2014-2023	63%	63%			63%	

Notes:

This Statement shows the period for which the tax is levied. Includes Homeowner's Tax Relief (HOPTR). Under constitutional Amendment (Proposition 13) passed by voters in the State of California in June 1978, the tax rate (excluding bonded debt) is frozen at 1% of the full market value of property. This tax is collected by the County Tax Collector and distributed on a formula determined by the State Legislature. Local agencies levy the tax rate only for general obligation bonds, or in excess of 1% if two-thirds of the voters in the area authorize such a rate increase. All tax levies include Homeowner's Property Tax Relief and Business Inventory Property Tax Relief.

Sources: Office of the Controller, County of San Mateo

**CITY OF PACIFICA
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Governmental Activities					
Fiscal Year Ending	Pension Obligation Bond	Capital Lease Payable	Notes Payable	Certificates of Participation	Total Governmental Activities Debt
2014	\$ 13,857,073	\$ 1,021,637	\$ 875,378	\$ 17,295,000	\$ 33,049,088
2015	12,712,826	918,514	875,378	16,740,000	31,246,718
2016	11,303,736	811,224		16,210,000	28,324,960
2017	9,748,420	699,600		16,977,583	27,425,603
2018	8,893,219	583,466		16,862,704	26,339,389
2019	7,936,101	462,641		16,747,825	25,146,567
2020	8,583,041	336,934		16,632,946	25,552,921
2021	8,583,041	208,149		16,038,067	24,829,257
2022	7,847,478	4,070,080		15,198,188	27,115,746
2023	7,058,742	4,000,000		14,378,309	25,437,051

Sources: City's Annual Comprehensive Financial Reports 2014-2023

CITY OF PACIFICA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ending	Business-Type Activities														
	Sewer Revenue Bonds		Pension Obligation Bond		Notes Payable		Total Business-Type Government		Total Primary Government		Debt Per Capita	Per Capita Personal Income	Debt as a Percentage of Personal Income		
	Revenue Bonds	Bonds	Obligation	Bond	Notes	Payable	Total Business-Type Government	Total Primary Government	Population						
2014	\$	11,172,927			\$	21,406,345	\$	32,579,272	\$	65,628,360	\$	1,714	\$	42,099	0.064%
2015		9,736,334				20,375,644		30,111,978		61,358,696		1,601		43,390	0.071%
2016		9,436,801				18,070,515		27,507,316		55,832,276		1,477		45,452	0.081%
2017		35,297,847				15,756,776		51,054,623		78,480,226		2,059		45,591	0.058%
2018		34,886,481				13,434,113		48,320,594		74,659,983		1,943		46,553	0.062%
2019		33,462,902		\$	1,018,900	11,102,206		45,584,008		70,730,575		1,829		48,476	0.069%
2020		33,181,108			1,101,959	8,760,726		43,043,793		68,596,714		1,790		51,799	0.076%
2021		32,899,310			1,101,959	6,409,326		40,410,595		65,237,852		1,722		54,637	0.084%
2022		32,617,515			1,007,522	4,047,649		37,672,686		64,833,232		1,727		55,679	0.086%
2023		30,248,141			906,258	24,741,239		55,895,638		81,332,689		2,193		60,732	0.075%

Sources:
The City's Annual Comprehensive Financial Reports

**CITY OF PACIFICA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2023**

FY2022-23 Assessed Valuation: \$ 7,786,131,153

	Debt Outstanding 6/30/23	% Applicable (1)	City Share of Debt 06/30/23
Overlapping Tax and Assessment Debt:			
San Mateo Community College District	\$ 708,837,622	2.699%	\$ 19,131,527
Jefferson Union High School District	289,848,562	28.573%	82,818,430
Jefferson School District	133,755,000	1.247%	1,667,925
Pacifica Elementary School District (Laguna Salada)	42,042,489	99.883%	41,993,299
Total Overlapping Tax and Assessment Debt			<u>\$ 145,611,181</u>
Direct and Overlapping General Fund Debt:			
San Mateo County General Fund Obligations	\$ 589,931,687	2.699%	\$ 15,922,256
San Mateo County Board of Education Certificates of Participation	6,120,000	2.699%	165,179
San Mateo County Flood Control and Sea LRR District General Fund Obligations	13,890,000	0.565%	78,479
Jefferson Union High School District Certificates of Participation	47,490,000	28.573%	13,569,318
City of Pacifica Certificates of Participation	14,378,309	100.000%	14,378,309
2021 Civic Center Lease	4,000,000	100.000%	4,000,000
City of Pacifica Pension Obligation Bonds	7,058,742	100.000%	7,058,742
San Mateo County Mosquito and Vector Control District General Fund Obligations	3,617,831	2.699%	97,645
Total Direct and Overlapping General Fund Debt			<u>\$ 55,269,927</u>
Overlapping Tax Increment Debt (Successor Agency):	\$ 870,000	100.000%	\$ 870,000
Total Direct Debt			\$ 25,437,051
Total Overlapping Debt			\$ 176,314,057
Combined Total Direct and Overlapping Debt			\$ 201,751,108 (2)

(1) Percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

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

Ratios to 2022-2023 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.87%
Total Direct Debt (\$25,437,051)	0.33%
Combined Total Debt	2.58%

Ratio to Redevelopment Successor Agency Incremental Valuation (\$60,261,174):

Total Overlapping Tax Increment Debt	1.44%
--	-------

Source: Avenue Insights & Analytics

CITY OF PACIFICA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (IN \$000's)

	FISCAL YEAR ENDING JUNE 30									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Assessed Valuation	\$ 4,696,398	\$ 4,932,568	\$ 5,269,468	\$ 5,569,870	\$ 5,934,385	\$ 6,271,558	\$ 6,646,497	\$ 6,986,484	\$ 7,282,869	\$ 7,786,131
Debt Limit	176,115	184,971	197,605	208,870	222,539	235,183	249,244	261,993	273,108	291,980
Total Net Debt Applicable to Limit	33,049	31,247	28,325	27,426	26,339	25,147	25,553	24,829	27,116	25,437
Legal Debt Margin	143,066	153,724	169,280	181,444	196,200	210,036	223,691	237,164	245,992	266,543
Total Net Debt applicable to the limit as a percentage of debt limit	18.77%	16.89%	14.33%	13.13%	11.84%	10.69%	10.25%	9.48%	9.93%	8.71%

Notes:
Debt Limit is 3.75% of Assessed Value.

Source: City of Pacifica and San Mateo County Assessor's records

CITY OF PACIFICA
WASTEWATER OBLIGATIONS PLEDGED REVENUE COVERAGE
LAST TEN YEARS (IN \$000's)

Fiscal Year	Enterprise Fund Bonds						
	(1)		(2)		(3)		(4)
	Operating Revenues	Less Operating Expenses	Pledged Net Revenue	Bonded Debt Service	Other Parity Debt Service	Total Parity Debt Service	Coverage
2014	\$ 13,332	\$ 7,281	\$ 6,051	\$ 473	\$ 2,549	\$ 3,022	2.00
2015	13,721	7,663	6,058	359	2,514	2,873	2.11
2016	12,960	7,851	5,109	337	2,514	2,851	1.79
2017	12,715	8,444	4,271	1,163	2,514	3,677	1.16
2018	13,762	8,660	5,102	1,399	2,513	3,912	1.30
2019	14,803	10,233	4,570	1,399	2,513	3,912	1.17
2020	16,591	10,219	6,372	1,399	2,513	3,912	1.63
2021	15,761	10,377	5,384	1,399	2,513	3,912	1.38
2022	18,618	10,535	8,083	1,399	2,513	3,912	2.07
2023	20,159	11,630	8,529	3,490	446	3,936	2.17

Notes:

- (1) Operating Expenses excludes depreciation, capital expenditures and debt service
- (2) Include the Series 2014 and the Series 2017 Wastewater Revenue Refunding Bonds
- (3) Includes the CSCDA 2012 Loan. State of CA water resources were paid off in FY22
Debt service on the Ibank loan begins in FY24.
- (4) The bond indentures and the 2012 Loan Agreement require minimum annual debt service coverage of 1.25x.

Source: City Financial Reports

**CITY OF PACIFICA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS**

Calendar Year Ending	Population	Median Personal Income	Per Capita Personal Income	Unemployment Rate %
2014	38,292	n/a	\$ 42,099	4.9
2015	38,315	n/a	43,390	3.9
2016	37,806	n/a	45,452	3.1
2017	38,124	n/a	45,591	2.8
2018	38,418	n/a	46,553	2.0
2019	38,674	n/a	48,476	2.3
2020	38,331	n/a	51,799	2.1
2021	37,890	n/a	54,637	7.3
2022	37,533	n/a	55,679	5.1
2023	37,082	n/a	60,732	2.6

Source: **HdL Companies** via U.S. Census Bureau, California State Department of Finance and California Employment Development Department

**CITY OF PACIFICA
PRINCIPAL EMPLOYERS
FY2022-2023**

	<u>2023</u>
<u>Employers</u>	<u># of Employees</u>
Pacifica School District	378
City of Pacifica	254
Safeway (3)	215
Pacific Bay Christian School	174
Little Giant Building Maintenance, Inc.	170
Jefferson Union High School District	107
Good Shepard School	83
McDonald's	53
Nick's Restaurant	51
Pacifica Care Center, Inc.	51
Cal-Pacific Construction, Inc.	50
Oil Changer, Inc.	50
Pacifica Linda Mar, Inc.	50

Notes:

Information from EDD office which retrieved information from Dun & Bradstreet

CITY OF PACIFICA
FULL TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Government										
Administration	6	6	7	7	7	8	7	6	6	6.5
Finance	6	6	6.5	7.5	6.5	7.5	8	8	9	14
Parks	53	54	65.5	53	51	56	55	55	56	32.5
Planning & Building	8	7	7	7	7	7	8	7	8	8.75
Public Works	20	21	19	22	23	23	22	22	24	32
Engineering	5	5	5	6	6	4	4	4	5	
Police										
Officers	33	34	29	33	37	33	34	35	33.5	35
Civilians	5	4	3	4	4	4	4	4	4	4.5
Fire										
Firefighters	25	25	25	25	23	25	25	26	25	25
Civilians	1	1	1	1	1	1	1	1	1	1
Wastewater Division	24	26	24	26	27	27	25	25	25	25
Authorized Full-Time Positions	186	189	192	191.5	192.5	195.5	193	193	196.5	184.25

Notes:

Administration covers city manager's office positions

Finance covers financial and administrative service that includes finance, HR and IT

Source: City Financial FY2023 Budget Book - Master Position Control

CITY OF PACIFICA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General Government										
Building Permits Issued	1,501	1,587	1,682	1,921	1,811	1,413	1,447	1,538	1,620	1,526
Building Inspections Conducted	2,818	3,018	4,093	4,610	4,630	5,143	5,145	3,966	4,455	4,115
Police										
Physical Arrests	812	923	864	702	816	890	747	693	680	861
Parking Violations	3,652	5,085	4,700	5,099	6,257	4,942	4,065	5,169	4,080	3,240
Traffic Violations	2,966	2,193	1,763	2,090	2,718	3,435	2,243	1,723	2,415	2,392
Fire										
Emergency Responses	3,117	3,147	3,215	2,977	3,142	3,167	2,882	2,943	3,225	3,627
Fires Extinguished	96	106	88	77	66	59	43	46	31	32
Inspections	895	951	955	730	783	862	513	308	929	802
Other Public Works										
Street Re-surfacing (miles)	0.00	0.90	0.00	0.00	0.51	1.55	0.48	0.50	11.00	8.37
Potholes Repaired	379	351	1,125	1,200	1,200	500	1,000	500	700	700
Parks, Beaches & Recreation										
Community Center Admissions	estimated 91,000	estimated 95,730	estimated 89,654	estimated 98,480	estimated 92,000	estimated 100,563	estimated 126,024	estimated 2,100	estimated 50,650	estimated 56,700
Enterprise Fund WWTP										
Residential Sewer Accounts	11,440	11,455	11,480	11,470	11,479	11,913	11,916	11,923	11,920	11,916
Commercial Sewer Accounts	316	340	345	342	343	350	349	349	353	375
Total Accounts	11,756	11,795	11,825	11,812	11,822	12,263	12,265	12,272	12,273	12,291
New Connections	1	4	10	17	10	7	2	8	1	2
Avg Daily Sewage Treatment (Gallons)	2,240,000	2,240,000	2,463,000	3,230,000	2,463,000	2,463,000	2,463,000	2,463,000	2,485,000	2,986,000

Source: Various City Departments

CITY OF PACIFICA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

FISCAL YEAR ENDING JUNE 30
Function/Program

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	12	12	12	12	12	12	12	12	12
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Public Works										
Streets (miles)	88.9	88.9	88.9	88.9	88.9	88.9	88.9	88.9	88.9	88.9
Streetlights	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051	2,051
Traffic Signals	5	5	5	5	5	5	5	5	5	5
Parks, Beaches & Recreation										
Acreage	148.13	148.13	148.13	148.13	148.13	148.13	148.13	148.13	148.13	148.13
Playgrounds	14	14	14	14	14	14	14	14	14	14
Baseball Diamonds	5	5	5	5	5	5	5	5	5	5
Soccer/Football Fields	2	2	2	2	2	2	2	2	2	2
Community Centers	1	1	1	1	1	1	1	1	1	1
Wastewater										
Sanitary Sewers (miles)	165	165	165	104	104	104	104	104	104	104
Storm Sewers (miles)	90	90	90	90	90	90	90	90	90	90
Treatment Capacity (gallons)	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

Notes:

No capital asset indicators are available for the general government function.

Source: Various City Departments

**CITY OF PACIFICA
SEWER RATES
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30		Minimum Annual Charge		Rate per 100 Cubic Feet
2014		567.18		11.81632
2015		583.26		12.15128
2016		600.42		12.50867
2017		626.14		13.04476
2018		676.24		14.08834
2019		730.34		15.21541
2020		788.77		16.43264
2021		843.98		17.58293
2022		903.06		18.81373
2023		934.67		19.47221

Notes:

Sewer rates are based on water usage. The North Coast County Water District invoices customers directly for water usage.

Source: City Records



City of Pacifica



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<https://www.cityofpacifica.org/>