

City of Salinas California



Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023



This page is intentionally left blank.

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023



PREPARED BY
THE FINANCE DEPARTMENT

Selina Andrews
Finance Director

AUDITORS

The Pun Group, LLP
Accountants & Advisors
200 E. Sandpointe Avenue, Suite 600
Santa Ana, CA 92707



This page is intentionally left blank.

City of Salinas
Basic Financial Statements
For the Year Ended June 30, 2023

Table of Contents

	<u>Page</u>
 <u>INTRODUCTORY SECTION</u>	
Letter of Transmittal.....	i
Organizational Chart.....	vii
List of City Officials.....	viii
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information) (Unaudited).....	5
 Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	20
Statement of Activities	22
 Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet.....	28
Reconciliation of the Governmental Funds Balance Sheet to the Government- Wide Statement of Net Position	31
Statement of Revenues, Expenditures, and Changes in Fund Balances	32
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position	34
 <i>Proprietary Funds:</i>	
Statement of Net Position	36
Statement of Revenues, Expenses, and Changes in Fund Net Position	38
Statement of Cash Flows	40
 <i>Fiduciary Funds:</i>	
Statement of Fiduciary Net Position	47
Statement of Changes in Fiduciary Net Position	48
 Notes to the Basic Financial Statements	 55

City of Salinas
Basic Financial Statements
For the Year Ended June 30, 2023

Table of Contents (Continued)

	<u>Page</u>
<u>FINANCIAL SECTION (Continued)</u>	
Required Supplementary Information (Unaudited):	
Budgetary Information.....	139
Budgetary Comparison Schedules	
General Fund.....	142
American Rescue Plan Act Special Revenue Fund.....	143
Housing and Urban Development Grants Special Revenue Fund.....	144
Schedule of Changes in Net Pension Liability and Related Ratios – Miscellaneous Plans.....	145
Schedule of Pension Plan Contributions – Miscellaneous Plan.....	146
Schedule of Changes in Net Pension Liability and Related Ratios – City Police Plans.....	147
Schedule of Pension Plan Contributions – City Police Plans.....	148
Schedule of Changes in Net Pension Liability and Related Ratios – City Fire Plans.....	149
Schedule of Pension Plan Contributions – City Fire Plans.....	150
Schedule of Changes in Net Pension Liability and Related Ratios – Single Employer Plan.....	151
Schedule of Pension Plan Contributions – Single Employer Plan.....	152
Schedule of Changes in Net OPEB Liability and Related Ratios.....	153
Schedule of OPEB Contributions.....	154
 Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
 <i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet Nonmajor Governmental Funds.....	157
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds.....	158
 <i>Nonmajor Special Revenue Funds:</i>	
Special Revenue Funds Header	
Combining Balance Sheet Special Revenue Funds.....	161
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Special Revenue Funds.....	165
 <i>Nonmajor Debt Service Funds:</i>	
Debt Service Funds Header	
Combining Balance Sheet Debt Service Funds.....	170
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Debt Service Funds.....	172
 <i>Nonmajor Capital Projects Funds:</i>	
Capital Projects Funds Header	
Combining Balance Sheet Capital Projects Funds.....	177
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Capital Projects Funds.....	178

City of Salinas
Basic Financial Statements
For the Year Ended June 30, 2023

Table of Contents (Continued)

Page

FINANCIAL SECTION (Continued)

Supplementary Information (Continued):

Internal Service Funds:

Description of Internal Service Funds.....	179
Combining Statement of Net Position.....	181
Combining Statement of Revenues, Expenses, and Changes in Net Position.....	183
Combining Statement of Cash Flows.....	184

Fiduciary Funds:

Description of Fiduciary Funds.....	187
Private Purpose Trust Funds:	
Combining Statement of Fiduciary Net Position.....	189
Combining Statement of Changes in Fiduciary Net Position.....	190

Custodial Funds:

Description of Custodial Funds.....	191
Combining Statement of Fiduciary Net Position.....	193
Combining Statement of Changes in Fiduciary Net Position.....	194

General Fund:

Combining Balance Sheet – General, Measure E, & Measure G Funds.....	195
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – General, Measure E, & Measure G Funds.....	196
Budgetary Comparison Schedule - Measure E.....	197
Budgetary Comparison Schedule - Measure G.....	198

Other Information (Unaudited):

Claims Development – Internal Service Funds – General Liability Insurance.....	200
Claims Development – Internal Service Funds – Workers Compensation Insurance.....	202

This page intentionally left blank.



City of Salinas

FINANCE DEPARTMENT • 200 Lincoln Ave • Salinas, California 93901

(831) 758-7420 • (831) 758-7937 (Fax) • www.ci.salinas.ca.us

October 4, 2024

***Honorable Mayor and Members of the City Council
City of Salinas, California***

We are pleased to present the City of Salinas’s (City) Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2023. Although formally submitted to the Mayor and City Council (Council), the ACFR is also intended to provide relevant financial information to the residents of Salinas, taxpayers, creditors, investors, and other interested parties.

This letter of transmittal provides a non-technical summary of City finances, services, achievements, and economic prospects. We ask that readers who wish a more detailed discussion of the City’s financial results refer to the Management’s Discussion & Analysis contained in the Financial Section of the ACFR.

City Administration is responsible for the accuracy of the information contained in this report, the adequacy of its disclosures, and the fairness of its presentation. We believe this ACFR to be complete and reliable in all material respects. To provide a reasonable basis for making this representation, we have established a comprehensive system of internal controls designed to protect City assets from loss, to identify and record transactions accurately, and to compile the information necessary to produce financial statements in conformity with generally accepted accounting principles.

The City contracted with The Pun Group, LLP, a firm of Certified Public Accountants licensed to practice in the State of California, to perform the annual independent audit. The auditors expressed an opinion that the City’s financial statements for Fiscal Year 2022-2023 (FY 22-23) are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an “unmodified” or “clean” opinion. The independent auditors’ report is included in the Financial Section of this report.

In addition, The Pun Group LLP performs an audit of the City’s major program expenditures of federal funds for compliance with the requirements described in the U.S. Office of Management and Budget’s OMB Compliance Supplement, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The report of the Single Audit is published separately from this ACFR and, when completed, can be obtained from the City of Salinas’ website at <https://www.cityofsalinas.org/Your-Government/Departments/Finance/Annual-Comprehensive-Financial-Reports-ACFR>.

This ACFR is organized into two sections:

- I. The Introductory Section includes the table of contents, letter of transmittal, listing of elected officials, City administrative personnel, and an organization chart delineating organizational structure.
- II. The Financial Section includes the Independent Auditors' opinion, the MD&A, the basic financial statements, notes to the financial statements, combining statements of non-major funds, and required supplemental information.

The Reporting Entity and Its Services

In defining the reporting entity, there are no other governmental units over which the City Council has financial accountability. Under new state law, the Salinas Redevelopment Agency, which was a component unit of the City, ceased to exist as of February 1, 2012, and therefore the assets and activities of the dissolved redevelopment agency are reported in a Fiduciary Fund (private purpose trust fund) in the financial statements of the City.

The City was incorporated as a charter City on March 4, 1874 and operates under the Council-Manager form of government. The City is governed by a six-member Council elected by districts for four-year alternating terms and a Mayor elected at large for a two-year term. The Council appoints the City Attorney and the City Manager, who is responsible for day-to-day administration of the City under the policy direction of the Council.

The City is the “county seat” of Monterey County and is located in the Central Coast region of California, 17 miles inland from the Monterey Bay, 325 miles north of Los Angeles and 106 miles south of San Francisco. Salinas is a charter City providing all typical City services: Public safety - police and fire, Public Works - maintenance services (streets, lighting, signals, facilities, parks and trees), development and permit services, current and advanced planning and traffic and facilities engineering, Library, Recreation and General administrative services. Business-type City services include: a Municipal Airport, Industrial Waste system, Sanitary Sewer, Water Utility and a Parking District. The State Department of Finance reports the City's population at 159,475 as of January 1, 2023. The City FY 2022-23 budget includes 633.50 positions authorized on a full-time equivalent basis.

Three elementary school districts, a unified high school district and several private schools at both the primary and secondary level operate in the City of Salinas. Hartnell College, a State Community College, offers two-year degrees and occupational certificate programs. California State University, Monterey Bay is located less than 15 miles away on the former Fort Ord site. Graduate studies through Golden Gate University, Monterey Institute of International Studies and Chapman College are available nearby. Also in the area are Moss Landing Marine Laboratory, Monterey College of Law, Stanford University's Hopkins Marine Station and San Jose State University.

Salinas has extensive health and medical services with two of Monterey County's four hospitals located within the City. The City also offers skilled nursing and convalescent homes and residential retirement facilities for seniors, as well as over 220 practicing physicians.

Fire protection and basic and advanced life support are provided by the City's full-service Fire Department. Advanced life support services are provided by the Fire Department's paramedic program. The City of Salinas has a Police Department and receives additional support, as required, from the Monterey County Sheriff's Office and other regional, state and federal agencies.

The City's moderate climate encourages year-round use of its 550 plus acres of municipal parks, which include golf courses, tennis courts and swimming pools. The Salinas Community Center regularly hosts symphonies, ballets, concerts and conventions. Salinas is host to the annual Steinbeck Festival, the California Rodeo, and the California International Airshow. Salinas has a modern California Sports Complex and the National Steinbeck Center. Surrounding Salinas are diverse recreational opportunities including beautiful beaches and the world famed golf courses of the Monterey Bay Peninsula.

As the retail hub of the Central Coast, Salinas enjoys a wide selection and diversity in its stores. Northridge Shopping Center contains over 120 specialty shops and four major department stores – Macy's, Sears, Best Buy and J.C. Penney. Harden Ranch Plaza includes Wal-Mart, Target, Safeway, specialty stores, restaurants, and banking institutions. The Westridge Shopping Center is home to Costco, Wal-Mart, Office Max, Dick's Sporting Goods and a variety of national chain restaurants. The Salinas Auto Center houses nine local dealers and its retail area hosts Home Depot, Beverages and More (BevMo), Kohl's, and other specialty stores. Additionally, Salinas' location allows quick access to the Monterey Peninsula, as well as the San Jose area.

The City utilizes various Boards and Commissions in the conduct of its affairs. Commissions and Committees established by City Ordinance are:

- Airport Commission
- Library and Community Services Commission
- Traffic and Transportation Commission
- Planning Commission
- Measure G Oversight Committee
- Measure E Oversight Committee

Boards and Committees established by Resolution of the City Council are:

- Police Community Advisory Committee
- Animal Services Committee
- Design Review Board
- Board of Appeals
- Grievance Advisory Board
- Finance Committee
- Historical Resources Board

ECONOMIC CONDITIONS AND FISCAL OUTLOOK

While Salinas Valley continues to show overall positive economic performance, several potential indicators of a future economic weakening have begun. These economic indicators include a slow-down in the local real estate market and raising unemployment rates. While employment figures continue to be relatively strong in Salinas, layoffs have begun impacting unemployment rates in its surrounding areas.

The unemployment rate for the county and Salinas Metropolitan¹ area for June 2024 was 5.7%, which was lower than the 9.2% in May 2024 and higher than the prior year unemployment rate of 5.5%. However, the June 2024 Salinas Metropolitan Statistical Area unemployment rate continued to be higher than the unadjusted unemployment rate for the State (4.8%) and the nation (3.8%)².

The City closed FY 22-23 with a net \$15.4 million General Fund surplus due to a variety of factors discussed in the MD&A. General Fund revenues (not including transfers in) increased 5.0% from the prior year. Sales tax revenues remain the largest and most consistent source of support for General Fund operations, comprising approximately 54.4% of General Fund revenues in FY 22-23. For FY 22-23, sales tax receipts of \$91.6 million were \$2.7 million higher than the prior year's collection. The City's Measures E and G Sales and Use Tax continued to perform well as the economy rebounds from the effects of COVID-19.

The City also relies heavily on property tax revenues to support General Fund operations, comprising approximately 22.0% of General Fund revenues in FY 22-23. For FY 22-23, property tax receipts of \$37.1 million were \$1.4 million higher than the prior year's collection. Property tax revenues were supported by the continued desirability of the City, its environment, and culture.

In addition to the City's revenue sources, the City benefited from the Federal American Rescue Plan Act (ARPA). The Act allocated \$51,567,313 to the City over a two-year period. The City has received both payments.

As with most municipalities, services are provided directly by employees to the City's residents, businesses, and visitors. As a service delivery enterprise, the cost of salaries and benefits are a significant portion of the City's expenditures. Salaries are largely dictated by regional market forces as evidenced by fierce competition for workforce in the San Francisco Bay Area, and inflationary pressures nationwide. During FY 22-23, the City successfully completed negotiations with six labor groups. While important for consistent delivery of high-quality services for the City, these actions further contribute to the structural deficit between revenues and expenditures.

The City also continues to adjust and prepare for pension employer costs to continue to be a primary expense in conjunction with salaries. The City's pension plans over the past several decades, like all other CalPERS participants, have experienced changes in actuarial assumptions, demographic changes, and volatile investment returns which have outweighed any positive plan experiences. The outcome of these unfavorable economic and demographic conditions is the creation of unfunded pension and Other Post-Employment Benefits (OPEB) obligations for the City.

¹ State of California, Employment Development Department, Labor Market Information Division

² Monthly EDD Press Release

According to the 2022 CalPERS actuarial valuations, the unfunded accrued liability for pensions was \$234 million and \$15.5 million for OPEB as of June 30, 2022.

To address the escalation in OPEB costs, current and previous Councils have worked to curb cost escalation in Other Post-Employment Benefits (OPEB). In 2020, the City initiated prefunding of retiree healthcare benefits and has since established approximately \$7 million in OPEB assets as of June 30, 2023.

For detailed information about the City employees' retirement plan, please refer to Note 17 of the Notes to Basic Financial Statements Section. For detailed information about the City OPEB obligations please refer to Note 18 of the Notes to Basic Financial Statements Section.

Despite revenue constraints and increasing costs associated with unfunded federal and state mandates, the City has managed to maintain high service levels and balanced budgets through prudent fiscal management.

MAJOR CAPITAL PROJECT INITIATIVES

The City maintains a multi-year forecasting model for operating revenues and expenditures and also produces a six-year capital plan. The multi-year forecast is regularly updated to reflect current revenue and expenditure assumptions and is presented to the City Council during the budget process for the next fiscal year.

Major capital asset and infrastructure initiatives were once again the priority for the fiscal year. Approximately \$16.2 million in City infrastructure and other capital asset improvements and contributions were invested in FY 22-23, including \$7.1 million in land acquisition and \$3.9 million in equipment. In addition, \$4.8 million was invested in construction in progress including, roads, storm drains, park, building improvements, and City revitalization efforts.

Additional infrastructure improvements are scheduled in accordance with the City's approved Capital Improvement Plan and will continue into future years. All of these improvements are funded either through grants, appropriations carried over from prior years, and/or new appropriations during the budget development process as approved by City Council policy

Single Audit

As a recipient of federal, state and county funding, the City is responsible for providing assurance that adequate internal controls are in place to ensure compliance with applicable laws and regulations relating to these award programs. Internal controls are subject to periodic evaluation by management and the City's external independent auditors.

As part of the City's single audit procedures, tests are performed to assess the effectiveness of its internal controls over major federal award programs and the City's compliance with applicable laws and regulations related to these award programs.

Accounting System and Budgetary Control

All governmental fund types use the modified accrual basis of accounting. This means that revenues are recorded when measurable and available rather than when received. Measurable means the amount can be determined and available means the cash is received within sixty days after the end of the fiscal year. Expenditures are recorded when the liability is incurred, rather than when paid. An exception to this rule is principal and interest on general long-term debt, which is not recognized by debt service funds until it is due.

Internal accounting procedures have been developed to provide reasonable assurance regarding the safeguarding of assets and the reliability of financial records for preparing financial statements and maintaining asset accountability.

The City maintains budgetary controls through City Council adoption of an annual appropriation ordinance and by maintaining an encumbrance accounting system. Expenditures for City operations and other purposes identified in the annual budget cannot legally exceed the budgeted amounts approved by the City Council.

An annual operating budget, five-year budget forecast, and six-year capital improvement plan is adopted by the City Council consistent with generally accepted accounting principles. All budget appropriations must be approved by City Council during the fiscal year. The City Manager is authorized to transfer appropriations within the same funding source. Appropriations are valid for each fiscal year and lapse at year-end.

Acknowledgements

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire Finance Department staff. In addition, staff in all City departments should be recognized for responding so positively to the requests for detailed information that accompanies each annual audit.

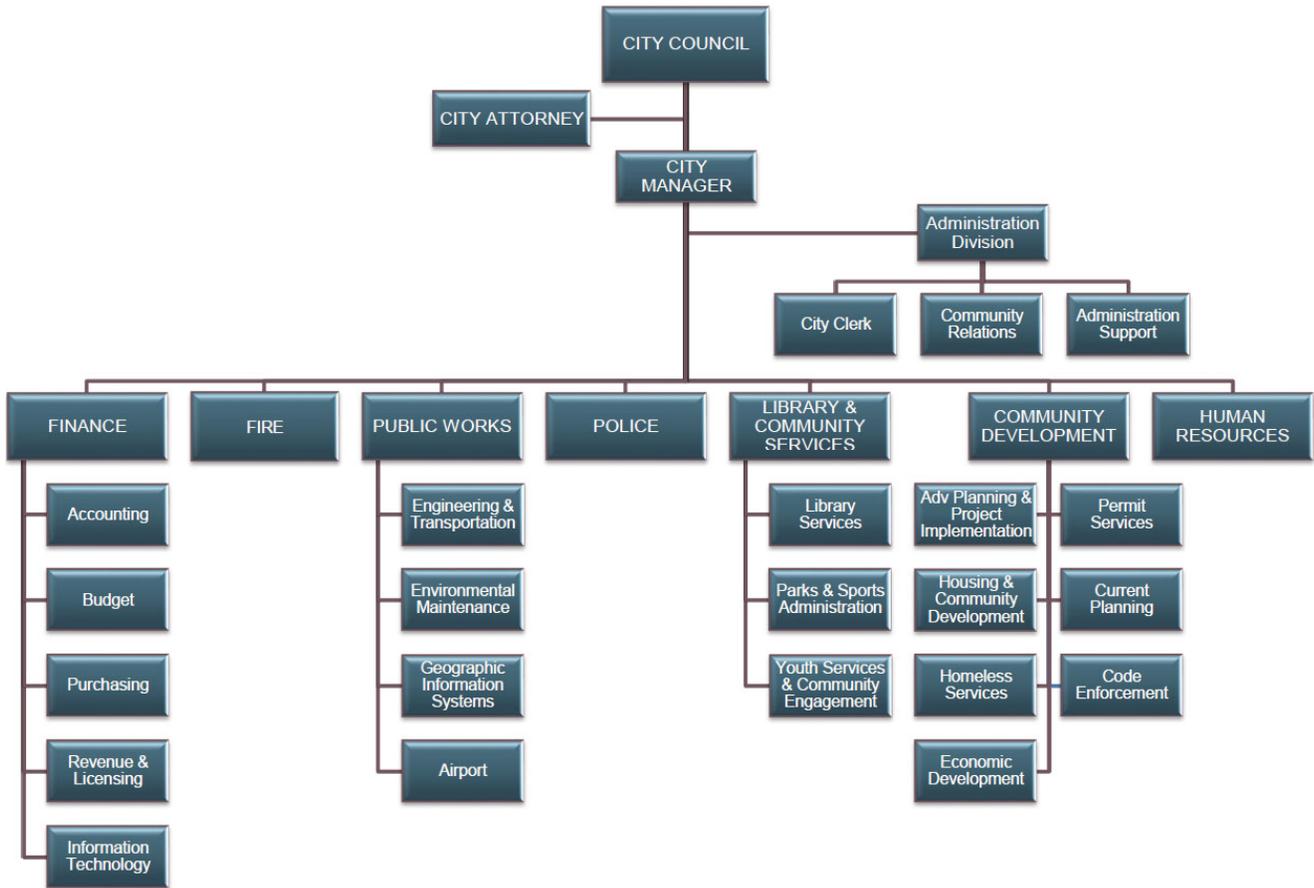
In addition, we wish to express our sincere appreciation to the Mayor and City Council for providing policy direction and a firm foundation of support for the pursuit of excellence in all realms of professional endeavors, especially their role in guiding the City to a secure financial condition that assures resources are available to provide core services to the community.

Respectfully submitted,



Selina Andrews
Finance Director

City of Salinas Organization Chart



City of Salinas

List of Principal Officials



Kimbley Craig

Mayor

Carla Viviana Gonzalez

Councilmember
District 1

Orlando Osornio

Councilmember
District 4

Tony Barrera

Councilmember
District 2

Andrew Sandoval

Councilmember
District 5

Steve McShane

Councilmember
District 3

Anthony Rocha

Councilmember
District 6

Rene Mendez

City Manager

Christopher A. Callihan

City Attorney

Jim Pia

Assistant City Manager

David Jacobs

Public Works Director

Kristan Lundquist

Library and Community
Services Director

Lisa Brinton

Community
Development Director

John Murray

Acting Chief of Police

Sam Klemek

Fire Chief

Selina Andrews

Finance Director

Marina Horta-Gallegos

Human Resources
Director

FINANCIAL SECTION

This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT



To the Honorable Mayor and Members
of the City Council of the City of Salinas
Salinas, California

Report on the Audit of the Financial Statements

Opinions

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

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

Emphasis of Matters

Implementation of GASB Statement No. 96

As described in Notes 11, 11, and 13 to the financial statements, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of GASB Statement No. 96 requires the City to record intangible "right-to-use" assets and corresponding liabilities for SBITAs in excess of one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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, Budgetary Comparison Schedules, Schedules of Changes in Net Pension Liability and Related Ratios, Schedules of Proportionate Share of the Net Pension Liability and Related Ratios, Schedules of Pension Contributions, Schedule of Changes in Net OPEB Liability and Related Ratios, and Schedule of OPEB Contributions 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 Combining and Individual Fund Statements and Schedules are presented for purposes of additional analysis and are 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 Combining and Individual Fund Statements and Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and the Claims Development for Internal Service Funds Schedules but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 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.



Santa Ana, California
October 4, 2024

This page intentionally left blank.

CITY OF SALINAS
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2023

This section of the City of Salinas (City) Annual Comprehensive Financial Report provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with the accompanying letter of transmittal, the basic financial statements, and the accompanying notes to the financial statements.

A. FINANCIAL HIGHLIGHTS

- On June 30, 2023, the City's net position (excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources) was \$245.7 million. Of this amount, \$341.9 million is invested in capital assets and restricted assets, which is offset by a deficit of \$96.3 million of unrestricted assets.
- During the fiscal year ended June 30, 2023, the City's total net position increased by \$19.6 million from \$226.1 million to 245.7 million.
- During the fiscal year, fund balances increased \$22.9 million to \$166.2 million for governmental funds, of which \$148.2 million is either nonspendable, restricted, committed, or assigned, leaving \$18.0 million as unassigned.
- During the fiscal year the General Fund, Measure E, and Measure G fund balance increased by \$15.4 million to \$85.4 million of which \$63.3 million is either nonspendable, restricted, committed, or assigned. Unassigned General Fund, Measure E & Measure G fund balance was \$22.1 million.
- The City's total capital assets decreased \$4.7 million from \$407.2 million to \$402.5 million.

B. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which is comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements and 3) Notes to the Basic Financial Statements.

The basic financial statements include the City (primary government) and all legally separate entities (component units) for which the government is financially accountable.

This report also contains other supplementary information in addition to the basic financial statements for further information and analysis.

CITY OF SALINAS
Management's Discussion and Analysis (Unaudited) (Continued)
Fiscal Year Ended June 30, 2023

Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The *Statement of Net Position* and the *Statement of Activities and Changes in Net Position* report information about the City as a whole and about its activities. These statements include all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

The *Statement of Activities and Changes in Net Position* presents information showing how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

In the Statement of Net Position and the Statement of Activities and Changes in Net Position, we separate the City activities as follows:

Governmental Activities—All of the City's basic services are reported in this category, including general government, public safety, community development, public works, recreation, and library. Property taxes, sales taxes, user fees, interest income, franchise fees, state grants and federal grants finance these activities. The City's insurance programs (health, worker's compensation, liability and property damage) are accounted for in internal service funds, but are reported as part of governmental activities since these programs are used primarily for governmental activities.

Business-Type Activities—The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Industrial Wastewater System, Airport, Sanitary Sewer, Permit Service, and Parking District are reported as business-type activities.

CITY OF SALINAS
Management's Discussion and Analysis (Unaudited) (Continued)
Fiscal Year Ended June 30, 2023

Fund Financial Statements

The Fund Financial Statements provide detailed information about the City's major funds — not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, proprietary and fiduciary. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary funds are agency funds, pension trust funds and private purpose trust funds, which only report assets and liabilities and do not have a measurement focus.

Governmental Funds - The Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide Financial Statements. However, unlike the Government-Wide Financial Statements, Governmental Funds Financial Statements focus on current financial resources, which emphasize near-term inflows and outflows of expendable resources as well as balances of expendable resources at the end of the fiscal year. This information is essential in evaluating the City's near-term financial requirements.

In order to better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Funds Statements with the governmental activities in the Government-Wide Financial Statements. A reconciliation is provided for the Governmental Fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances to facilitate this comparison. The major governmental funds include the General, Measure E and Measure G Funds, Development Fees Special Revenue Fund, and the Special Construction Assistance Special Revenue Fund, which are reported in detail in the Governmental Fund Financial Statements. All other funds are shown in the aggregate as other non-major governmental funds.

Individual fund data for other non-major governmental funds is provided in the form of supplementary information elsewhere in the report.

Proprietary Funds - The City maintains two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-Wide Financial Statements. The City uses enterprise funds to account for its Airport, Industrial Wastewater System, Sanitary Sewer, Permit Services and Parking activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its general city insurance operations. Because these services predominantly benefit the governmental rather than business-type activities, they have been included within governmental activities in the Government-Wide Financial Statements.

CITY OF SALINAS
Management's Discussion and Analysis (Unaudited) (Continued)
Fiscal Year Ended June 30, 2023

Proprietary funds provide the same type of information as the Government-Wide Financial Statements, only in more detail. All enterprise funds are presented in detail as major enterprise funds. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of supplementary information elsewhere in the report.

Fiduciary Funds - The City is the trustee, or fiduciary, for certain funds held on behalf of external parties. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the resources of these funds are not available to support the City's own programs. The City is responsible for ensuring that these funds are used for their intended purpose.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

Required Supplementary Information

In addition to the basic financial statements, this report also presents certain Required Supplementary Information including the City's budgetary comparison schedules for the General, Measure E and Measure G Funds and the Development Fees major special revenue fund, and information concerning the progress in funding its obligation to provide pension benefits to its employees.

Other Supplementary Information

Combining statements for the other non-major governmental funds, Internal Service Funds, Fiduciary Funds and General, Measure E and Measure G Funds are presented immediately following the Required Supplementary Information as supplementary information.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Management Discussion and Analysis (MD&A) includes comparative data for analysis.

Statement of Net Position

Net position is a good indicator of the City's financial position. During this fiscal year, the net position of the City increased \$19.6 million (8.7%) over the prior year from \$226.1 to \$245.7 million.

At June 30, 2023, the largest portion of net position consists of the City's net investment in capital assets. This component is the total amount of funds required to acquire those assets less any related outstanding debt used for such acquisition. The City uses these capital assets to provide services to residents. The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Debt service payments are funded from other resources available to the City.

CITY OF SALINAS
Management's Discussion and Analysis (Unaudited) (Continued)
Fiscal Year Ended June 30, 2023

A condensed Statement of Net Position shown below totals \$245,668,327 as of June 30, 2023.

	Governmental Activities		Business-type Activities		Total		Percent of Total
	2023	2022	2023	2022	2023	2022	
Assets:							
Current assets	\$ 270,896,188	\$ 263,740,852	\$ 13,490,935	\$ 13,770,688	\$ 284,387,123	\$ 277,511,540	40.7 %
Other assets	6,683,630	8,025,010	4,732,209	5,161,303	11,415,839	13,186,313	1.6 %
Capital assets, net	334,557,660	334,963,510	67,974,348	72,245,474	402,532,008	407,208,984	57.7 %
Total assets	612,137,478	606,729,372	86,197,492	91,177,465	698,334,970	697,906,837	100.0 %
Deferred outflows of resources							
Related to pension and OPEB	81,956,802	38,677,100	2,111,334	924,257	84,068,136	39,601,357	99.3 %
Loss on refunding of debt	486,668	513,705	94,464	103,051	581,132	616,756	0.7 %
Total deferred outflows of resources	82,443,470	39,190,805	2,205,798	1,027,308	84,649,268	40,218,113	100.0 %
Liabilities:							
Current liabilities	13,246,052	10,338,086	1,484,650	1,040,506	14,730,702	11,378,592	2.9 %
Other liabilities	53,124,477	63,428,897	-	-	53,124,477	63,428,897	10.5 %
LTD - due in one year	18,315,045	17,738,848	1,796,577	1,746,577	20,111,622	19,485,425	4.0 %
Long-term liabilities	391,904,153	308,075,303	26,814,267	25,896,303	418,718,420	333,971,606	82.6 %
Total liabilities	476,589,727	399,581,134	30,095,494	28,683,386	506,685,221	428,264,520	100.0 %
Deferred inflows of resources							
Related to pension, OPEB and leases	24,758,990	76,477,688	5,871,700	7,302,468	30,630,690	83,780,156	100.0 %
Total deferred inflows of resources	24,758,990	76,477,688	5,871,700	7,302,468	30,630,690	83,780,156	100.0 %
Net Position:							
Net investment in capital assets	212,511,725	204,559,079	45,330,812	47,973,525	257,842,537	252,532,604	105.0 %
Restricted	84,106,986	76,573,216	-	-	84,106,986	76,573,216	34.2 %
Unrestricted	(103,386,480)	(111,270,940)	7,105,284	8,245,394	(96,281,196)	(103,025,546)	(39.2)%
Total Net Position	\$ 193,232,231	\$ 169,861,355	\$ 52,436,096	\$ 56,218,919	\$ 245,668,327	\$ 226,080,274	100.0 %

CITY OF SALINAS
Management's Discussion and Analysis (Unaudited) (Continued)
Fiscal Year ended June 30, 2023

Statement of Activities

Below is a table of the current and prior fiscal year recap of the changes in net position. The entire Statement of Activities can be reviewed on pages 22-23.

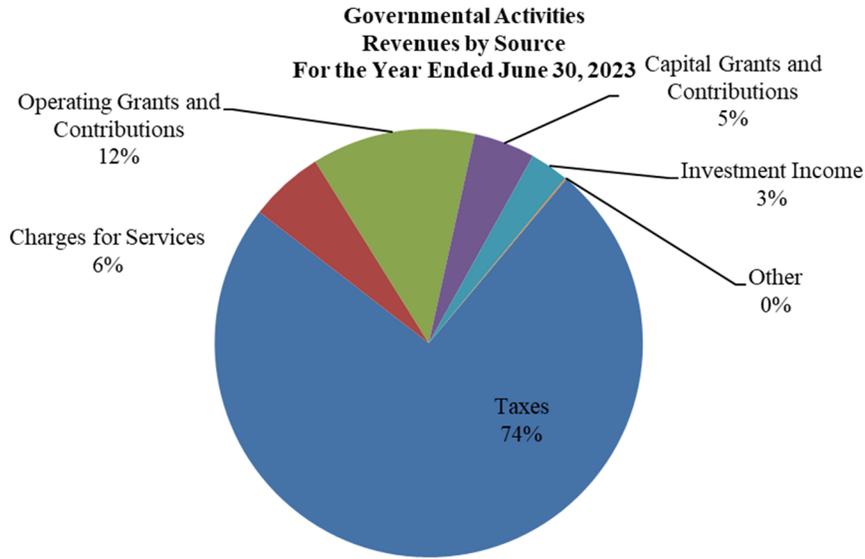
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues:						
Charges for Services	\$ 12,222,052	\$ 12,087,995	\$ 11,454,936	\$ 13,657,537	\$ 23,676,988	\$ 25,745,532
Operating Grants & Contributions	26,805,202	28,921,586	-	-	26,805,202	28,921,586
Capital Grants & Contributions	10,065,411	14,445,606	-	-	10,065,411	14,445,606
General Revenues:						
Taxes	161,520,871	157,348,620	-	-	161,520,871	157,348,620
Unrestricted Investment Earnings	6,345,564	(1,572,611)	503,455	(37,810)	6,849,019	(1,610,421)
Gain on Disposal of Assets	(47,200)	(34,879)	(2,402,411)	-	(2,449,611)	(34,879)
Payment from Fiduciary Fund	-	-	949,242	951,900	949,242	951,900
Miscellaneous	262,753	1,220,103	866,357	1,662,671	1,129,110	2,882,774
Total Revenues	<u>217,174,653</u>	<u>212,416,420</u>	<u>11,371,579</u>	<u>16,234,298</u>	<u>228,546,232</u>	<u>228,650,718</u>
Expenses						
General Government	26,298,588	43,209,427	3,250,011	3,386,841	29,548,599	46,596,268
Public Safety	101,997,548	91,246,533	-	-	101,997,548	91,246,533
Public Works	43,345,510	34,883,172	11,733,626	11,549,620	55,079,136	46,432,792
Recreation	11,112,292	8,022,645	-	-	11,112,292	8,022,645
Library	6,177,286	5,377,321	-	-	6,177,286	5,377,321
Interest	4,371,939	4,808,025	671,380	709,198	5,043,319	5,517,223
Total Expenses	<u>193,303,163</u>	<u>187,547,123</u>	<u>15,655,017</u>	<u>15,645,659</u>	<u>208,958,180</u>	<u>203,192,782</u>
Increase (decrease) in Net Position before Contributions and Transfers						
Transfers	23,871,490	24,869,297	(4,283,438)	588,639	19,588,052	25,457,936
Transfers	(500,615)	4,243,402	500,615	(4,243,402)	-	-
	<u>(500,615)</u>	<u>4,243,402</u>	<u>500,615</u>	<u>(4,243,402)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in Net Position	<u>23,370,875</u>	<u>29,112,699</u>	<u>(3,782,823)</u>	<u>(3,654,763)</u>	<u>19,588,052</u>	<u>25,457,936</u>
Net Position - Beginning of Year	169,861,355	116,252,267	56,218,919	84,870,502	226,080,274	201,122,769
Prior Period Adjustment	-	24,496,389	-	(24,996,820)	-	(500,431)
Net Position - Beginning of Year as restated	<u>169,861,355</u>	<u>140,748,656</u>	<u>56,218,919</u>	<u>59,873,682</u>	<u>226,080,274</u>	<u>200,622,338</u>
Net Position - Ending	<u>\$193,232,230</u>	<u>\$169,861,355</u>	<u>\$ 52,436,096</u>	<u>\$ 56,218,919</u>	<u>\$245,668,326</u>	<u>\$226,080,274</u>

Total revenues decreased from the prior year by \$0.1 million, or 0.0% and total expenses increased by \$5.8 million from prior year, or 2.9%. Further analysis is provided within the governmental and business-type activities sections.

CITY OF SALINAS
 Management's Discussion and Analysis (Unaudited) (Continued)
 Fiscal Year ended June 30, 2023

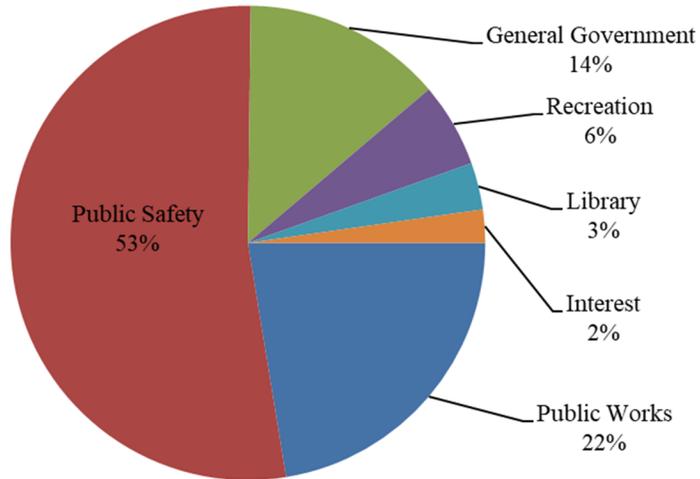
Governmental Activities

Governmental activities resources total \$217.2 million. The City's governmental activities increased net position by \$23.4 million. The following charts highlight the sources of revenues and purpose of expenses:



Total expenses for governmental activities, excluding transfers and contributions, were \$193.3 million including interest on long-term debt of \$4.4 million.

**Governmental Activities
 Expenses by Function/Program
 For the Year Ended June 30, 2023**



CITY OF SALINAS
Management’s Discussion and Analysis (Unaudited) (Continued)
Fiscal Year ended June 30, 2023

The below table represents the total cost of each of the City’s governmental and business-type activities as well as each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial commitment that was placed on the City’s taxpayers by each of these functions.

	Total Cost of		Net Cost of	
	Services	Percent	Services	Percentage
General government	\$ 26,298,588	13.6 %	\$ 2,980,124	2.1 %
Public safety	101,997,548	52.8 %	97,734,106	67.8 %
Public works	43,345,510	22.4 %	23,146,312	16.1 %
Recreation	11,112,292	5.7 %	10,157,949	7.0 %
Library	6,177,286	3.2 %	5,820,068	4.0 %
Interest	4,371,939	2.3 %	4,371,939	3.0 %
Total	\$ 193,303,163	100 %	\$ 144,210,498	100 %

Public safety continues to be the single highest expense for the City followed by public works. Net cost of services, after subtracting fees and grant revenues, total \$144.2 million.

Business-Type Activities

The City’s business-type activities net position was \$52.4 million, a decrease of \$3.8 million for the fiscal year. Total revenues for business-type activities were \$11.4 million. Total expenses for the business-type activities were \$15.7 million during FY 2022-23.

Business -Type Activities
Revenues, Expenses (in millions)
June 30, 2023



CITY OF SALINAS
Management's Discussion and Analysis (Unaudited) (Continued)
Fiscal Year ended June 30, 2023

D. FUND FINANCIAL STATEMENT ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$166.2 million. Of the total fund balance, \$4.2 million was nonspendable and indicates the resources are nonspendable loans, notes, land and property held for resale and are not anticipated to be liquidated in the near-term. Of the total fund balance, \$87.3 million was restricted fund balance, the use of which is constrained by external parties, resource providers, or enabling legislations. Fund balance of \$38.2 million was committed by City Council for specific purposes. The remainder of the restrictions are listed in the Fund Balance footnote.

The General Fund is the chief operating fund of the City. The General, Measure E and Measure G Funds' fund balance increased by \$15.4 million in FY 2022-23 to \$85.4 million, of which \$2.8 million was nonspendable and indicates the resources are nonspendable advances and are not anticipated to be liquidated in the near-term. The \$36.1 million committed fund balance is committed for capital projects and is limited to specific purposes as defined in the City Charter or through a formal budgetary action of the City Council occurring through adoption of an ordinance or resolution. Assigned fund balance totaled \$18.4 million has been allocated by the City Council for specific capital and operational needs while \$6.0 million is categorized as restricted. The remaining fund balance of \$22.1 million is unassigned.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Factors concerning these funds have been addressed in the discussion of Government-Wide Financial Analysis.

CITY OF SALINAS
Management's Discussion and Analysis (Unaudited) (Continued)
Fiscal Year ended June 30, 2023

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended General, Measure E, and Measure G Fund revenue budget, including transfers in, totaled \$167.7 million and the expenditure budget totaled \$199.9 million including transfers out. Transfers out are budgeted mostly for capital projects and the funds are already on-hand. Transfers out to the Capital Projects Fund will occur over multiple years.

Significant Appropriations Increases/Decreases

Appropriations during the year were adjusted upward by \$34.4 million, of which \$24.8 million were related to transfers for capital projects and \$9.6 million in operational changes. Estimated revenues were not adjusted.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets Including Infrastructure

The following is a summary of the City's capital assets as of June 30, 2023 and 2022:

City of Salinas' Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 32,983,126	\$ 25,899,986	\$ 3,630,695	\$ 3,632,339	\$ 36,613,821	\$ 29,532,325
Buildings	135,129,108	135,129,108	25,888,821	25,888,821	161,017,929	161,017,929
Improvements	50,677,352	50,677,352	15,970,700	15,461,105	66,648,052	66,138,457
Equipment	49,191,952	45,951,417	7,796,234	7,779,509	56,988,186	53,730,926
Infrastructure	422,055,987	421,150,155	102,709,198	102,709,198	524,765,185	523,859,353
Right-to-use assets	960,749	539,511	-	-	960,749	539,511
Construction in Progress	28,032,297	24,424,091	1,621,929	2,947,566	29,654,226	27,371,657
	<u>719,030,571</u>	<u>703,771,620</u>	<u>157,617,577</u>	<u>158,418,538</u>	<u>876,648,148</u>	<u>862,190,158</u>
Accumulated depreciation/amortization	(384,472,911)	(368,808,110)	(89,643,229)	(86,173,064)	(474,116,140)	(454,981,174)
	<u>\$ 334,557,660</u>	<u>\$ 334,963,510</u>	<u>\$ 67,974,348</u>	<u>\$ 72,245,474</u>	<u>\$ 402,532,008</u>	<u>\$ 407,208,984</u>

Capital assets, including infrastructure assets of the City, are those assets which are used in the performance of the City's functions. At June 30, 2023, net capital assets of the Governmental Activities totaled \$334.6 million and the net capital assets of the Business-type Activities totaled \$68.0 million. Finance Department staff maintains and updates the Capital Assets inventory by recording all assets acquired or retired at the end of every fiscal year and performs rotating spot inventories each year. The City has elected to report and depreciate all infrastructures.

Further details on the City's capital assets can be found in Note 11 to the financial statements.

CITY OF SALINAS
Management’s Discussion and Analysis (Unaudited) (Continued)
Fiscal Year ended June 30, 2023

Long-Term Obligations

As of June 30, 2023, the City had \$438.8 million in long-term debt.

City of Salinas Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Annual leave	\$ 11,945,666	\$ 11,624,942	\$ 517,316	\$ 547,887	\$ 12,462,982	\$ 12,172,829
Insurance claims	31,977,619	31,290,195	-	-	31,977,619	31,290,195
Lease liability	51,414,419	56,058,302	8,413,000	9,012,000	59,827,419	65,070,302
Subscriptions	270,804	-	-	-	270,804	-
Loans and notes	-	-	1,015,000	1,493,000	1,015,000	1,493,000
Revenue bonds	-	-	13,310,000	13,870,000	13,310,000	13,870,000
Certificates of Participation	56,590,000	59,295,000	-	-	56,590,000	59,295,000
Assessment District Bonds	7,715,000	8,290,000	-	-	7,715,000	8,290,000
Unamortized bond premium	6,373,471	7,092,128	-	-	6,373,471	7,092,128
Unamortized bond discount	(317,759)	(330,999)	-	-	(317,759)	(330,999)
Subtotal	165,969,220	173,319,568	23,255,316	24,922,887	189,224,536	198,242,455
Net OPEB liability	14,555,540	16,238,956	974,677	819,308	15,530,217	17,058,264
Net pension liability	229,694,438	136,255,627	4,380,851	1,900,685	234,075,289	138,156,312
Total outstanding debt	<u>\$ 410,219,198</u>	<u>\$ 325,814,151</u>	<u>\$ 28,610,844</u>	<u>\$ 27,642,880</u>	<u>\$ 438,830,042</u>	<u>\$ 353,457,031</u>

Further details on the City’s long-term debt can be found in Note 13 to the financial statements.

G. ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The City’s underlying structural deficit reported last year has improved. The main reason for the structural deficit, where the expenditure growth exceeds the revenue growth continually each year, is a result of the compensation costs growing faster than the projected revenue. Controlling the main cost drivers of wages, pension, health insurance, and workers’ compensation continues to be the key to managing this projected problem. Additionally, the position of the nation, state and local economy, and any recessionary factors, will influence future budgets. The City continues to work on the Salinas Plan and hopes to achieve savings in those recommendations that have been implemented or are in progress.

The Salinas Plan and Fiscal Sustainability

The Salinas Plan is a Ten-Year Plan designed to provide the City with a path toward maintaining a long-term balanced budget while preserving City services and addressing the affordable housing crisis. The plan provides 32 recommended initiatives. The 32 recommended initiatives are now in various stages of progress and are described in more detail in the Salinas Plan.

CITY OF SALINAS
Management's Discussion and Analysis (Unaudited) (Continued)
Fiscal Year ended June 30, 2023

Major Projects and Funding

Amid challenges, the City continues deploying funds for various projects City-wide. The City appropriated \$51.6 million in American Rescue Plan Act (ARPA) funds for 19 projects in the following four areas: public facility improvements, public infrastructure, investments in water and sewer, and to address homelessness and housing issues.

H. REQUEST FOR INFORMATION

This financial report is designed to provide our residents, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Salinas Finance Department, 200 Lincoln Avenue, Salinas, California 93901.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Salinas
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 231,490,842	\$ 16,186,214	\$ 247,677,056
Receivables, net of allowance:			
Accounts receivable, net	482,206	1,530,352	2,012,558
Taxes receivable	18,380,898	-	18,380,898
Assessments receivable	7,715,000	-	7,715,000
Due from outside agencies	4,963,504	-	4,963,504
Leases receivable	514,671	429,084	943,755
Interest receivable	2,561,445	132,907	2,694,352
Internal balances:			
Due from (to) other funds	2,002,622	(2,002,622)	-
Advances to (from) other funds	2,785,000	(2,785,000)	-
Total current assets	<u>270,896,188</u>	<u>13,490,935</u>	<u>284,387,123</u>
Noncurrent assets:			
Restricted cash and investments	263,442	6,977	270,419
Receivables, net of allowance:			
Loans receivable	70,526	-	70,526
Leases receivable	4,969,662	4,725,232	9,694,894
Land and properties held for resale	1,380,000	-	1,380,000
Capital assets:			
Non-depreciable	61,015,423	5,252,624	66,268,047
Depreciable, net	<u>273,542,237</u>	<u>62,721,724</u>	<u>336,263,961</u>
Total capital assets	<u>334,557,660</u>	<u>67,974,348</u>	<u>402,532,008</u>
Total noncurrent assets	<u>341,241,290</u>	<u>72,706,557</u>	<u>413,947,847</u>
Total assets	<u>612,137,478</u>	<u>86,197,492</u>	<u>698,334,970</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	77,084,124	1,785,046	78,869,170
Related to OPEB	4,872,678	326,288	5,198,966
Loss on refunding of debt	<u>486,668</u>	<u>94,464</u>	<u>581,132</u>
Total deferred outflows of resources	<u>82,443,470</u>	<u>2,205,798</u>	<u>84,649,268</u>

City of Salinas
Statement of Net Position (Continued)
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	12,615,804	1,183,964	13,799,768
Interest payable	600,895	246,131	847,026
Deposits payable	29,353	54,555	83,908
Unearned revenue	53,124,477	-	53,124,477
Long-term debt - due within one year	8,341,358	1,687,000	10,028,358
Compensated absences - due within one year	2,389,880	109,577	2,499,457
Insurance claims payable - due within one year	7,583,807	-	7,583,807
Total current liabilities	84,685,574	3,281,227	87,966,801
Noncurrent liabilities:			
Long-term debt - due in more than one year	113,704,577	21,051,000	134,755,577
Compensated absences - due in more than one year	9,555,786	407,739	9,963,525
Insurance claims payable - due in more than one year	24,393,812	-	24,393,812
Net pension liability	229,694,438	4,380,851	234,075,289
Net OPEB liability	14,555,540	974,677	15,530,217
Total noncurrent liabilities	391,904,153	26,814,267	418,718,420
Total liabilities	476,589,727	30,095,494	506,685,221
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	7,869,794	172,757	8,042,551
Related to OPEB	11,590,136	776,106	12,366,242
Related to leases	5,299,060	4,922,837	10,221,897
Total deferred inflows of resources	24,758,990	5,871,700	30,630,690
NET POSITION			
Net investment in capital assets	212,511,725	45,330,812	257,842,537
Restricted for:			
Housing	4,078,249	-	4,078,249
Capital projects	10,177,262	-	10,177,262
Public safety	2,353,498	-	2,353,498
Highways and streets	30,225,805	-	30,225,805
Debt service	4,715,120	-	4,715,120
Special programs	32,557,052	-	32,557,052
Total restricted	84,106,986	-	84,106,986
Unrestricted (deficit)	(103,386,480)	7,105,284	(96,281,196)
Total net position	\$ 193,232,231	\$ 52,436,096	\$ 245,668,327

City of Salinas
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues				Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 26,298,588	\$ 4,917,588	\$ 16,944,474	\$ 1,456,402	\$ 23,318,464
Public safety	101,997,548	2,180,226	2,083,216	-	4,263,442
Public works	43,345,510	4,505,747	7,084,442	8,609,009	20,199,198
Recreation	11,112,292	595,507	358,836	-	954,343
Library	6,177,286	22,984	334,234	-	357,218
Interest on long-term debt	4,371,939	-	-	-	-
Total governmental activities	193,303,163	12,222,052	26,805,202	10,065,411	49,092,665
Business-type activities:					
Airport	2,535,920	1,977,729	-	-	1,977,729
Industrial Waste	2,556,385	2,186,214	-	-	2,186,214
Sanitary Sewer	4,484,055	3,686,248	-	-	3,686,248
Downtown Parking District	2,157,266	724,955	-	-	724,955
Permit Services	3,250,011	2,879,790	-	-	2,879,790
Total business-type activities	14,983,637	11,454,936	-	-	11,454,936
Total primary government	\$ 208,286,800	\$ 23,676,988	\$ 26,805,202	\$ 10,065,411	\$ 60,547,601

City of Salinas
Statement of Activities (Continued)
For the Year Ended June 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (2,980,124)	\$ -	\$ (2,980,124)
Public safety	(97,734,106)	-	(97,734,106)
Public works	(23,146,312)	-	(23,146,312)
Recreation	(10,157,949)	-	(10,157,949)
Library	(5,820,068)	-	(5,820,068)
Interest on long-term debt	(4,371,939)	(671,380)	(5,043,319)
Total governmental activities	(144,210,498)	(671,380)	(144,881,878)
Business-type activities:			
Airport	-	(558,191)	(558,191)
Industrial Waste	-	(370,171)	(370,171)
Sanitary Sewer	-	(797,807)	(797,807)
Downtown Parking District	-	(1,432,311)	(1,432,311)
Permit Services	-	(370,221)	(370,221)
Total business-type activities	-	(3,528,701)	(3,528,701)
Total primary government	(144,210,498)	(4,200,081)	(148,410,579)
General Revenues and Transfers:			
General revenues:			
Taxes:			
Sales taxes	91,620,947	-	91,620,947
Property taxes	37,124,386	-	37,124,386
Motor vehicle in lieu	165,620	-	165,620
Utility user tax	12,766,039	-	12,766,039
Franchise tax	9,717,168	-	9,717,168
Business tax	6,902,315	-	6,902,315
Transient occupancy tax	3,224,396	-	3,224,396
Other taxes	-	-	-
Total taxes	161,520,871	-	161,520,871
Revenue from Fiduciary Funds	-	949,242	949,242
Investment earnings	6,345,564	503,455	6,849,019
Gain (loss) on sale of capital assets	(47,200)	(2,402,411)	(2,449,611)
Miscellaneous revenue	262,754	866,357	1,129,111
Transfers	(500,615)	500,615	-
Total general revenues and transfers	167,581,374	417,258	167,998,632
Change in net position	23,370,876	(3,782,823)	19,588,053
Net Position:			
Beginning of year	169,861,355	56,218,919	226,080,274
End of year	\$ 193,232,231	\$ 52,436,096	\$ 245,668,327

This page intentionally left blank.

FUND FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. The following funds have been classified as major special revenue funds:

American Rescue Plan Act (ARPA) Special Revenue Fund - On March 11, 2021, President Biden signed the American Rescue Plan Act, which will provide the City with approximately \$51 million in relief funds. This fund accounts for the revenues and expenditures of ARPA proceeds.

Housing and Urban Development Grant Special Revenue Fund - This fund accounts for the use of Community Development Block Grant funds received from the federal government. Other revenues in this fund include repayments of commercial and residential loans and rental income from City property. Funds are used for programs or projects that increase affordable housing and benefit people with special needs such as senior and handicapped citizens.

CAPITAL PROJECTS FUNDS

Capital Projects Fund - This fund accounts for all capital project expenditures. Funds are transferred in from various other funds after expenditures are made. This revolving fund was established with \$2,000,000 and is used to advance capital project expenditures prior to reimbursement of Federal, State, and other construction grants and bond financing.

DEBT SERVICE FUNDS

2019 Special Tax Bond Monte Bella - This fund is used to accumulate monies for the principal and interest payments for the 2019 Special Tax Bonds to finance the acquisition and/or construction of certain public facilities and improvements within the Community Facilities District No. 2016-1 (Monte Bella) Area No. 1-3. The annual levy of special taxes on that area would be used to pay for principal and interest payments on the bonds.

City of Salinas
Balance Sheet
Governmental Funds
June 30, 2023

	Major Funds				
	General Fund	American Rescue Plan Act (ARPA) Special Revenue Fund	Housing and Urban Development Grant Special Revenue Fund	Capital Projects Fund	2019 Special Tax Bond Monte Bella Debt Service Fund
ASSETS					
Cash and investments	\$ 79,058,186	\$ 43,959,341	\$ 6,049,056	\$ 2,000,000	\$ 895,849
Receivables, net:					
Accounts	399,512	-	-	-	-
Taxes	18,380,898	-	-	-	-
Interest	1,087,380	-	18,115	-	-
Due from outside agencies	-	-	1,587,644	-	-
Assessments	-	-	-	-	7,175,000
Leases	1,676,984	-	-	-	-
Due from other funds	8,403,525	-	-	1,387,453	-
Advances to other funds	2,785,000	-	-	-	-
Loans and notes receivable, net of allowance	-	-	53,956	-	-
Land and properties held for resale	-	-	-	-	-
Total assets	\$ 111,791,485	\$ 43,959,341	\$ 7,708,771	\$ 3,387,453	\$ 8,070,849
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,691,371	\$ 1,776,476	\$ 421,969	\$ 1,387,453	\$ -
Due to other funds	17,086,094	-	3,097,712	-	-
Deposits payable	29,353	-	-	-	-
Unearned revenues	-	42,182,865	3,226,612	-	7,175,000
Total liabilities	24,806,818	43,959,341	6,746,293	1,387,453	7,175,000
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	566,865	-	-
Lease-related deferred inflows	1,625,905	-	-	-	-
Total deferred inflows of resources	1,625,905	-	566,865	-	-
Fund Balances (Deficit):					
Nonspendable	2,785,000	-	53,956	-	-
Restricted	6,000,000	-	-	-	895,849
Committed	36,101,009	-	-	2,000,000	-
Assigned	18,387,565	-	-	-	-
Unassigned (deficit)	22,085,188	-	341,657	-	-
Total fund balances (deficit)	85,358,762	-	395,613	2,000,000	895,849
Total liabilities, deferred inflows of resources, and fund balances	\$ 111,791,485	\$ 43,959,341	\$ 7,708,771	\$ 3,387,453	\$ 8,070,849

City of Salinas
Balance Sheet (Continued)
Governmental Funds
June 30, 2023

	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS		
Cash and investments	\$ 77,390,838	\$ 209,353,270
Receivables, net:		
Accounts	82,694	482,206
Taxes	-	18,380,898
Interest	1,390,594	2,496,089
Due from outside agencies	3,375,860	4,963,504
Assessments	540,000	7,715,000
Leases	3,807,349	5,484,333
Due from other funds	-	9,790,978
Advances to other funds	-	2,785,000
Loans and notes receivable, net of allowance	16,570	70,526
Land and properties held for resale	1,380,000	1,380,000
Total assets	\$ 87,983,905	\$ 262,901,804
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 1,121,822	\$ 12,399,091
Due to other funds	3,654,175	23,837,981
Deposits payable	-	29,353
Unearned revenues	540,000	53,124,477
Total liabilities	5,315,997	89,390,902
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	1,432,140	1,999,005
Lease-related deferred inflows	3,673,155	5,299,060
Total deferred inflows of resources	5,105,295	7,298,065
 Fund Balances (Deficit):		
Nonspendable	1,396,570	4,235,526
Restricted	80,661,495	87,557,344
Committed	141,985	38,242,994
Assigned	-	18,387,565
Unassigned (deficit)	(4,637,437)	17,789,408
Total fund balances (deficit)	77,562,613	166,212,837
Total liabilities, deferred inflows of resources, and fund balances	\$ 87,983,905	\$ 262,901,804

This page intentionally left blank.

City of Salinas
Reconciliation of the Governmental Funds Balance Sheet
To the Government-Wide Statement of Net Position
June 30, 2023

Total Fund Balances - Total Governmental Funds	\$ 166,212,837
Amounts reported for Governmental Activities in the Statement of Net Position were different because:	
Capital assets used in the governmental activities were not financial resources and therefore were not reported in the Governmental Funds Balance Sheet.	
Non-depreciable/amortizable	61,015,423
Depreciable/amortizable, net	273,542,237
Total capital assets	334,557,660
Deferred inflows resulting from revenues that are not available to pay for current period expenditures are reported as unavailable in the Governmental Funds Balance Sheet.	
	1,999,005
Long-term liabilities are not due and payable in the current period and therefore were not reported in the Governmental Funds Balance Sheet.	
Compensated absences - due within one year, net of \$22,078 reported in the Internal Service Funds	(2,359,883)
Compensated absences - due in more than one year, net of \$124,164 reported in the Internal Service Funds	(9,439,541)
Insurance claims payable - due in more than one year, net of \$30,776,011 reported in the Internal Service Funds	(1,201,608)
Long-term debt - due within one year	(8,341,358)
Long-term debt - due in more than one year	(113,704,577)
Total long-term liabilities	(135,046,967)
Governmental funds report the effects of debt refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities for the following:	
Deferred loss on refunding of debt	486,668
Total	486,668
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds.	
	(600,895)
Net pension liability and total OPEB liability used in the governmental activities were not financial resources and therefore were not reported in the Governmental Funds Balance Sheet.	
Net pension liability, net of \$1,460,410 reported in the Internal Service Funds	(228,234,028)
Net OPEB liability, net of \$298,025 reported in the Internal Service Funds	(14,257,515)
Total net pension liability and net OPEB liability	(242,491,543)
Deferred outflows of resources related to OPEB and pensions are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds.	
Deferred outflows of resources related to pensions, net of \$595,067 reported in the Internal Service Funds	76,489,057
Deferred outflows of resources related to OPEB, net of \$99,768 reported in the Internal Service Funds	4,772,910
Total deferred outflows of resources	81,261,967
Deferred inflows of resources related to OPEB and pensions are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds.	
Deferred inflows of resources related to pensions, net of \$57,590 reported in the Internal Service Funds	(7,812,204)
Deferred inflows of resources related to OPEB, net of \$237,308 reported in the Internal Service Funds	(11,352,828)
Total deferred inflows of resources	(19,165,032)
Internal service funds are used by management to charge the cost of information technology, vehicle replacement, fleet management and infrastructure to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	
	6,018,531
Net Position of Governmental Activities	\$ 193,232,231

See accompanying Notes to the Basic Financial Statements.

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

	Major Funds				2019 Special Tax Bond Monte Bella Debt Service Fund
	General Fund	American Rescue Plan Act (ARPA) Special Revenue Fund	Housing and Urban Development Grant Special Revenue Fund	Capital Projects Fund	
REVENUES:					
Taxes	\$ 150,598,921	\$ -	\$ -	\$ -	\$ -
Taxes - special assessments	-	-	-	-	519,190
Licenses and permits	10,568,223	-	-	-	-
Intergovernmental	908,898	8,693,064	11,494,933	-	-
Charges for services	5,296,314	-	-	-	-
Investment income (loss)	3,485,836	-	31,747	-	11,371
Rental income	330,717	-	-	-	-
Fines and forfeitures	203,463	-	-	-	-
Miscellaneous	955,765	-	227,453	-	-
Total revenues	172,348,137	8,693,064	11,754,133	-	530,561
EXPENDITURES:					
Current:					
General government	21,640,139	4,529,148	8,098,577	2,029,412	7,125
Public safety	87,579,791	14,205	9,890	266,122	-
Public works	13,861,038	2,322,369	82,285	7,669,366	-
Recreation	6,940,329	715,564	-	690,697	-
Library	5,055,324	-	-	209	-
Capital outlay	811,956	1,111,778	8,231	9,849,168	-
Debt service:					
Principal	811,119	-	-	1,154,173	145,000
Interest and fiscal charges	173,380	-	-	109,168	311,270
Total expenditures	136,873,076	8,693,064	8,198,983	21,768,315	463,395
REVENUES OVER (UNDER) EXPENDITURES	35,475,061	-	3,555,150	(21,768,315)	67,166
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of long-term debt	410,213	-	-	-	-
Transfers in	2,917,795	-	-	21,768,315	-
Transfers out	(23,428,977)	-	(387,350)	-	-
Total other financing sources (uses)	(20,100,969)	-	(387,350)	21,768,315	-
NET CHANGE IN FUND BALANCES	15,374,092	-	3,167,800	-	67,166
FUND BALANCES (DEFICIT):					
Beginning of year	69,984,670	-	(2,772,187)	2,000,000	828,683
End of year	<u>\$ 85,358,762</u>	<u>\$ -</u>	<u>\$ 395,613</u>	<u>\$ 2,000,000</u>	<u>\$ 895,849</u>

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

	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:		
Taxes	\$ 668,442	\$ 151,267,363
Taxes - special assessments	42,792	561,982
Licenses and permits	123,639	10,691,862
Intergovernmental	21,670,736	42,767,631
Charges for services	2,818,038	8,114,352
Investment income (loss)	1,976,452	5,505,406
Rental income	311,076	641,793
Fines and forfeitures	339,672	543,135
Miscellaneous	1,933,926	3,117,144
Total revenues	29,884,773	223,210,668
EXPENDITURES:		
Current:		
General government	2,752,118	39,056,519
Public safety	2,500,199	90,370,207
Public works	1,457,249	25,392,307
Recreation	741,989	9,088,579
Library	315,316	5,370,849
Capital outlay	655,430	12,436,563
Debt service:		
Principal	5,953,000	8,063,292
Interest and fiscal charges	4,502,921	5,096,739
Total expenditures	18,878,222	194,875,055
REVENUES OVER (UNDER) EXPENDITURES	11,006,551	28,335,613
OTHER FINANCING SOURCES (USES):		
Proceeds from issuance of long-term debt	-	410,213
Transfers in	11,230,872	35,916,982
Transfers out	(17,961,070)	(41,777,397)
Total other financing sources (uses)	(6,730,198)	(5,450,202)
NET CHANGE IN FUND BALANCES	4,276,353	22,885,411
FUND BALANCES (DEFICIT):		
Beginning of year	73,286,260	143,327,426
End of year	<u>\$ 77,562,613</u>	<u>\$ 166,212,837</u>

City of Salinas
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Government-Wide
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 22,885,411
Amounts reported for Governmental Activities in the Statement of Net Position were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position the cost of those assets was allocated over their estimated useful lives as depreciation expenses. This is the amount of capital assets recorded in the current period.	16,166,656
Depreciation and amortization expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds.	(16,525,306)
Retirement of capital assets created a loss on the Government-Wide Statement of Activities and Changes in Net Position.	(47,200)
Repayment of long-term liabilities was an expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Principal payment of long-term debt	8,063,292
Amortization of bond premium	(705,417)
GASB 87 activity for did not require the use of current financial resources.	973,584
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. This amount represented the changes in accrued interest from prior year.	46,420
Compensated absences expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(305,168)
Claims payable expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	436,877
Revenues in the Government-Wide Statement of Activities that do not provide current financial resources and are not reported as revenue in the governmental funds.	(6,231,632)
Certain pension credits reported in the Government-Wide Statement of Activities do not provide current financial resources and therefore, are not reported as expenditures in governmental funds.	1,559,169
Certain OPEB expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	1,027,887
The internal service funds are used by management to charge the costs of fleet maintenance, facilities maintenance, and technology to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	(3,973,697)
Change in Net Position of Governmental Activities	<u><u>\$ 23,370,876</u></u>

PROPRIETARY FUNDS FINANCIAL STATEMENTS

Proprietary Funds are used to account for a government's business-type activities (activities supported, at least in part, by fees or charges). Proprietary funds are segregated into Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report business-type activities for which a fee is charged to external users for goods or services. Internal Service Funds on the other hand, are used primarily for services provided to internal users.

The City reports the following enterprise funds:

Airport Fund - This fund is used to account for the enterprise operations of the City-owned airport.

Industrial Waste Fund - This fund is used to account for the enterprise operations of the City-operated Industrial Wastewater Treatment Facility.

Sanitary Sewer Fund - This fund is used to account for the maintenance of the City's sanitary sewer collection system, which is funded by user fees and by the Monterey Regional Water Pollution Control Agency sewer user fees.

Downtown Parking District Fund - This fund was established to account for revenues, operating expenses and debt service associated with the City's parking facilities. The City's paid parking facilities include the Monterey Street Parking Structure, the Salinas Street Garage and four parking lots.

Permit Services Fund - This fund is used to account for the revenues and expenditures associated with providing permitting services to the community.

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.

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

	Major Enterprise Funds			
	Airport	Industrial Waste	Sanitary Sewer	Downtown Parking District
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,319,962	\$ 9,212,999	\$ 1,018,755	\$ 537,996
Receivables, net:				
Accounts	228,903	261,116	767,119	272,712
Accrued interest	33,985	68,020	7,992	-
Due from other funds	-	-	-	-
Total current assets	<u>3,011,934</u>	<u>9,542,135</u>	<u>1,793,866</u>	<u>810,708</u>
Noncurrent assets:				
Restricted cash and investments	-	-	6,977	-
Leases receivable, long term	4,725,232	-	-	-
Capital assets:				
Non-depreciable	1,976,275	2,298,256	959,335	18,758
Depreciable, net	<u>13,760,237</u>	<u>12,955,219</u>	<u>29,217,748</u>	<u>6,674,067</u>
Total capital assets	<u>15,736,512</u>	<u>15,253,475</u>	<u>30,177,083</u>	<u>6,692,825</u>
Total noncurrent assets	<u>20,461,744</u>	<u>15,253,475</u>	<u>30,184,060</u>	<u>6,692,825</u>
Total assets	<u>23,473,678</u>	<u>24,795,610</u>	<u>31,977,926</u>	<u>7,503,533</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions	297,456	148,805	644,566	-
Related to OPEB	41,852	41,332	108,294	4,472
Loss on refunding of debt	-	-	-	94,464
Total deferred outflows of resources	<u>339,308</u>	<u>190,137</u>	<u>752,860</u>	<u>98,936</u>
LIABILITIES				
Current liabilities:				
Accounts payable	75,442	677,290	129,286	186,967
Interest payable	-	11,804	123,125	111,202
Due to other funds	28,535	143,394	33,776	1,793,617
Deposits payable	54,555	-	-	-
Compensated absences - due within one year	18,357	10,612	31,561	790
Long-term debt - due within one year	-	497,000	565,000	625,000
Total current liabilities	<u>176,889</u>	<u>1,340,100</u>	<u>882,748</u>	<u>2,717,576</u>
Noncurrent liabilities:				
Advances from other funds	-	-	-	2,785,000
Compensated absences - due in more than one year	83,474	44,789	112,572	8,567
Long term debt - due in more than one year	-	518,000	12,745,000	7,788,000
Insurance claims payable - due in more than one year	-	-	-	-
Net pension liability	730,016	365,197	1,581,890	-
Net OPEB liability	<u>125,018</u>	<u>123,465</u>	<u>323,494</u>	<u>13,357</u>
Total noncurrent liabilities	<u>938,508</u>	<u>1,051,451</u>	<u>14,762,956</u>	<u>10,594,924</u>
Total liabilities	<u>1,115,397</u>	<u>2,391,551</u>	<u>15,645,704</u>	<u>13,312,500</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions	28,788	14,401	62,381	-
Related to OPEB	99,548	98,312	257,589	10,635
Related to leases	<u>4,922,837</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>5,051,173</u>	<u>112,713</u>	<u>319,970</u>	<u>10,635</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	15,736,512	14,238,475	16,867,083	(1,625,711)
Unrestricted	<u>1,909,904</u>	<u>8,243,008</u>	<u>(101,971)</u>	<u>(4,094,955)</u>
Total net position (deficit)	<u>\$ 17,646,416</u>	<u>\$ 22,481,483</u>	<u>\$ 16,765,112</u>	<u>\$ (5,720,666)</u>

See accompanying Notes to the Basic Financial Statements.

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

	Non-Major Permit Services	Total	Governmental Activities Internal Service Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,096,502	\$ 16,186,214	\$ 22,137,572
Receivables, net:			
Accounts	502	1,530,352	-
Accrued interest	22,910	132,907	65,356
Due from other funds	-	-	16,831,462
Total current assets	<u>3,119,914</u>	<u>18,278,557</u>	<u>39,034,390</u>
Noncurrent assets:			
Restricted cash and investments	-	6,977	263,442
Leases receivable, long term	-	4,725,232	-
Capital assets:			
Non-depreciable	-	5,252,624	-
Depreciable, net	114,453	62,721,724	-
Total capital assets	<u>114,453</u>	<u>67,974,348</u>	<u>-</u>
Total noncurrent assets	<u>114,453</u>	<u>72,706,557</u>	<u>263,442</u>
Total assets	<u>3,234,367</u>	<u>90,985,114</u>	<u>39,297,832</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	694,219	1,785,046	595,067
Related to OPEB	130,338	326,288	99,768
Loss on refunding of debt	-	94,464	-
Total deferred outflows of resources	<u>824,557</u>	<u>2,205,798</u>	<u>694,835</u>
LIABILITIES			
Current liabilities:			
Accounts payable	114,979	1,183,964	216,713
Interest payable	-	246,131	-
Due to other funds	3,300	2,002,622	781,837
Deposits payable	-	54,555	-
Compensated absences - due within one year	48,257	109,577	29,997
Long-term debt - due within one year	-	1,687,000	-
Total current liabilities	<u>166,536</u>	<u>5,283,849</u>	<u>8,612,354</u>
Noncurrent liabilities:			
Advances from other funds	-	2,785,000	-
Compensated absences - due in more than one year	158,337	407,739	116,245
Long term debt - due in more than one year	-	21,051,000	-
Insurance claims payable - due in more than one year	-	-	23,192,204
Net pension liability	1,703,748	4,380,851	1,460,410
Net OPEB liability	389,343	974,677	298,025
Total noncurrent liabilities	<u>2,251,428</u>	<u>29,599,267</u>	<u>25,066,884</u>
Total liabilities	<u>2,417,964</u>	<u>34,883,116</u>	<u>33,679,238</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	67,187	172,757	57,590
Related to OPEB	310,022	776,106	237,308
Related to leases	-	4,922,837	-
Total deferred inflows of resources	<u>377,209</u>	<u>5,871,700</u>	<u>294,898</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	114,453	45,330,812	-
Unrestricted	1,149,298	7,105,284	6,018,531
Total net position (deficit)	<u>\$ 1,263,751</u>	<u>\$ 52,436,096</u>	<u>\$ 6,018,531</u>

See accompanying Notes to the Basic Financial Statements.

City of Salinas
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Major Funds			
	Airport	Industrial Waste	Sanitary Sewer	Downtown Parking District
OPERATING REVENUES:				
Fees	\$ 17,415	\$ 2,186,214	\$ 3,686,248	\$ -
Licenses and permits	-	-	-	724,955
Rental income	1,960,314	-	-	-
Total operating revenues	1,977,729	2,186,214	3,686,248	724,955
OPERATING EXPENSES:				
Personnel services	836,520	521,413	1,980,478	78,014
Administration	206,533	206,627	373,030	200,307
Contractual services	320,441	1,176,945	297,747	1,254,125
Supplies	121,335	85,979	193,131	11,458
Insurance	19,161	19,003	70,820	14,306
Insurance claims	-	-	-	-
Depreciation	942,091	497,096	1,573,044	555,845
Other	89,839	49,322	(4,195)	43,211
Total operating expenses	2,535,920	2,556,385	4,484,055	2,157,266
OPERATING INCOME	(558,191)	(370,171)	(797,807)	(1,432,311)
NONOPERATING REVENUES (EXPENSES):				
Investment income (loss)	170,410	222,287	22,038	-
Interest expense	-	(29,714)	(299,341)	(342,325)
Other nonoperating revenues (expenses)	91,869	(1,150)	3,663	602,088
Total nonoperating revenues (expenses)	262,279	(698,195)	(1,786,433)	259,763
INCOME (LOSS) BEFORE TRANSFERS	(295,912)	(1,068,366)	(2,584,240)	(1,172,548)
TRANSFERS:				
Transfers in	-	1,661,100	-	30,000
Transfers out	(100,604)	(301,897)	(385,207)	(33,130)
Transfers from fiduciary funds	-	-	-	949,242
Total transfers	(100,604)	1,359,203	(385,207)	946,112
Changes in net position	(396,516)	290,837	(2,969,447)	(226,436)
NET POSITION (DEFICIT):				
Beginning of year	18,042,932	22,190,646	19,734,559	(5,494,230)
End of year	<u>\$ 17,646,416</u>	<u>\$ 22,481,483</u>	<u>\$ 16,765,112</u>	<u>\$ (5,720,666)</u>

City of Salinas
Statement of Revenues, Expenses, and Changes in Fund Net Position (Continued)
Proprietary Funds
For the Year Ended June 30, 2023

	Non-Major Permit Services	Total	Governmental Activities Internal Service Funds
OPERATING REVENUES:			
Fees	\$ 1,521,588	\$ 7,411,465	\$ 6,154,920
Licenses and permits	1,358,202	2,083,157	-
Rental income	-	1,960,314	-
Total operating revenues	2,879,790	11,454,936	6,154,920
OPERATING EXPENSES:			
Personnel services	2,557,980	5,974,405	1,949,828
Administration	403,472	1,389,969	-
Contractual services	190,866	3,240,124	200,141
Supplies	35,660	447,563	878,126
Insurance	101,048	224,338	6,961,224
Insurance claims	-	-	5,455,924
Depreciation	17,508	3,585,584	-
Other	(56,523)	121,654	196,016
Total operating expenses	3,250,011	14,983,637	15,641,259
OPERATING INCOME	(370,221)	(3,528,701)	(9,486,339)
NONOPERATING REVENUES (EXPENSES):			
Investment income (loss)	88,720	503,455	242,818
Interest expense	-	(671,380)	-
Other nonoperating revenues (expenses)	169,887	866,357	(89,976)
Total nonoperating revenues (expenses)	258,607	(1,703,979)	152,842
INCOME (LOSS) BEFORE TRANSFERS	(111,614)	(5,232,680)	(9,333,497)
TRANSFERS:			
Transfers in	-	1,691,100	5,359,800
Transfers out	(369,647)	(1,190,485)	-
Transfers from fiduciary funds	-	949,242	-
Total transfers	(369,647)	1,449,857	5,359,800
Changes in net position	(481,261)	(3,782,823)	(3,973,697)
NET POSITION (DEFICIT):			
Beginning of year	1,745,012	56,218,919	9,992,228
End of year	\$ 1,263,751	\$ 52,436,096	\$ 6,018,531

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

	Major Funds			
	Airport	Industrial Waste	Sanitary Sewer	Downtown Parking District
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 1,872,931	\$ 2,272,970	\$ 3,738,087	\$ 601,009
Payments to suppliers	(697,884)	(1,033,996)	(978,325)	(1,401,500)
Payments to employees for services	(783,482)	(500,674)	(1,870,356)	(79,025)
Payments to claimants	-	-	-	-
Other	(89,839)	(49,322)	4,195	(43,211)
Net cash provided (used) by operating activities	301,726	688,978	893,601	(922,727)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Borrowing from other funds	28,535	117,174	-	88,409
Repayment to other funds	-	-	21,653	-
Other	91,869	(1,150)	3,663	602,088
Transfers from other funds	-	1,661,100	-	979,242
Transfers to other funds	(100,604)	(301,897)	(385,207)	(33,130)
Net cash provided by (used in) noncapital financing activities	19,800	1,475,227	(359,891)	1,636,609
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(49,256)	(1,539,072)	(52,302)	-
Payment on capital debt and loans payable	-	(478,000)	(560,000)	(599,000)
Interest paid on capital debt and borrowings	-	(34,535)	(296,693)	(341,654)
Net cash (used in) capital and related financing activities	(49,256)	(2,051,607)	(908,995)	(940,654)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income (loss)	158,788	167,337	16,558	-
Proceeds from leases	(118,199)	-	-	-
Net cash provided by (used in) investing activities	40,589	167,337	16,558	-
Net change in cash and cash equivalents	312,859	279,935	(358,727)	(226,772)
CASH AND CASH EQUIVALENTS:				
Beginning of year	2,007,103	8,933,064	1,384,459	764,768
End of year	<u>\$ 2,319,962</u>	<u>\$ 9,212,999</u>	<u>\$ 1,025,732</u>	<u>\$ 537,996</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:				
Cash and cash investments	\$ 2,319,962	\$ 9,212,999	\$ 1,018,755	\$ 537,996
Restricted cash and investments	-	-	6,977	-
Total cash and cash equivalents	<u>\$ 2,319,962</u>	<u>\$ 9,212,999</u>	<u>\$ 1,025,732</u>	<u>\$ 537,996</u>

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

	Non-Major Permit Services	Total	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 2,879,586	\$ 11,364,583	\$ 6,154,920
Payments to suppliers	(738,124)	(4,849,829)	(2,420,227)
Payments to employees for services	(2,206,079)	(5,439,616)	(1,870,009)
Payments to claimants	-	-	(9,897,111)
Other	56,523	(121,654)	(196,016)
Net cash provided (used) by operating activities	(8,094)	953,484	(8,228,443)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Borrowing from other funds	(8,772)	225,346	781,837
Repayment to other funds	-	21,653	-
Other	169,887	866,357	(89,976)
Transfers from other funds	-	2,640,342	5,359,800
Transfers to other funds	(369,647)	(1,190,485)	-
Net cash provided by (used in) noncapital financing activities	(208,532)	2,563,213	6,051,661
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(79,841)	(1,720,471)	-
Payment on capital debt and loans payable	-	(1,637,000)	-
Interest paid on capital debt and borrowings	-	(672,882)	-
Net cash (used in) capital and related financing activities	(79,841)	(4,030,353)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income (loss)	71,926	414,609	194,500
Proceeds from leases	-	(118,199)	-
Net cash provided by (used in) investing activities	71,926	296,410	194,500
Net change in cash and cash equivalents	(224,541)	(217,246)	(1,982,282)
CASH AND CASH EQUIVALENTS:			
Beginning of year	3,321,043	16,410,437	24,383,296
End of year	<u>\$ 3,096,502</u>	<u>\$ 16,193,191</u>	<u>\$ 22,401,014</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:			
Cash and cash investments	\$ 3,096,502	\$ 16,186,214	\$ 22,137,572
Restricted cash and investments	-	6,977	263,442
Total cash and cash equivalents	<u>\$ 3,096,502</u>	<u>\$ 16,193,191</u>	<u>\$ 22,401,014</u>

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

	Major Funds			
	Airport	Industrial Waste	Sanitary Sewer	Downtown Parking District
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income	\$ (558,191)	\$ (370,171)	\$ (797,807)	\$ (1,432,311)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	942,091	497,096	1,573,044	555,845
Amortization	-	-	-	-
Changes in operating assets and liabilities, and deferred outflows and inflows of resources:				
Accounts receivable, net	(110,468)	86,756	51,839	(123,946)
Deferred outflows - related to pensions	(187,524)	(82,858)	(380,778)	-
Deferred outflows - related to OPEB	1,425	(7,758)	(26,537)	1,647
Accounts payable	(30,414)	454,558	(43,597)	78,696
Deposits payable	5,670	-	-	-
Insurance claims payable	-	-	-	-
Compensated absences	10,047	2,339	(13,670)	5,403
Net pension liability	413,177	175,128	821,616	-
Net OPEB liability	(8,889)	19,580	70,520	(5,578)
Deferred inflows - related to pensions	(181,976)	(112,034)	(443,360)	-
Deferred inflows - related to OPEB	6,778	26,342	82,331	(2,483)
Total adjustments	<u>859,917</u>	<u>1,059,149</u>	<u>1,691,408</u>	<u>509,584</u>
Net cash provided by (used in) operating activities	<u>\$ 301,726</u>	<u>\$ 688,978</u>	<u>\$ 893,601</u>	<u>\$ (922,727)</u>

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

	Non-Major Permit Services	Total	Governmental Activities Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income	\$ (370,221)	\$ (3,528,701)	\$ (9,486,339)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	17,508	3,585,584	-
Amortization	-	-	-
Changes in operating assets and liabilities, and deferred outflows and inflows of resources:			
Accounts receivable, net	(204)	(96,023)	-
Deferred outflows - related to pensions	(474,416)	(1,125,576)	(353,301)
Deferred outflows - related to OPEB	(30,278)	(61,501)	(11,120)
Accounts payable	(7,078)	452,165	53,776
Deposits payable	-	5,670	-
Insurance claims payable	-	-	1,124,301
Compensated absences	(34,690)	(30,571)	15,556
Net pension liability	1,070,245	2,480,166	763,607
Net OPEB liability	79,736	155,369	23,728
Deferred inflows - related to pensions	(354,225)	(1,091,595)	(405,929)
Deferred inflows - related to OPEB	95,529	208,497	47,278
Total adjustments	<u>362,127</u>	<u>4,482,185</u>	<u>1,257,896</u>
Net cash provided by (used in) operating activities	<u>\$ (8,094)</u>	<u>\$ 953,484</u>	<u>\$ (8,228,443)</u>

This page intentionally left blank.

Fiduciary Funds Financial Statements

Fiduciary Funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The City maintains the following Fiduciary Funds:

PRIVATE PURPOSE TRUST FUNDS

These funds are used to account for any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments. This fund also accounts for the Successor Agency of the former Redevelopment Agency which was dissolved on January 31, 2012 pursuant to state law.

PENSION TRUST FUNDS

These funds are used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other employee benefit plans. The City's only pension trust fund is the Deferred Compensation Fund; which allows City employees to invest in trust deeds that are managed by the City with the oversight of an investment committee that is made up of representatives from each of the bargaining units.

CUSTODIAL FUNDS

These funds are used to account for assets held in an agent capacity by the City for individuals, private organizations, other governments and/or other funds that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds.

This page intentionally left blank.

City of Salinas
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	<u>Private Purpose Trust Funds</u>	<u>Pension Trust Fund</u>	<u>Custodial Funds</u>	<u>Fiduciary Funds Total</u>
ASSETS				
Cash and investments	\$ 3,414,200	\$ 12,899,687	\$ 128,537	\$ 16,442,424
Restricted cash and investments held by fiscal agent	1,438,695	-	67,728	1,506,423
Receivables, net:				
Accounts	7,618	-	-	7,618
Interest	11,011	19,535	-	30,546
Loans and notes receivable	163,900	-	-	163,900
Total assets	<u>5,035,424</u>	<u>12,919,222</u>	<u>196,265</u>	<u>18,150,911</u>
LIABILITIES				
Accounts payable	354,006	-	290,124	644,130
Interest payable	12,196	-	-	12,196
Deposits payable	234,995	-	-	234,995
Unearned revenue	806,621	-	-	806,621
Long-term debt:				
Due in one year	1,360,000	-	-	1,360,000
Due in more than one year	148,584	-	-	148,584
Total liabilities	<u>2,916,402</u>	<u>-</u>	<u>290,124</u>	<u>3,206,526</u>
NET POSITION (DEFICIT)				
Restricted for:				
Pensions	-	12,919,222	-	12,919,222
Individuals and organizations	2,119,022	-	(93,859)	2,025,163
Total net position (deficit)	<u>\$ 2,119,022</u>	<u>\$ 12,919,222</u>	<u>\$ (93,859)</u>	<u>\$ 14,944,385</u>

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

	<u>Private Purpose Trust Funds</u>	<u>Pension Trust Fund</u>	<u>Custodial Funds</u>	<u>Total Fiduciary Funds</u>
ADDITIONS:				
Taxes	\$ 5,416,716	\$ -	\$ 456,530	\$ 5,873,246
Miscellaneous	-	281,660	-	281,660
Contributions:				
Plan members	-	-	316,212	316,212
Employer	-	1,198,675	-	1,198,675
Private donations	2,947,456	-	-	2,947,456
Investment earnings (loss)	132,561	(933,204)	-	(800,643)
Total additions	<u>8,496,733</u>	<u>547,131</u>	<u>772,742</u>	<u>9,816,606</u>
DEDUCTIONS:				
Expenses	622,227	-	411,755	1,033,982
Benefit payments	-	1,264,445	19,780	1,284,225
Payments on behalf of trustees	2,894,084	-	-	2,894,084
Contributions to other agencies	2,948,785	-	-	2,948,785
Payments to City	949,243	-	-	949,243
Assessments disbursed to other governments	-	-	457,078	457,078
Total deductions	<u>7,414,339</u>	<u>1,264,445</u>	<u>888,613</u>	<u>9,567,397</u>
Change in net position	1,082,394	(717,314)	(115,871)	249,209
NET POSITION (DEFICIT):				
Beginning of year	<u>1,036,628</u>	<u>13,636,536</u>	<u>22,012</u>	<u>14,695,176</u>
End of year	<u>\$ 2,119,022</u>	<u>\$ 12,919,222</u>	<u>\$ (93,859)</u>	<u>\$ 14,944,385</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

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

Note 1 – Summary of Significant Accounting Policies	55
A. Financial Reporting Entity	55
B. Basis of Presentation, Accounting and Measurement Focus	56
C. Cash, Cash Equivalents, and Investments	60
D. Restricted Cash and Investments	61
E. Fair Value Measurement	61
F. Interfund Transactions	61
G. Receivables	62
H. Leases.....	62
I. Subscription-Based Information Technology Arrangements (SBITAs).....	62
J. Special Assessment Districts	63
K. Prepaid Bond Insurance, Original Issue Discounts and Premiums, Gain/Loss on Refunding.....	63
L. Capital Assets.....	64
M. Land Held for Resale	64
N. Restricted Assets	65
O. Claims Payable.....	65
P. Compensated Absences.....	65
Q. Long-Term Debt and Other Long-Term Obligations.....	65
R. Unearned Revenue	66
S. Deferred Outflows and Inflows of Resources.....	66
T. Net Position and Fund Balance	66
U. Property Taxes	67
V. Pensions	68
W. Other Postemployment Benefits (OPEB)	69
X. Encumbrances	69
Y. Use of Accounting Estimates	69
Z. Self-Insurance	69
AA. Implementation of New GASB Pronouncements For the Year Ended June 30, 2023	70
BB. Upcoming GASB Pronouncements.....	71
Note 2 – Stewardship, Compliance, and Accountability	71
A. Budgeting.....	71
B. Deficit Fund Balances and Net Position	72
C. Debt Compliance.....	73
Note 3 – Cash and Investments.....	73
A. Demand Deposits	74
B. Investments	74
C. Risk Disclosures.....	75
D. Fair Value Measurement.....	76
Note 4 – Restricted Assets.....	79
Note 5 – Taxes Receivable.....	79
Note 6 – Assessments Receivable.....	79
Note 7 – Due from Other Agencies.....	80

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

Note 8 – Leases Receivable	80
Note 9 – Loans and Notes Receivable	81
Note 10 – Interfund Receivables, Payables, and Transfers.....	82
A. Due From and To Other Funds	82
B. Long-Term Advances	83
C. Transfers	84
Note 11 – Capital Assets.....	85
A. Governmental Activities	85
B. Business-Type Activities	86
Note 12 – Land and Properties Held for Resale.....	86
Note 13 – Long-Term Debt	87
A. Governmental Activities	87
B. Business-Type Activities	101
C. Conduit Debt.....	103
D. Fiduciary Activities.....	104
Note 14 – Compensated Absences	106
Note 15 – Risk Management	106
Note 16 – Unearned Revenue and Deferred Inflows of Resources.....	107
Note 17 – Retirement Programs	108
A. Summary	108
B. California Public Employees Retirement System Agent Multiple-Employer Plans	109
C. California Public Employees Retirement System Cost-Sharing Multiple-Employer Plan	115
D. New York Life Single Employer Retirement Plan.....	120
E. ICMA Retirement Corporation Defined Contribution Plan.....	124
F. Deferred Compensation Plans.....	125
Note 18 – Other Postemployment Benefits.....	127
A. General Information about the OPEB Plan.....	127
B. Net OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB.....	129
Note 19 – Net Position and Fund Balances.....	132
A. Government-Wide Financial Statements	132
B. Fund Financial Statements	132
C. Encumbrances	133

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

Note 20 – Other Required Disclosures.....	134
A. Expenditures Exceeding Appropriations.....	134
B. Net Position Deficit and Restrictions.....	134
Note 21 – Joint Venture – Salinas Valley Solid Waste Authority	134
Note 22 – Commitments and Contingencies.....	135

This page intentionally left blank

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

The City was incorporated as a chapter City on March 4, 1874. The City operates under a Council Manager form of government and provides the following services as authorized: Public Safety, Public Works, Recreation Parks, Library and General Government Administrative Services. The City also operates as Airport, a Downtown Parking District, a Sanitary Sewer System, a Water Utility, a Storm Sewer System, and an Industrial Waste Facility.

The basic financial statements of the City, include the financial activities of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The blended component unit, although a legally separate entity, is, in substance, part of the City's operations and so data from this unit is combined with data of the primary government. The City has no discretely presented component units. The City and its blended component unit have June 30 year ends.

Blended Component Unit

The financial reporting entity consists of the primary government, the City, and its component unit. Component units are legally separate entities for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government is accountable and their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended component units, although legally separate entities, are, in substance part of the government's operation and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Blended Component Units (Continued)

The Salinas Public Financing Authority (Authority) – The Authority was established October 6, 1992 pursuant to a Joint Exercise of Powers Agreement by and between the City and the City of Salinas Redevelopment Agency, which is now the Salinas Successor Agency to the former Redevelopment Agency. It was established to refund Central City Revitalization Project tax allocation bonds. The Authority’s purpose is to assist with financing or refinancing of certain public capital facilities within the City.

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 financial activities of the Authority are included in the City’s Debt Service and Enterprise Funds. A financial report is not issued by the Authority.

B. Basis of Presentation, Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

These financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of U.S. GAAP.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government’s citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program. Program revenues for the City are classified in three categories:

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Government-Wide Financial Statements (Continued)

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

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

Governmental Fund Financial Statements

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

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in 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. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days for all revenues except grants, which use a six-month availability period.

Sales taxes, property taxes, franchise taxes, gas taxes, motor vehicle in-lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the government.

Revenue recognition is subject to the measurable and available criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed non-exchange transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary non-exchange transactions have been recognized as revenues when all applicable eligibility requirements have been met.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Financial Statements (Continued)

The City reports the following major governmental funds:

- *General Fund* is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in any other funds.
- *American Rescue Plan Act (ARPA) Special Revenue Fund* On March 11, 2021, President Biden signed the American Rescue Plan Act, which will provide the City with approximately \$51 million in relief funds. This fund accounts for the revenues and expenditures of ARPA proceeds.
- *Housing and Urban Development Grant Special Revenue Fund* accounts for the use of Community Development Block Grant funds received from the federal government. Other revenues in this fund include repayments of commercial and residential loans and rental income from City property. Funds are used for programs or projects that increase affordable housing and benefit people with special needs such as senior and handicapped citizens.
- *Capital Project Fund* accounts for all capital project expenditures. Funds are transferred in from various other funds after expenditures are made. This revolving fund was established with \$2,000,000 and is used to advance capital project expenditures prior to reimbursement of Federal, State, and other construction grants and bond financing.
- *2019 Special Tax Bond Monte Bella Debt Service Fund* is used to accumulate monies for the principal and interest payments for the 2019 Special Tax Bonds to finance the acquisition and/or construction of certain public facilities and improvements within the Community Facilities District No. 2016-1 (Monte Bella) Area No. 1-3. The annual levy of special taxes on that area would be used to pay for principal and interest payments on the bonds.

Proprietary Fund Financial Statements

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

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

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities and business-type activities in the Government-Wide Financial Statements.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Proprietary Fund Financial Statements (Continued)

The City reports the following major enterprise funds:

- *Airport Fund* is used to account for the enterprise operations of the City-owned airport.
- *Industrial Waste Fund* is used to account for the enterprise operations of the City-operated Industrial Wastewater Treatment Facility.
- *Sanitary Sewer Fund* is used to account for the maintenance of the City's sanitary sewer collection system, which is funded by user fees and by the Monterey Regional Water Pollution Control Agency sewer user fees.
- *Downtown Parking District Fund* – is used to account for revenues, operating expenses and debt service associated with the City's parking facilities. The City's paid parking facilities include the Monterey Street Parking Structure, the Salinas Street Garage and four parking lots.

The City's internal service funds include five individual funds which provide services directly to other City funds. These areas of service include risk management, general insurance, workers' compensation, general liability, and fleet maintenance. The Internal Service Funds account for financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent private purpose trust funds, pension trust funds, and custodial funds. These funds are accounted for on the full accrual basis of accounting.

Fiduciary fund types are accounted for according to the nature of the fund.

Private Purpose Trust Funds are a fiduciary fund type used to account for resources held and administrated under trust or similar arrangement for the benefits of individuals, private organizations, or other governments. The City reports the following private purpose trust funds:

- *Successor Agency Redevelopment Obligation Retirement Fund* was created to serve as a custodian for the assets and to wind down the affairs of the RDA on February 1, 2012, pursuant to Assembly Bill x1 26. Its purpose is to expeditiously wind down the affairs of the dissolved Community Development Commission of the City of Rohnert Park (Commission) subject to the direction of a seven-member Oversight Board. This fund accounts for the receipt of property tax revenues pursuant to the Redevelopment Dissolution Act and the assets transferred from the Commission. The Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution pursuant to the Recognized Obligation Payment Schedules approved by the California Department of Finance (DOF) under the Redevelopment Dissolution Act.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Fiduciary Fund Financial Statements (Continued)

- *Successor Agency Administration* – This fund accounts for the administrative activities of the Successor Agency to the former Salinas Redevelopment Agency which was dissolved on February 1, 2012 in accordance with AB 1x26 (enacted June 28, 2011).
- *Other Private Purpose Trust Funds* – These funds are used to account for other trust arrangements not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments. The City accounts for the following trust funds: Community Center, Monterey Regional Water Pollution Control Agency (MRWPCA) Fees, Sales Tax, Payroll Taxes, Developer Deposits, Evidence Room, Construction Bonds, Monterey County Tourism Improvement District, Leadership Salinas, and miscellaneous.

Pension Trust Fund is used to account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other employee benefit plans. The City's only pension trust fund is the Deferred Compensation Fund; which allows City employees to invest in trust deeds that are managed by the City with the oversight of an investment committee that is made up of representatives from each of the bargaining units.

Custodial Funds are used to account for assets held in an agent capacity by the City for individuals, private organizations, other governments and/or other funds that are not required to be reported in pension trust funds, investment trust funds, or private-purpose trust funds.

C. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents - Cash and cash equivalents are considered to be amounts in demand deposits, and short-term investments with original, maturity of three months or less from the date of acquisition. For purposes of both the balance sheet and statements of cash flows, cash and cash equivalents include not only currency on hand, but deposits in the City's cash and investment pool. These deposits have the same characteristics for the participating funds as demand deposit accounts, in that the funds may deposit additional cash at any time and also effectively withdraw cash at any time without prior notice or penalty. Cash and cash equivalents also include restricted cash and money market funds held by fiscal agents. For purposes of cash flows, the City considers all liquid market investments with maturities of one year or less at time of purchase to be cash equivalents. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City pools cash resources from all funds in order to facilitate and maximize the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other fixed income investments with varying terms. Interest earned on investments is allocated to all funds based on average cash and investment balances.

Investments are presented at fair value except as noted below. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Money market investments (such as short-term, highly liquid debt instruments including bankers' acceptances) and securities (notes, bills, and obligations of the U.S. government and its agencies), and participating interest-earning investment contracts (such as negotiable certificates of deposit and repurchase agreements) that have a remaining maturity at the time of purchase of one year or less, are reported at amortized cost, which approximates fair value.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

For purposes of the statement of cash flows, amounts reported as cash and cash equivalents, include amounts on deposit in the City pool and any short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Investment held in Local Agency Investment Fund - The City participates in the Local Agency Investment Fund (“LAIF”), an investment pool managed by the State of California. LAIF has invested portions of the pool funds in structured notes and asset-backed securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as a result of changes in interest rates.

LAIF determines fair value on its investments portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

The City valued its investments in LAIF as of June 30, 2023, by multiplying its account balance with LAIF times a fair value factor determined by LAIF for all LAIF participants by total aggregate amortized cost.

Other Investments - Investments in nonparticipating interest earning contracts (certificate of deposits) are reported at cost, and all other investments are reported at fair value. Fair value is defined as the amount the City could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices.

Deferred Compensation - The Deferred Compensation Plan is invested in deeds of trust secured by real or personal property and in real estate holdings. The trust deeds are considered nonparticipating interest earning investments and are reported at fair market value.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents or the City for the redemption of bonded debt and for acquisition and construction of certain capital projects.

E. Fair Value Measurement

U.S. GAAP establishes a framework for measuring fair value, and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

F. Interfund Transactions

Interfund transactions are reflected as loans, services provided, reimbursements and/or transfers. Loans and balances related to unsettled service transactions are reported as receivables and payables as appropriate, are subject to elimination upon consolidation of similar fund types, and are referred to as either “due to/from other funds,” i.e., the current portion of interfund loans and unsettled service transactions, or “advances to/from other funds,” i.e., the noncurrent portion of interfund loans. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

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

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Interfund Transactions (Continued)

Services provided are deemed to be at market or near market rates and are treated as revenues and expenditures/expenses. Reimbursements are defined as when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Invoices that remain unpaid after 90 days may be referred to collections. An invoice sent to collection is written off.

H. Leases

The City is a lessor for leases of land and recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance or usage of the underlying asset are not included in the measurement of the lease receivable.

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

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

- The City uses the average of the LAIF rate and the incremental borrowing rate (IBR) provided by the City's financial institution at July 1, 2021 for existing leases or the current rate at the time a new lease is executed.
- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

I. Subscription-Based Information Technology Arrangements (SBITAs)

The City has a policy to recognize a SBITA liability and a right-to-use subscription asset (SBITA asset) in our financial statements with an initial, individual value of \$5,000 or more with a subscription term greater than one year.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Subscription-Based Information Technology Arrangements (SBITAs) (Continued)

At the commencement of a subscription, when the subscription asset is placed into service, the SBITA liability is measured at the present value of payments expected to be made during the subscription term. Future subscription payments are discounted using the City's incremental borrowing rate and the City recognizes amortization of the discount on the subscription liability as interest expense in subsequent financial reporting periods.

SBITA assets are measured as the sum of the initial subscription liability, payments made to the SBITA vendor before the commencement of the lease term, and capitalizable implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

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.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the period during which the City has a noncancelable right to use the underlying IT asset. The subscription term also includes periods covered by an option to extend if it is reasonably certain to be exercised.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option years that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of a subscription and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported along with other capital assets and subscription liabilities are reported as long-term debt on the statement of net position.

J. Special Assessment Districts

Special assessments are recorded as receivables when they become a lien on property. Special assessments not considered available are recorded as receivables and offset by unearned revenues. In general, special assessments and special tax bonds are fully secured by liens against the privately owned properties benefited by the improvement for which the bonds were issued. There is no reserve for delinquent receivables since priority liens exist against the related properties and hence the City's management believes value will ultimately be received by the City.

K. Prepaid Bond Insurance, Original Issue Discounts and Premiums, Gain/Loss on Refunding

Prepaid bond insurance costs are amortized using the straight-line method over the life of the bonds. Amortization of these balances are recorded as a component of operating expenses.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Prepaid Bond Insurance, Original Issue Discounts and Premiums, Gain/Loss on Refunding (Continued)

In the government-wide, proprietary fund and fiduciary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund and fiduciary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Original issue premiums are amortized using the straight-line method over the life of the bonds. Gains or losses from refunding of debt are reported as deferred inflows or outflows of resources and amortized over the shorter of the life of the refunded debt or new refunding debt. Amortization of these balances are recorded as a component of interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Capital Assets

Capital assets include land, buildings, improvements, vehicles and equipment, infrastructure, and all other tangible and intangible assets that are used in operations and that have initial useful lives in excess of one year. Capital assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements, the proprietary funds' statement of net position, and the private-purpose trust fund. Capital assets are defined as assets with an initial individual cost of more than \$10,000 for general capital assets and \$100,000 for major infrastructure assets, and an estimated useful life in excess of one year.

Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, market based entry price at the time of contribution. Capital outlay is recorded as expenditures of the governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Amortization of assets acquired under capital leases is based on the shorter of the lease term or the estimated useful life of the asset and is included in depreciation and amortization.

Buildings, improvements, infrastructure, vehicles and equipment, and furniture and fixtures are depreciated using the straight-line method (depreciation is calculated starting with the month following the date the asset was placed in service) over the following estimated useful lives:

Asset Type	Years
Buildings and improvements	20-50
Other improvements	15-45
Infrastructure	10-50
Machinery and equipment	5-20

M. Land and Properties Held for Resale

Land and properties held for resale is being carried at cost, but no greater than the net realizable value. In the fund financial statements, this amount is recorded as a restricted portion of fund balance due to externally imposed grantor restrictions.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Restricted Assets

Assets that are restricted for specific uses by bonded debt requirements, grant provisions or other requirements are classified as restricted because their use is limited by applicable bond covenants or agreements.

O. Claims Payable

Claims and judgments are recognized as expenditures when it is probable that the liability has been incurred and the amount of the loss can be reasonably estimated. This liability is recorded in the internal service fund that accounts for the City's self-insurance activities.

P. Compensated Absences

Vacation, compensatory time, and related benefits are accrued as determined by the agreement between the City and the respective employees' collective bargaining group. For governmental funds, compensated absence obligations are recorded in the appropriate governmental funds when due. The portion not currently due is recorded in the government-wide financial statements. For proprietary funds, compensated absences are expensed when earned by employees. At year-end, the accrued but unpaid compensated absence obligations are recorded as current and non-current liabilities in the appropriate proprietary funds.

Eligible employees may accrue a maximum of 600 annual leave hours (75 days). Any hours accumulated in excess of 600 hours are paid at the employee's adjusted hourly rate of pay. For the Firefighter group the maximum is 840 hours for 56 hour shift employees and 600 for 40 hour shift employees. Employees with fewer than 20 years of service may request pay in lieu of annual leave up to a maximum of 10 days. Employees with more than 20 years of service may request a maximum of 15 days' pay in lieu of annual leave.

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as expenses when earned.

Governmental Fund Financial Statements

For governmental funds, compensated absences are recorded as expenditures in the year paid. The General Fund is typically used to liquidate compensated absences. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

Q. Long-Term Debt and Other Long-Term Obligations

Government-Wide Financial Statements and Proprietary Fund Financial Statements

In the Government-Wide Financial Statements and the proprietary fund types in the Fund Financial Statements, long-term debt and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net positions. Bond premiums and discounts are deferred and amortized over the life of the bonds using effective interest methods. Bonds payable are reported net of the applicable bond premium or discount. In the governmental funds statement of revenue, expenditures and changes in fund balance, issuance of debt is recorded as another financing source (use) in the respective fund. Issuance costs and payment of principal are reported as debt service expenditures.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Long-Term Debt and Other Long-Term Obligations (Continued)

Governmental Fund Financial Statements

The governmental fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position. Governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Debt issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

R. Unearned Revenue

Unearned revenues arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures or when monies are received before the related services are performed. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

S. Deferred Outflows and Inflows of Resources

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

Deferred Outflows of Resources – represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

Deferred Inflows of Resources – represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

T. Net Position and Fund Balance

Net Position Classifications

In the government-wide financial statements, net position is classified in three categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and amortization, outstanding balances of debt and any debt-related deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of these assets reduce the balance of this category.

Restricted Net Position – This category consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Unrestricted Net Position – This category represents net position of the City that is not restricted for any project or purpose and does not meet the criteria for “net investment in capital assets.”

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

T. Net Position and Fund Balance (Continued)

Fund Balances Classifications

As prescribed by U.S. GAAP, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for governmental funds are made up of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in a spendable form, or (b) 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, for example: prepaid items and long-term loans and notes receivable.

Restricted Fund Balance – includes amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance, commit fund balances. Commitments may be changed or lifted only by the City Council taking the same formal actions that imposed the original constraint occurring no later than the close of the reporting period.

Assigned Fund Balance – includes amounts intended to be used by the City for specific purposes through budgetary actions or delegation of authority by the City Council. Intent is expressed by the City Council or an official to whom the City Council has delegated the authority (generally, the City Manager) to assign amounts to be used for specific purposes. This is also the classification for residual funds in the governmental funds other than General Fund.

Unassigned Fund Balance – includes amounts that have not been restricted, committed, or assigned. This includes the residual fund balance of General Fund and residual fund deficits of other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance categories, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

U. Property Taxes

Property taxes are collected on behalf of and remitted to the City by the County of Monterey (the “County”). The amount of property tax levies is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13). The County assesses property values, levies, bills, and collects the related property taxes as follows:

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

U. Property Taxes (Continued)

The City does not have the ability to control the levy rate or the amount of property taxes remitted by the County because these are governed by State law.

The City has not elected to participate in the “Teeter Plan” offered by the County whereby cities receive 100% of secured property and supplemental property taxes levied in exchange for foregoing any interest and penalties collected on the related delinquent taxes. The City retains the right to any interest and penalties collected on the related delinquent taxes. Accordingly, property tax revenues are recognized in the fiscal period for which they are levied and collected, adjusted for any amounts deemed uncollectible and amounts expected to be collected more than 60 days after the fiscal year.

General property taxes are based on either a flat 1% rate applied to the fiscal year 1976 full value of the property or on 1% of the sales price of the property on sales transactions and construction that occur after the fiscal year 1976 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise at a maximum of 2% per year depending on increases in the consumer price index.

V. Pensions

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

The following timeframes are used for pension reporting:

<u>CalPERS Pension Plans</u>	
Valuation date	June 30, 2021
Measurement date	June 30, 2022
Measurement period	July 1, 2021 to June 30, 2022
 <u>NY Life Pension Plan</u>	
Valuation date	September 1, 2021
Measurement date	August 31, 2022
Measurement period	September 1, 2021 to August 31, 2022

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

W. Other Postemployment Benefits (“OPEB”)

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s OPEB Plan and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are reported OPEB reporting:

<u>OPEB</u>	
Valuation date	June 30, 2021
Measurement date	June 30, 2022
Measurement period	July 1, 2021 to June 30, 2022

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the sources of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

X. Encumbrances

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 General, Special Revenue, and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Y. Use of Accounting Estimates

The preparation of the basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of revenues and expenses. Actual results could differ from these estimates and assumptions.

Z. Self-Insurance

The City is self-insured for workers’ compensation, general, automobile, and public liability claims. The City’s estimated liability for claims as of June 30, 2023 is based on the claim manager’s estimate of probable losses plus an amount estimated for incurred but not reported claims. An Internal Service Fund is used to account for the collection of premiums from various City departments related to workers’ compensation claims and general claims liabilities. Premiums are established based on historical claims experience. Additionally, the City contracts with third party administrators for claims management.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

AA. Implementation of New GASB Pronouncements For the Year Ended June 30, 2023

During fiscal year ended June 30, 2023, the City implemented the following new GASB Pronouncements:

GASB Statement No. 91 - In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 94 - In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Implementation of this statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 96 - In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation of this Statement had a moderate effect on the City's financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 99 - In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2023.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

BB. Upcoming GASB Pronouncements

In the next two years, the City will implement the following GASB Pronouncements:

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Application of this statement is effective for the City’s fiscal year ending June 30, 2024.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Application of this statement is effective for the City’s fiscal year ending June 30, 2025.

GASB Statement No. 102 - In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Application of this statement is effective for the City’s fiscal year ending June 30, 2025.

Note 2 – Stewardship, Compliance, and Accountability

A. Budgeting

The Budget is prepared by the City Manager and adopted by City Council. Formal budgetary integration was employed as a management control device during the fiscal year for the General Fund, Special Revenue Funds, and Capital Projects Funds. The City Manager may transfer budget appropriations between departments and Department Directors may transfer appropriations between programs and accounts within their individual departments and divisions, but only the Council by resolution may appropriate funds from reserves or fund balances.

Budgets for General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Reserves for future lease commitments have been established for accounting purposes and the fund balance is reserved for the total lease commitment consistent with budget policies.

Budget policy excludes taxes, interest, and accounts receivable assets, which are not currently available resources for budget purposes, and condemnation deposits which are returned upon right of way acquisition.

Expenditures may not legally exceed budgeted appropriations at the government level. Budgeted amounts shown are as originally adopted or as amended by the City Council during the year. Additional supplementary appropriations were adopted during the mid-year review.

Appropriations lapse at fiscal year end and then are re-budgeted for the coming year. Project-length financial plans are adopted for all capital projects funds and appropriations are carried forward until project completion. Grant funds are carried forward until the grant expires.

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

Note 2 – Stewardship, Compliance, and Accountability (Continued)

A. Budgeting (Continued)

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 year-end are recorded as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

For additional information on budgetary policy and control see Required Supplementary Information.

B. Deficit Fund Balances and Net Position

At June 30, 2023, the following funds had a deficit fund balance or deficit net position:

Fund Type	Fund	Deficit
Governmental	Emergency Medical Services	\$ (370,045)
Governmental	Traffic Safety	(13,721)
Governmental	Assessment District Debt Service	(210,237)
Governmental	Assessment District Administration	(2,178)
Enterprise	Downtown Parking District Fund	(5,720,666)
Internal Service Fund	Workers Compensation	(1,133,188)
Internal Service Fund	General Liability	(4,701,340)
Custodial Fund	Flexible Spending	(93,859)

Nonmajor Funds

The deficit fund balances in the Special Revenue Funds Emergency Medical Services fund of \$370,045 is due to increased expenditures in emergency equipment and supplies. The deficit fund balance in the Traffic Safety Special Revenue Fund of \$13,721 is a result of increased services in vehicle code violations provided by Monterey County. These deficits will decline as claims are submitted for reimbursement to state and federal agencies and unavailable funds become available. The deficit fund balance in the Debt Service Funds Assessment District Debt Service fund of \$210,237 is due to amounts owed to the General Fund. The deficit fund balance in the Debt Service Funds Assessment District Administration fund of \$2,178 is due to amounts owed to the General Fund. This will be cleared in fiscal year 2024 and the fund will be closed out.

Enterprise Funds – Downtown Parking District Fund

The deficit net position in the Downtown Parking District Fund of \$5,720,666 is a result of operating cost in excess of operating revenues and the long-term lease payable amounting to \$8,413,000. This deficit will continue to decline over time as the lease payable is collected.

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

Note 2 – Stewardship, Compliance, and Accountability (Continued)

B. Deficit Fund Balances and Net Position (Continued)

Internal Service Funds

The deficit net position in the General Liability and Workers Compensation internal service funds of \$4,701,340 and \$1,133,188, respectively, are the result of insurance costs exceeding charges for services in the funds. The City is reevaluating their internal service fund allocations in order to ensure that charges for services in internal service funds are sufficient to cover the costs of providing services moving forward.

Custodial Funds

The deficit net position in the custodial Flexible Spending fund is the result of expenses exceeding plan member contributions during the fiscal year. The deficit is expected to be made up through future member contributions.

C. Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

Note 3 – Cash and Investments

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

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Position	Total
Cash and investments	\$ 231,490,842	\$ 16,186,214	\$ 247,677,056	\$ 16,442,424	\$ 264,119,480
Restricted cash and investments	263,442	6,977	270,419	1,506,423	1,776,842
Total cash and investments	\$ 231,754,284	\$ 16,193,191	\$ 247,947,475	\$ 17,948,847	\$ 265,896,322

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

Cash and Cash Equivalents:	
Cash on hand	\$ 35,000
Demand accounts at banks	5,478,408
Money market	49,625,397
Deposits held in trust by fiscal agent	6,201,845
Money market held in trust by fiscal agent	2,127,961
Local Agency Investment Fund	8,175,975
Total cash and cash equivalents	71,644,586
Investments:	
Investments held by fiscal agent	190,434,031
Deferred compensation	3,817,705
Total investments	194,251,736
Total cash and investments	\$ 265,896,322

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

Note 3 – Cash and Investments (Continued)

A. Demand Deposits

The carrying amounts of the City’s demand deposits were \$5,478,408 at June 30, 2023. Bank balances were \$10,280,938 at that date. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City’s name is discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits; however, the City has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

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 that address interest rate risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provision of the California Government Code or the City’s investment policy:

Authorized Investment Types	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer*
Certificates of deposit	5 years	None	None
Repurchase agreements	5 years	None	None
Bankers' acceptances	5 years	None	None
Guaranteed investment contracts	5 years	None	None
U.S. Treasury bills and notes	5 years	None	None
State of California Local Agency Investment Fund	N/A	None	None
Government agency securities	5 years	None	None
Passbook savings accounts	5 years	None	None
Mutual funds	5 years	None	None
Interest bearing checking accounts	N/A	None	None
Commercial paper	5 years	None	None

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

The Deferred Compensation Plan is permitted by City resolution to invest in deeds of trust secured by real or personal property.

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

Note 3 – Cash and Investments (Continued)

B. Investments (Continued)

In accordance with Section 53651 of the California Government Code, the City cannot invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued under the Investment Company Act of 1940 that are authorized investments under Section 53601 of the California Government Code. A five-year maximum maturity for each investment is allowed unless approved by the City Council.

Investment income from cash and investments held by fiscal agents are credited directly to the related funds.

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2023, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2023, the City had \$8,175,975 invested in LAIF, which had invested 0.20% of the pool investment funds in structured notes and asset-backed securities. The fair value of the City's portion in the pool is the same as the value of the pool shares and reported at amortized cost.

C. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses from rising interest rates, the City's investment policy limits the maturity of investments in accordance with Government Code Sections 53601(a)-(n) and 53636(a)-(m). It is the City's policy to ladder investments so that there are always investments coming due to meet cash flow requirements. Because the Local Agency Investment Fund as of June 30, 2023 had an average life of 290 days, it was presented as a cash equivalent with a maturity of 0-12 months. However, LAIF allows the City to make withdrawals of any amount within 24 hours.

At June 30, 2023, the City had the following investment maturities:

Investment Type	Total	Investment Maturities		
		1 year or fewer	1 to 5 years	Over 5 years
Investment agreements - BNY	\$ 184,076,146	\$ 114,198,571	\$ 69,877,575	\$ -
New York Life Pension	6,357,885	6,357,885	-	-
Trust deeds - deferred compensation	3,817,705	-	3,817,705	-
Total investments	\$ 194,251,736	\$ 120,556,456	\$ 73,695,280	\$ -

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

Note 3 – Cash and Investments (Continued)

C. Risk Disclosures (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City 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. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City’s investment policy limits safekeeping of investments to third-party custody. All of the City’s deposits are either insured by the Federal Depository Insurance Corporation (“FDIC”) up to \$250,000 or collateralized with pledge securities held in the trust department of the financial institution in the City’s name.

Disclosures Relating to Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. However, the City’s investment policy calls for portfolio diversification by avoiding over concentration in a specific maturity sector or specific investments. The City’s portfolio is detailed below:

Investment Type	Value	S&P	Moody's	% of Total
Investment agreements:				
US Treasuries	\$ 119,426,037	A	Aaa	61.48%
FHLB	13,174,946	AA+	Aaa	6.78%
FHLMC	2,182,087	AA+	Aaa	1.12%
FNMA	2,972,432	AA+	Aaa	1.53%
FFCB	7,924,374	AA+	Aaa	4.08%
Corporate bonds	28,920,765	A+ to A2	A1 to A2	14.89%
Trust deeds - deferred compensation	3,817,705	NR	NR	1.97%
Money market funds:				
Investment agreements	294,930	AAA	Aaa-mf	0.15%
Wilmington Trust, NA	9,180,575	A-	A2	4.73%
New York Life Fixed Dollar Account	6,357,885	NR	NR	3.27%
Total investments	\$ 194,251,736			100.00%

D. Fair Value Measurement

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 the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

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

Note 3 – Cash and Investments (Continued)

D. Fair Value Measurement (Continued)

Level 2 – Inputs to the valuation methodology include:

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

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

The asset’s level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used, need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by the City’s management. City management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management’s perceived risk of that investment.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals in governmental investment pools, such as LAIF, are made on the basis of \$1 and not fair value. Accordingly, the City’s measured fair value of its proportionate share in these types of investments is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input. Non-negotiable FDIC-insured bank certificates of deposit are priced at par.

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

Note 3 – Cash and Investments (Continued)

D. Fair Value Measurement (Continued)

The City had the following recurring fair value measurements as of June 30, 2023:

Investments measured by fair value level:	June 30, 2023	Level 1	Level 2	Level 3
Investment agreements:				
US Treasuries	\$ 119,426,037	\$ 119,426,037	\$ -	\$ -
FHLB	13,174,946	13,174,946	-	-
FHLMC	2,182,087	2,182,087	-	-
FNMA	2,972,432	2,972,432	-	-
FFCB	7,924,374	7,924,374	-	-
Corporate bonds	28,920,765	28,920,765	-	-
Trust deeds - deferred compensation	3,817,705	-	-	3,817,705
Total investments by fair value level	178,418,346	\$ 174,600,641	\$ -	\$ 3,817,705
Investments not subject to the fair value hierarchy:				
Money market at Rabobank				
Money market funds:				
Fidelity Investment MM Gov	294,930			
Wilmington Trust, NA	9,180,575			
New York Life Fixed Dollar Account	6,357,885			
Total investments not subject to the fair value hierarchy	15,833,390			
Total investments	\$ 194,251,736			

The following is a description of the valuation methods and assumptions used by the City to estimate the fair value of its investments:

- Investments classified within Level 1 of the fair value hierarchy are valued using quoted prices in active markets when available.
- The City held one type of investment that is measured using Level 3 inputs, Trust Deeds. The City administers a Trust Deposit Fund that includes a Deferred Compensation Plan funded solely by the voluntary salary reductions. Trust Deed notes secured by property taken back in foreclosure and held for resale, are valued by independent real estate professionals (market approach), and trust deed notes are valued at their present value (income approach). The valuations are considered Level 3. The value of properties held for resale are reduced for cost of sales. The notes (loans) are valued based on amounts investors would likely pay for notes with interest rates ranging from 6% to 11% discounted to provide loan to values ranging from 50% to 70% depending on property type and condition, borrowers payment history, and term remaining on note.

There have been no changes in the methods and assumptions used at June 30, 2023. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. City management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

Note 4 – Restricted Assets

Certain cash and investments are reported as restricted assets at June 30, 2023 as follows:

Enterprise Funds:	
Sanitary Sewer Fund - restricted for debt service	\$ 6,977
Internal Service Funds:	
Workers Compensation Internal Service Fund	263,442
General Liability Internal Service Fund	-
Total restricted assets - primary government	\$ 270,419
 Fiduciary Funds:	
Private Purpose Trust Funds	\$ 1,438,695
Custodial Funds	67,728
Total restricted assets - fiduciary funds	\$ 1,506,423

Note 5 – Taxes Receivable

Taxes receivable recorded in the General Fund of \$18,380,898 represent amounts due for the quarter ended June 30, 2023 for the following taxes:

Sales tax	\$ 6,515,584
Measure E transaction and use tax	3,075,093
Measure G transaction and use tax	6,171,975
Utility users tax	470,714
Transient occupancy tax	847,168
Franchise tax	777,583
Cannabis tax	285,804
Other taxes	48,480
Property transfer tax	188,497
	\$ 18,380,898

Note 6 – Assessments Receivable

Debt Service Funds – Assessments receivable recorded in the 2019 Special Tax Bond Monte Bella Debt Service Fund and Assessment District Debt Service Fund in the amounts of \$7,175,000 and \$540,000, respectively, at June 30, 2023, will be collected from property owners to retire outstanding bond principal issued for improvements in special assessment districts.

Assessment receivables in the amount of \$7,175,000 are not expected to be collected within the subsequent year.

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

Note 7 – Due From Other Agencies

At June 30, 2023, amounts due from other agencies consisted of the following:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
Special Revenue Funds:				
Association of Monterey Bay Area Govts.	\$ -	\$ -	\$ 25,502	\$ 25,502
CA Emergency Solutions & Housing	-	81,444	-	81,444
CA Highway Users Tax	-	426,545	-	426,545
CDBG Improvement Program	605,801	-	-	605,801
County of Monterey	-	-	863,133	863,133
Emergency Shelter Grant	153,602	-	-	153,602
HOME Investment Program	97,743	-	-	97,743
SB1 Road Maintenance & Rehab	-	323,622	-	323,622
STEP Grant State of California	-	24,248	-	24,248
Transportation Agency for Monterey County	-	-	1,521,546	1,521,546
U.S. Department of Justice	8,333	-	-	8,333
Capital Projects Funds:				
CA Dept. of Transportation	-	283,866	-	283,866
Federal HSIP	849	-	-	849
Monterey Bay Air Resource District	-	-	188,449	188,449
Monterey Bay Unified Air Pollution Control Dist.	-	-	242,844	242,844
Monterey County	-	-	25,769	25,769
Monterey County - RSTP	-	-	90,208	90,208
Primary government total	<u>\$ 866,328</u>	<u>\$ 1,139,725</u>	<u>\$ 2,957,451</u>	<u>\$ 4,963,504</u>

Note 8 – Leases Receivable

The City leases land and easements to third parties. Leases receivable consist of agreements with third parties for the “right-to-use” the underlying assets owned by the City. The remaining terms of the agreements range from one to 28 years. The calculated interest rates used match the City’s incremental borrowing rate at July 1, 2021.

For fiscal year ended June 30, 2023, the City recognized \$1,267,881 in lease revenue and \$396,542 in interest revenue, and the outstanding receivable amount at June 30, 2023 is \$10,638,649.

A summary of changes in the leases receivable for the fiscal year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amounts due within one year	Amounts due in more than one year
Governmental activities	\$ 6,046,059	\$ -	\$ (561,726)	\$ 5,484,333	\$ 514,671	\$ 4,969,662
Business-type activities	5,583,787	-	(429,471)	5,154,316	429,084	4,725,232
Total	<u>\$ 11,629,846</u>	<u>\$ -</u>	<u>\$ (991,197)</u>	<u>\$ 10,638,649</u>	<u>\$ 943,755</u>	<u>\$ 9,694,894</u>

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

Note 8 – Leases Receivable (Continued)

Future lease payments are as follows as of June 30, 2023:

Year Ending June 30	Lease Receivable	Interest	Total
2024	\$ 943,755	\$ 363,066	\$ 1,306,821
2025	813,685	334,209	1,147,894
2026	711,687	307,723	1,019,410
2027	587,282	284,785	872,067
2028	609,890	263,951	873,841
2029-2033	2,741,553	1,033,453	3,775,006
2034-2038	2,705,458	498,575	3,204,033
2039-2043	1,007,741	164,187	1,171,928
2044-2048	420,418	55,152	475,570
2049-2050	97,180	2,366	99,546
Total	<u>\$ 10,638,649</u>	<u>\$ 3,307,467</u>	<u>\$ 13,946,116</u>

As of June 30, 2023, the amounts reported as deferred inflows of resources will be recognized as lease revenue as follows:

Year Ending June 30	Total
2024	\$ 1,162,821
2025	990,183
2026	842,795
2027	728,387
2028	699,114
2029-2033	2,713,514
2034-2038	2,031,695
2039-2043	690,863
2044-2048	300,105
2049-2050	62,420
Total	<u>\$ 10,221,897</u>

Note 9 – Loans and Notes Receivable

At June 30, 2023, loans and notes receivable of the City's major individual funds and nonmajor funds taken in aggregate, including the applicable allowance for uncollectible accounts are as follows:

	CDBG	Low & Moderate Income Housing Asset	Total Governmental Activities	Fiduciary Funds
Loans funded by federal grants:	\$ 20,808,456	\$ -	\$ 20,808,456	\$ -
Economic development real estate developer and other loans	-	10,445,107	10,445,107	163,900
Less: allowance for uncollectibles	(20,754,500)	(10,428,537)	(31,183,037)	-
Total loans, net	<u>\$ 53,956</u>	<u>\$ 16,570</u>	<u>\$ 70,526</u>	<u>\$ 163,900</u>

The City uses funds generated from the former Agency Housing Loans as well as other state and federal funding sources to offer financial assistance to qualified developers, individuals, and families by providing loans at “below market” interest rates.

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

Note 9 – Loans and Notes Receivable (Continued)

Typical loans and related terms are summarized as follows:

<u>Loan Type</u>	<u>Interest Rates</u>	<u>Due</u>
Affordable housing	0 - 4%	up to 55 years
Multi-unit rental rehabilitation	3%	5 or more years
First time home buyer	3%	7 to 40 years
Home improvement	3 - 6%	1 to 30 years

Loans are secured by first or second in lien-property deeds of trust except for first time homebuyer loans, which are all secured by second deeds of trust. Interest and principal are typically due in installments, except for first time homebuyer, which do not require payments until their maturity dates.

The City has also invested in multi-family rental housing projects serving low to moderate income individuals through subordinate loans with terms of up to 55 years. Generally, these loans are to be repaid through fixed payments or net cash flow payments from project operations and the term and potential risk of each loan varies. Because of the net cash flow feature of these subordinate loans, there is greater risk of variability in the timing of payments and, potentially, a lower probability of eventual repayment on these subordinate loans than on other loan types.

Accordingly, for financial statement purposes, the City has established an allowance account for these loans receivable due to the contingent nature of the repayment schedules of these loans.

Note 10 – Interfund Receivables, Payable, and Transfers

A. Due From and To Other Funds

At June 30, 2023, the balances of due from and to other funds were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Grants Special Revenue Fund	\$ 971,750	Cash overdraft
General Fund	Housing and Urban Development Special Revenue Fund	3,067,129	Cash overdraft
General Fund	Downtown Parking District Enterprise Fund	1,793,617	Cash overdraft
General Fund	Emergency Medical Services Special Revenue Fund	303,924	Cash overdraft
General Fund	Development Fees Special Revenue Fund	269	Cash overdraft
General Fund	Lighting, Landscape, and Maintenance Dist Special Revenue Fund	51,188	Cash overdraft
General Fund	Special Construction Assistance Capital Projects Fund	1,158,151	Cash overdraft
General Fund	Traffic Safety Special Revenue Fund	64,245	Cash overdraft
General Fund	Assessment District Debt Service Debt Service Fund	209,237	Cash overdraft
General Fund	Assessment District Administration Debt Service Fund	2,178	Cash overdraft
General Fund	General Liability Internal Service Fund	781,837	Cash overdraft
		<u>8,403,525</u>	
Capital Projects Capital Projects Fund	General Fund	254,632	Capital projects
Capital Projects Capital Projects Fund	Lighting, Landscape and Maintenance Special Revenue Fund	385	Capital projects
Capital Projects Capital Projects Fund	Special Construction Assistance Capital Projects Fund	426,821	Capital projects
Capital Projects Capital Projects Fund	Special Aviation Capital Projects Fund	58,095	Capital projects
Capital Projects Capital Projects Fund	Housing and Urban Development Special Revenue Fund	30,583	Capital projects
Capital Projects Capital Projects Fund	Gas Tax Special Revenue Fund	237,116	Capital projects
Capital Projects Capital Projects Fund	Development Fees Special Revenue Fund	35,642	Capital projects
Capital Projects Capital Projects Fund	Measure X Special Revenue Fund	113,423	Capital projects
Capital Projects Capital Projects Fund	Industrial Waste Enterprise Fund	143,394	Capital projects
Capital Projects Capital Projects Fund	Airport Enterprise Fund	28,535	Capital projects
Capital Projects Capital Projects Fund	Permit Services Enterprise Fund	3,300	Capital projects
Capital Projects Capital Projects Fund	Sanitary Sewer Enterprise Fund	33,776	Capital projects
Capital Projects Capital Projects Fund	SB1 Road Maintenance & Rehab Special Revenue Fund	21,751	Capital projects
		<u>1,387,453</u>	
Workers Compensation Internal Service Fund	General Fund	16,831,462	Claims
		<u>\$ 26,622,440</u>	

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

Note 10 – Interfund Receivables, Payable, and Transfers

B. Long-Term Advances

At June 30, 2023, the balances of long-term advances were as follows:

Advances Due From	Advances Due To
Business-Type Activities:	Governmental Activities General Fund
Downtown Parking	\$ 2,785,000
Total business-type activities	<u>2,785,000</u>
Total primary government	<u><u>\$ 2,785,000</u></u>

Advances from the General Fund to the Downtown Parking District Fund total \$2,785,000 at June 30, 2023. The advances helped subsidize operations in the Downtown Parking District Fund as program needs, including sources and uses, were established. As the Downtown Parking District becomes fully self-sufficient, a plan will be established to pay back the advance from the General Fund over time.

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

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

C. Transfers

Interfund transfers during the year ended June 30, 2023, consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Gas Tax Special Revenue Fund	\$ 1,800,000	Capital projects/debt service
General Fund	Traffic Safety Special Revenue Fund	200,000	Capital projects/debt service
General Fund	Special Construction Assistance Capital Projects Fund	917,795	Operating costs
	Subtotal General Fund	<u>2,917,795</u>	
Capital Projects Capital Projects Fund	General Fund	7,745,616	Capital projects
Capital Projects Capital Projects Fund	Lighting, Landscape and Maintenance Special Revenue Fund	137,735	Capital projects
Capital Projects Capital Projects Fund	Development Fees Special Revenue Fund	403,473	Capital projects
Capital Projects Capital Projects Fund	Gas Tax Special Revenue Fund	1,155,423	Capital projects
Capital Projects Capital Projects Fund	Emergency Medical Services Special Revenue Fund	18,170	Capital projects
Capital Projects Capital Projects Fund	Measure X Special Revenue Fund	1,451,388	Capital projects
Capital Projects Capital Projects Fund	SB1 Road Maintenance & Rehab Special Revenue Fund	1,754,856	Capital projects
Capital Projects Capital Projects Fund	Affordable Housing Special Revenue Fund	5,995	Capital projects
Capital Projects Capital Projects Fund	Housing and Urban Development Special Revenue Fund	387,350	Capital projects
Capital Projects Capital Projects Fund	Special Aviation Capital Projects Fund	637,450	Capital projects
Capital Projects Capital Projects Fund	Special Construction Assistance Capital Projects Fund	7,162,760	Capital projects
Capital Projects Capital Projects Fund	Airport Enterprise Fund	22,313	Capital projects
Capital Projects Capital Projects Fund	Industrial Waste Enterprise Fund	228,605	Capital projects
Capital Projects Capital Projects Fund	Sanitary Sewer Enterprise Fund	287,534	Capital projects
Capital Projects Capital Projects Fund	Permit Services Enterprise Fund	369,647	Capital projects
	Subtotal Capital Projects Capital Projects Fund	<u>21,768,315</u>	
COP 2018B T.R.I.P. Debt Service Fund	Measure X Special Revenue Fund	2,316,025	Debt service
2018 Lease El Gabilan Library Debt Service Fund	General Fund	783,718	Debt service
2018 Lease-PS Building Police Debt Service Fund	General Fund	4,469,926	Debt service
COP 1999 & 2004 Debt Service Fund	General Fund	58,245	Debt service
2020A Refunding SVSWA Debt Service Fund	General Fund	668,735	Debt service
Industrial Waste Enterprise Fund	General Fund	1,661,100	Capital projects/debt service
Downtown Parking District Enterprise Fund	General Fund	30,000	Debt service
Emergency Medical Services Enterprise Fund	General Fund	1,357,500	Operating subsidy
Vehicle Abatement Special Revenue Fund	General Fund	50,000	Operating subsidy
2020A Refunding Energy Debt Service Fund	General Fund	1,244,337	Debt service
2020A Refunding Energy Debt Service Fund	Airport Enterprise Fund	78,291	Debt service
2020A Refunding Energy Debt Service Fund	Industrial Waste Enterprise Fund	73,292	Debt service
2020A Refunding Energy Debt Service Fund	Sanitary Sewer Enterprise Fund	97,673	Debt service
2020A Refunding Energy Debt Service Fund	Downtown Parking District Enterprise Fund	33,130	Debt service
	Subtotal 2020A Refunding Energy Debt Service Fund	<u>1,526,723</u>	
General Insurance Internal Service Fund	General Fund	500,000	Operating subsidy
General Liability Internal Service Fund	General Fund	2,700,000	Operating subsidy
Workers' Comp Self Insurance Internal Service Fund	General Fund	39,800	Operating subsidy
Fleet Internal Service Fund	General Fund	2,120,000	Operating subsidy
	Total	\$ <u>42,967,882</u>	

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

Note 11 – Capital Assets

A. Governmental Activities

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

Governmental Activities:	Balance July 1, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
<i>Non-depreciable/amortizable assets:</i>					
Land	\$ 25,899,986	\$ 7,087,547	\$ -	\$ (4,407)	\$ 32,983,126
Construction in progress	24,424,091	4,755,112	-	(1,146,906)	28,032,297
Total non-depreciable/amortizable assets	50,324,077	11,842,659	-	(1,151,313)	61,015,423
<i>Depreciable/amortizable assets</i>					
Buildings and improvements	135,129,108	-	-	-	135,129,108
Improvements other than buildings	50,677,352	-	-	-	50,677,352
Machinery and equipment	45,951,417	3,902,759	(907,705)	245,481	49,191,952
Infrastructure	421,150,155	-	-	905,832	422,055,987
Right-to-use assets - leases	539,511	11,025	-	-	550,536
Right-to-use assets - subscriptions	-	410,213	-	-	410,213
Total depreciable/amortizable assets	653,447,543	4,323,997	(907,705)	1,151,313	658,015,148
<i>Accumulated depreciation/amortization</i>					
Buildings and improvements	(24,145,777)	(2,723,692)	-	-	(26,869,469)
Improvements other than buildings	(23,288,171)	(1,700,009)	-	-	(24,988,180)
Machinery and equipment	(35,378,865)	(3,200,827)	860,505	-	(37,719,187)
Infrastructure	(285,790,384)	(8,704,363)	-	-	(294,494,747)
Right-to-use assets - leases	(204,913)	(169,207)	-	-	(374,120)
Right-to-use assets - subscriptions	-	(27,208)	-	-	(27,208)
Total accumulated depreciation/amortization	(368,808,110)	(16,525,306)	860,505	-	(384,472,911)
Total depreciable/amortizable assets, net	284,639,433	(12,201,309)	(47,200)	1,151,313	273,542,237
Governmental activities capital assets, net	\$ 334,963,510	\$ (358,650)	\$ (47,200)	\$ -	\$ 334,557,660

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

Governmental Activities:	
General government	\$ 431,241
Police	2,440,357
Fire	1,016,253
Public works, including infrastructure	11,647,369
Recreation and parks	792,263
Library	197,823
Total depreciation/amortization expense - governmental activities	<u>\$ 16,525,306</u>

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

Note 11 – Capital Assets (Continued)

B. Business-Type Activities

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

Business-Type Activities:	Balance July 1, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Nondepreciable assets:					
Land	\$ 3,632,339	\$ -	\$ (1,644)	\$ -	\$ 3,630,695
Construction in progress	2,947,566	1,589,967	(2,406,009)	(509,595)	1,621,929
Total nondepreciable assets	<u>6,579,905</u>	<u>1,589,967</u>	<u>(2,407,653)</u>	<u>(509,595)</u>	<u>5,252,624</u>
Depreciable assets					
Buildings and improvements	25,888,821	-	-	-	25,888,821
Improvements other than buildings	15,461,105	-	-	509,595	15,970,700
Machinery and equipment	7,779,509	132,144	(115,419)	-	7,796,234
Infrastructure	102,709,198	-	-	-	102,709,198
Total depreciable assets	<u>151,838,633</u>	<u>132,144</u>	<u>(115,419)</u>	<u>509,595</u>	<u>152,364,953</u>
Accumulated depreciation:					
Buildings and improvements	(15,901,506)	(693,457)	-	-	(16,594,963)
Improvements other than buildings	(5,904,045)	(741,696)	-	-	(6,645,741)
Machinery and equipment	(5,262,311)	(315,271)	115,419	-	(5,462,163)
Infrastructure	(59,105,202)	(1,835,160)	-	-	(60,940,362)
Total accumulated depreciation	<u>(86,173,064)</u>	<u>(3,585,584)</u>	<u>115,419</u>	<u>-</u>	<u>(89,643,229)</u>
Total depreciable assets, net	<u>65,665,569</u>	<u>(3,453,440)</u>	<u>-</u>	<u>509,595</u>	<u>62,721,724</u>
Business-type activities capital assets, net	<u>\$ 72,245,474</u>	<u>\$ (1,863,473)</u>	<u>\$ (2,407,653)</u>	<u>\$ -</u>	<u>\$ 67,974,348</u>

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

Business-type Activities:	
Airport	\$ 942,091
Industrial Waste	497,096
Sanitary Sewer	1,573,044
Downtown Parking	555,845
Permit Services	17,508
Total depreciation expense - business-type activities	<u>\$ 3,585,584</u>

Note 12 – Land and Properties Held For Resale

Land and properties held for resale at June 30, 2023 consisted of the following:

<u>Special Revenue Fund</u>	
137, 145, & 151 Division Street	\$ 584,419
<u>Affordable Housing Fund - Sunset Avenue Merged Housing</u>	
115 Division Street	230,981
123 Division Street	206,265
923 E. Market Street	358,335
	<u>795,581</u>
Total land and properties held for resale	<u>\$ 1,380,000</u>

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

Note 13 – Long-Term Debt

A. Governmental Activities

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

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Amount due within one year	Amount due in more than one year
Governmental Activities						
Direct borrowings - leases	\$ 56,058,302	\$ -	\$ (4,643,883)	\$ 51,414,419	\$ 4,732,630	\$ 46,681,789
Direct borrowings - subscriptions	-	410,213	(139,409)	270,804	133,728	137,076
total direct borrowings	<u>56,058,302</u>	<u>410,213</u>	<u>(4,783,292)</u>	<u>51,685,223</u>	<u>4,866,358</u>	<u>46,818,865</u>
Certificates of Participation:						
TRIP 2018B	35,370,000	-	(750,000)	34,620,000	800,000	33,820,000
Series 2020A-Twin Creeks	1,975,000	-	(365,000)	1,610,000	380,000	1,230,000
Series 2020B Fairways	3,830,000	-	(110,000)	3,720,000	120,000	3,600,000
Series 2020A-Energy (2014)	14,785,000	-	(935,000)	13,850,000	1,005,000	12,845,000
Series 2020A-SVSWA (2015B)	3,335,000	-	(545,000)	2,790,000	565,000	2,225,000
Bond premium/(discount):						
TRIP 2018B	3,201,501	-	(336,774)	2,864,727	-	2,864,727
TRIP 2018B	(330,999)	-	13,240	(317,759)	-	(317,759)
Series 2020A-Twin Creeks	226,737	-	(45,348)	181,389	-	181,389
Series 2020A-Energy (2014)	2,733,184	-	(248,472)	2,484,712	-	2,484,712
Series 2020A-SVSWA (2015B)	420,933	-	(70,156)	350,777	-	350,777
Total Certificates of Participation:	<u>65,546,356</u>	<u>-</u>	<u>(3,392,510)</u>	<u>62,153,846</u>	<u>2,870,000</u>	<u>59,283,846</u>
Assessment District Bonds:						
Assessment District 2017 Act Bonds	970,000	-	(430,000)	540,000	450,000	90,000
CFD Monte Bella-2019 #1	2,575,000	-	(55,000)	2,520,000	55,000	2,465,000
CFD Monte Bella-2019 #2	2,050,000	-	(40,000)	2,010,000	45,000	1,965,000
CFD Monte Bella-2019 #3	2,695,000	-	(50,000)	2,645,000	55,000	2,590,000
Bond premium/(discount):						
CFD Monte Bella-2019 #1	69,938	-	(2,498)	67,440	-	67,440
CFD Monte Bella-2019 #2	196,888	-	(7,032)	189,856	-	189,856
CFD Monte Bella-2019 #3	242,947	-	(8,377)	234,570	-	234,570
Total Assessment District Bonds	<u>8,799,773</u>	<u>-</u>	<u>(592,907)</u>	<u>8,206,866</u>	<u>605,000</u>	<u>7,601,866</u>
Total governmental activities	<u>\$ 130,404,431</u>	<u>\$ 410,213</u>	<u>\$ (8,768,709)</u>	<u>\$ 122,045,935</u>	<u>\$ 8,341,358</u>	<u>\$ 113,704,577</u>

Direct Borrowing – Leases

Annual debt service requirements to maturity for the City’s leases are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 4,732,630	\$ 2,110,407	\$ 6,843,037
2025	4,642,843	1,899,896	6,542,739
2026	4,633,821	1,688,306	6,322,127
2027	4,280,125	1,473,155	5,753,280
2028	4,199,000	1,265,597	5,464,597
2029-2033	18,050,000	3,417,478	21,467,478
2034-2038	3,246,000	1,808,650	5,054,650
2039-2043	3,070,000	1,210,303	4,280,303
2044-2048	3,725,000	543,325	4,268,325
2049-2051	835,000	16,475	851,475
Total	<u>\$ 51,414,419</u>	<u>\$ 15,433,592</u>	<u>\$ 66,848,011</u>

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

Note 13 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Direct Borrowing – Leases (Continued)

Quantum Tiller Ladder Truck

On January 21, 2014, the City, using lease purchase financing, purchased a Quantum Tiller Ladder Truck for a total of \$1,087,053. The City will make ten annual payments of \$124,848, beginning on March 17, 2015 and ending March 17, 2024 at 2.60% interest. Debt payable of \$121,684 is recorded as Governmental Activities at June 30, 2023.

Debt service requirements to maturity for the Quantum Tiller Ladder Truck are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 121,684	\$ 3,164	\$ 124,848
Total	\$ 121,684	\$ 3,164	\$ 124,848

Pierce Pumper & Tiller

On March 6, 2015, the City, using lease purchase financing, purchased a Pierce Pumper and Tiller for a total of \$1,628,839. The City will make ten annual payments beginning on March 6, 2016 and ending March 6, 2025 at 2.51% interest. Debt payable of \$241,179 is recorded as Governmental Activities at June 30, 2023.

If any event of default occurs, and if the lessee agrees to pay, the lessor may require the lessee to pay all amounts currently due and all remaining rent payments due during the fiscal year in effect when the default occurs with interest at the highest lawful rate from the date of the lessor’s demand for such payment. Also included in this scenario are additional out-of-pocket expenses incurred by the lessor including attorney fees, repossession, safekeeping, storage, repair, reconditioning, and disposition costs. Alternatively, the lessor can require the lessee to return all equipment for the purpose of lease, sale, or otherwise disposition by the lessor.

Debt service requirements to maturity for the Pierce Pumper & Tiller are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 119,097	\$ 6,046	\$ 125,143
2025	122,082	3,060	125,142
Total	\$ 241,179	\$ 9,106	\$ 250,285

2014 Lease/Purchase Agreement

The City of Salinas 2014 Lease/Purchase Agreement was issued by the Salinas Facilities Financing Authority on January 29, 2014. The financing was issued to refund the Animal Shelter COP Series A-1999 (\$2,812,000) and the Monterey Street Parking Structure COP Series A-2004 (\$13,253,000). The Animal Shelter portion of the financing was issued for 19 years (ending September 1, 2032), at an average interest rate of 4.02%. Maximum annual debt service is \$278,646. Debt payable of \$1,481,000 is recorded as Governmental Activities at June 30, 2023.

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

Note 13 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Direct Borrowing – Leases (Continued)

2014 Lease/Purchase Agreement (Continued)

Upon the occurrence of an event of default, the trustee may pursue any available remedy by law or pursuant to the lease agreement to enforce payment of the outstanding amounts. However, there shall be no right under any circumstance to accelerate the lease payments or otherwise declare any lease payments not then in default to be immediately due and payable. After the occurrence of an event of default, the City will surrender possession of the property to the financing authority, if requested to do so.

Debt service requirements to maturity for 2014 Lease/Purchase Agreement are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 171,000	\$ 56,099	\$ 227,099
2025	179,000	49,064	228,064
2026	191,000	41,627	232,627
2027	120,000	35,376	155,376
2028	124,000	30,472	154,472
2029-2033	696,000	72,400	768,400
Total	<u>\$ 1,481,000</u>	<u>\$ 285,038</u>	<u>\$ 1,766,038</u>

Pierce Enforcer Pumper

On October 18, 2017, the City, using lease purchase financing, purchased a Pierce Enforcer Pumper fire engine for a total of \$561,605. The City will make six annual payments of \$101,822, beginning on October 18, 2018 and ending October 18, 2023 at 2.40% interest. Debt payable of \$99,378 is recorded as Governmental Activities at June 30, 2023.

If any event of default occurs, and if the lessee agrees to pay, the lessor may require the lessee to pay all amounts currently due and all remaining rent payments due during the fiscal year in effect when the default occurs with interest at the highest lawful rate from the date of the lessor’s demand for such payment. Also included in this scenario are additional out-of-pocket expenses incurred by the lessor including attorney fees, repossession, safekeeping, storage, repair, reconditioning, and disposition costs. Alternatively, the lessor can require the lessee to return all equipment for the purpose of lease, sale, or otherwise disposition by the lessor.

Debt service requirements to maturity for Pierce Enforcer Pumper are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 99,378	\$ 2,444	\$ 101,822
Total	<u>\$ 99,378</u>	<u>\$ 2,444</u>	<u>\$ 101,822</u>

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

Note 13 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Direct Borrowing – Leases (Continued)

Altec Aerial Lift

On December 19, 2017, the City, using lease purchase financing, purchased an Altec Aerial Lift Truck for a total of \$157,983. The City will make six annual payments of \$28,903, beginning on December 19, 2018 and ending December 19, 2023. Debt payable of \$28,135 is recorded as Governmental Activities at June 30, 2023.

If any event of default occurs, and if the lessee agrees to pay, the lessor may require the lessee to pay all amounts currently due and all remaining rent payments due during the fiscal year in effect when the default occurs with interest at the highest lawful rate from the date of the lessor’s demand for such payment. Also included in this scenario are additional out-of-pocket expenses incurred by the lessor including attorney fees, repossession, safekeeping, storage, repair, reconditioning, and disposition costs. Alternatively, the lessor can require the lessee to return all equipment for the purpose of lease, sale, or otherwise disposition by the lessor.

Debt service requirements to maturity for Altec Aerial Lift are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 28,135	\$ 768	\$ 28,903
Total	\$ 28,135	\$ 768	\$ 28,903

Public Safety Building 2018A

The City of Salinas 2018A Capital Lease was issued by Salinas Public Facilities, Inc. in the amount of \$48,825,000 on June 28, 2018. The purpose of this financing was to raise funds for the construction of a new Public Safety Building (Police Department) within City limits. The City started making semi-annual payments beginning on December 1, 2018 and ending December 1, 2034 at an average interest rate of 3.375%. Maximum annual debt service is \$4,799,181. Debt payable of \$32,865,000 is recorded as Governmental Activities at June 30, 2023.

In the event of an event of default, the trustee shall be entitled to declare the principal of all the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately. Upon such declaration, anything in the indenture or in the bonds contained to the contrary notwithstanding, shall also be due and payable immediately, and interest on the bonds shall cease to accrue on the date of such declaration.

Debt service requirements to maturity for Public Safety Building 2018A are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 3,060,000	\$ 1,414,944	\$ 4,474,944
2025	3,210,000	1,258,194	4,468,194
2026	3,370,000	1,093,694	4,463,694
2027	3,540,000	920,944	4,460,944
2028	3,715,000	739,569	4,454,569
2029-2033	15,970,000	1,212,103	17,182,103
Total	\$ 32,865,000	\$ 6,639,448	\$ 39,504,448

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

Note 13 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Direct Borrowing – Leases (Continued)

El Gabilan Library 2018B

The City of Salinas 2018B Capital Lease was issued by Salinas Public Facilities, Inc. in the amount of \$19,830,000 on June 28, 2018. The purpose of this financing was to raise funds for the construction of a new Public Library (El Gabilan) within City limits. The City started making semi-annual payments beginning on December 1, 2018 and ending December 1, 2048 at an average interest rate of 3.900%. Maximum annual debt service is \$1,152,781. Debt payable of \$13,695,000 is recorded as Governmental Activities at June 30, 2023.

In the event of an event of default, the trustee shall be entitled to declare the principal of all the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately. Upon such declaration, anything in the indenture or in the bonds contained to the contrary notwithstanding, shall also be due and payable immediately, and interest on the bonds shall cease to accrue on the date of such declaration.

Debt service requirements to maturity for El Gabilan Library 2018B are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 235,000	\$ 550,994	\$ 785,994
2025	240,000	539,119	779,119
2026	255,000	526,744	781,744
2027	345,000	512,213	857,213
2028	360,000	495,556	855,556
2029-2033	2,080,000	2,205,375	4,285,375
2034-2038	2,550,000	1,736,250	4,286,250
2039-2043	3,070,000	1,210,303	4,280,303
2044-2048	3,725,000	543,325	4,268,325
2049	835,000	16,475	851,475
Total	<u>\$ 13,695,000</u>	<u>\$ 8,336,354</u>	<u>\$ 22,031,354</u>

Police/Fire Radios & PW Equipment

The City of Salinas Motorola Radios and Public Work Equipment was issued by Banc of America Public Capital Corporation in the amount of \$3,500,000 on August 17, 2018. This equipment replaces old manufactured models and will make Police, Fire, and Public Work operations more efficient. The lease consists of 84 payments, beginning on August 17, 2019 and ending on August 17, 2025 at an average interest rate of 3.120%. Debt payable of \$1,592,553 is recorded as Governmental Activities at June 30, 2023.

Upon the occurrence of an event of default, legal title and physical position of the equipment shall pass to the Lessor, and the City shall have no further interest therein.

Debt service requirements to maturity for Police/Fire Radios & PW Equipment are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 514,627	\$ 49,688	\$ 564,315
2025	530,684	33,631	564,315
2026	547,242	17,073	564,315
Total	<u>\$ 1,592,553</u>	<u>\$ 100,392</u>	<u>\$ 1,692,945</u>

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

Note 13 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Direct Borrowing – Leases (Continued)

2021 Pierce Enforcer Pumpers

In fiscal year 2022, the City, using lease purchase financing, purchased a Pierce Enforcer Pumper fire engine for a total of \$1,330,913. The City will make six annual payments of \$279,747, beginning on December 17, 2021 and ending December 17, 2026 at 1.68% interest. Debt payable of \$1,073,525 is recorded as Governmental Activities at June 30, 2023.

If any event of default occurs, and if the lessee agrees to pay, the lessor may require the lessee to pay all amounts currently due and all remaining rent payments due during the fiscal year in effect when the default occurs with interest at the highest lawful rate from the date of the lessor’s demand for such payment. Also included in this scenario are additional out-of-pocket expenses incurred by the lessor including attorney fees, repossession, safekeeping, storage, repair, reconditioning, and disposition costs. Alternatively, the lessor can require the lessee to return all equipment for the purpose of lease, sale, or otherwise disposition by the lessor.

Debt service requirements to maturity for the 2021 Pierce Enforcer Pumper are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 261,712	\$ 18,035	\$ 279,747
2025	266,109	13,638	279,747
2026	270,579	9,168	279,747
2027	275,125	4,622	279,747
Total	<u>\$ 1,073,525</u>	<u>\$ 45,463</u>	<u>\$ 1,118,988</u>

Minor Leases

The City has entered into various minor leases for equipment such as copiers, etc. that were subject to GASB 87 Leases implementation in fiscal year 2023.

Debt service requirements to maturity for these leases are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 121,997	\$ 8,225	\$ 130,222
2025	94,968	3,190	98,158
Total	<u>\$ 216,965</u>	<u>\$ 11,415</u>	<u>\$ 228,380</u>

Certificates of Participation Bonds

Series 2018B – TRIP

On July 18, 2108, the California Statewide Communities Development Authority Transportation Revenue issued City of Salinas Certificates of Participation, Series 2018B totaling \$37,500,000 at various interest rates plus premium and discounts. The purpose of this financing was to provide expedited funding for the design, acquisition, and construction of local roadway and street improvement projects within the jurisdiction of the City. Debt payable of \$34,620,000 plus premiums and discounts of \$2,864,727 and (\$317,759), respectively, are recorded as Governmental Activities at June 30, 2023.

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

Note 13 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Certificates of Participation Bonds

Series 2018B – TRIP

In the event of an event of default, the trustee shall be entitled to exercise the remedies provided under the agreement to collect the outstanding payments in full, with no grace period permitted.

The annual debt service requirements to maturity for the certificates are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 800,000	\$ 1,522,825	\$ 2,322,825
2025	850,000	1,481,575	2,331,575
2026	890,000	1,442,525	2,332,525
2027	925,000	1,406,225	2,331,225
2028	950,000	1,363,975	2,313,975
2029-2033	5,550,000	6,060,375	11,610,375
2034-2038	7,045,000	4,522,750	11,567,750
2039-2043	8,990,000	2,542,688	11,532,688
2044-2047	8,620,000	616,525	9,236,525
Total	<u>\$ 34,620,000</u>	<u>\$ 20,959,463</u>	<u>\$ 55,579,463</u>

Series 2020A Twin Creeks

On March 16, 1999, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation (Certificates) Series A-1999 totaling \$14,315,000. A portion of the Certificates was allocated for the construction of an animal shelter, \$1,250,338, and the balance of the Certificates, \$13,064,662 was allocated for construction of the new Twin Creeks (9-hole) Golf Course. On August 24, 2004, the City entered into a sublease agreement with the Monterey Peninsula Foundation and its related foundation, Future Citizens Foundation, dba the First Tee of Monterey County providing for the lease of Twin Creeks golf course to Future Citizens Foundation. As a condition of the lease, the City repaid the portion of the 1999 Certificates attributable to the Twin Creeks golf course facility (about 57.5% of the lease payments of \$575,000) and refinanced that golf course portion with a new Refunding issue of Certificate of Participation. On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005A, in the amount of \$8,005,000, to refund the portion of the 1999 Certificates attributed to Twin Creeks. Refunding Certificates Series 2005A were issued for 24 years at 4.22%, and were secured by a lien on Twin Creeks golf course. The net value expense of the funding was \$117,298. The refunding was completed to issue qualified 501 (c) 3 bonds to provide for the operation of Twin Creeks golf course by First Tee of Monterey County. Annual debt service for the 2005A Certificates (\$572,308) was paid by the annual lease payments (\$575,000) from Future Citizens Foundation and guaranteed by the Monterey Peninsula Foundation. At the request of First Tee of Monterey County, on December 6, 2011, the City approved a sublease payment reduction from \$575,000 to \$125,000 (an annual reduction of \$450,000). This request was the result of First Tee’s significant golf course operating losses. With the goal of maintaining a quality of level of service to the thousands of golf youth participants and as the most cost-effective alternative, the City Council approved the General Fund support through fiscal year 2015-16 to offset the reduced amount of the sublease to the First Tee of Monterey County.

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

Note 13 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Certificates of Participation Bonds (Continued)

Series 2020A Twin Creeks (Continued)

On September 1, 2015, the City issued Refunding Certificates of Participation Series 2015, in the amount of \$11,440,000 at a 2.53% interest rate, to refund the outstanding portion of the 2005A Certificates of Participation (Twin Creeks) and the 2005B Certificates of Participation (Capital Improvements). Bond started September 1, 2015 and will end after 12 years on September 1, 2027.

On August 19, 2020, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation, Series 2020A totaling \$2,715,000. The Advance Refunding Certificates were issued to refund the 2015A Twin Creeks Golf Project. Bond started November 1, 2020 and will end after 6 years on November 1, 2026. The advance refunding of the 2015A Twin Creeks Golf Project reduced total debt service payments over the next 6 years by \$134,501. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$222,408. Debt payable of \$1,610,000 is recorded in the governmental activities at June 30, 2023.

In the event of an event of default, the Trustee may and, at the direction of the owners of not less than a majority of the aggregate principal amount of bonds then outstanding, and upon being indemnified to its reasonable satisfaction therefore, shall, upon notice in writing to the City and the Salinas Financing Authority, exercise any of the remedies granted to the Salinas Financing Authority under the lease agreement and, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the owners, either at law or in equity bankruptcy or otherwise, whether for specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right.

The annual debt service requirements to maturity for the certificates are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 380,000	\$ 56,800	\$ 436,800
2025	395,000	41,300	436,300
2026	410,000	25,200	435,200
2027	425,000	8,500	433,500
Total	<u>\$ 1,610,000</u>	<u>\$ 131,800</u>	<u>\$ 1,741,800</u>

Series 2020B Fairways

On August 2008, the City of Salinas was issued Refunding Certificates of Participation Series 2008, in the amount of \$4,660,000 at a variable interest rate, to refund the outstanding portion of the 1999 Certificate pertaining to the Fairways Golf Project. Bond started September 1, 2008 and will end after 30 years on September 1, 2038. Following the execution and delivery of the Certificates of Participation Series 2008, the 1999 Certificates, attributed to the animal shelter, will remain outstanding.

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

Note 13 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Certificates of Participation Bonds (Continued)

Series 2020B Fairways (Continued)

On August 19, 2020, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation, Series 2020B totaling \$4,040,000. The Advance Refunding Certificates were issued to refund the 2008 COP Fairways Golf Project. Bond started November 1, 2020 and will end after 18 years on November 1, 2038. The advance refunding of the 2008 COP Fairways Golf Project reduced total debt service payments over the next 18 years by \$1,311,557. This results in an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$222,581. Debt payable of \$3,720,000 is recorded in the governmental activities at June 30, 2023.

In the event of an event of default, the Trustee may and, at the direction of the owners of not less than a majority of the aggregate principal amount of bonds then outstanding, and upon being indemnified to its reasonable satisfaction therefore, shall, upon notice in writing to the City and the Salinas Financing Authority, exercise any of the remedies granted to the Salinas Financing Authority under the lease agreement and, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the owners, either at law or in equity bankruptcy or otherwise, whether for specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right.

The annual debt service requirements to maturity for the certificates are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 120,000	\$ 93,997	\$ 213,997
2025	135,000	92,537	227,537
2026	155,000	90,619	245,619
2027	165,000	88,184	253,184
2028	185,000	85,126	270,126
2029-2033	1,140,000	354,213	1,494,213
2034-2038	1,475,000	166,875	1,641,875
2039	345,000	5,175	350,175
Total	<u>\$ 3,720,000</u>	<u>\$ 976,726</u>	<u>\$ 4,696,726</u>

Series 2020A Energy (2014)

On November 1, 2014, the City entered into a lease agreement funded through private placement in the amount of \$21,908,000. The project will install LED lighting on streetlights and parking lots in addition to building solar PV installations at the Hitchcock Road Animal Shelter, the Industrial Waste Treatment Plant, the Salinas Municipal Airport, the Permit Center, Sherwood Hall, and the Sewer Lift Station site off Work Street. The Debt Service repayment were set to be over a 17-year period at 3.03% interest beginning May 1, 2016 and ending November 1, 2032. Maximum annual debt service was \$2,005,124.

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

Note 13 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Certificates of Participation Bonds (Continued)

Series 2020A Energy (2014) (Continued)

On August 19, 2020, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation, Series 2020A totaling \$16,190,000. The Advance Refunding Certificates were issued to refund the 2014 Energy Improvement Lease. Bond started November 1, 2020 and will end after 12 years on November 1, 2032. The advanced refunding of the 2014 Energy Lease reduced total debt service payments over the next 12 years by \$1,513,227. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,425,483. Debt payable of \$13,850,000 is recorded as Governmental Activities at June 30, 2023.

In the event of an event of default, the Trustee may and, at the direction of the owners of not less than a majority of the aggregate principal amount of bonds then outstanding, and upon being indemnified to its reasonable satisfaction therefore, shall, upon notice in writing to the City and the Salinas Financing Authority, exercise any of the remedies granted to the Salinas Financing Authority under the lease agreement and, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the owners, either at law or in equity bankruptcy or otherwise, whether for specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right.

The annual debt service requirements to maturity for the certificates are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 1,005,000	\$ 550,950	\$ 1,555,950
2025	1,080,000	509,250	1,589,250
2026	1,155,000	464,550	1,619,550
2027	1,235,000	416,750	1,651,750
2028	1,320,000	365,650	1,685,650
2029-2033	8,055,000	906,775	8,961,775
Total	<u>\$ 13,850,000</u>	<u>\$ 3,213,925</u>	<u>\$ 17,063,925</u>

Series 2020A SVSWA (2015B)

On October 24, 1997, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation (Certificates) Series A-1997 totaling \$11,960,000. The purpose of this financing was to raise money for capital improvement projects and to refund the Authority's Variable Rate Lease Revenue Bonds, which were issued to purchase the 65 W. Alisal Building. The Variable Rate Lease Revenue Bonds Series A-1997 and Series B-1997 were fully retired on November 20, 1997. The outstanding Certificates were secured by liens on City owned assets that included City Hall; Public Safety Building; Steinbeck Library, and 65 W. Alisal Building.

On September 14, 2005, the Salinas Public Financing Authority issued City of Salinas Refunding Certificates of Participation Series 2005B (1997 Capital Improvement Projects). The Refunding Certificates were issued to refund Series A-1997 Certificates. Series 2005B Refunding Certificates were issued in the amount of \$11,705,000 for 24 years at 4.22%. The Refunding Certificates were secured by a lien on the Salinas Community Center with an appraised value of \$13,415,000. With these refunding, liens were removed from the City's Public Safety Building, 65 West Alisal Building and Steinbeck Library.

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

Note 13 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Certificates of Participation Bonds (Continued)

Series 2020A SVSWA (2015B) (Continued)

On September 1, 2015, the City issued Refunding Certificates of Participation Series 2015, in the amount of \$11,440,000 at a 2.53% interest rate, to refund the outstanding portion of the 2005A Certificates of Participation (Twin Creeks) and the 2005B Certificates of Participation (Capital Improvements). Bond started September 1, 2015 and will end after 12 years on September 1, 2027.

On August 19, 2020, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation, Series 2020A totaling \$4,440,000. The Advance Refunding Certificates were issued to refund the 2015B Salinas Valley Solid Waste Authority Bonds. Bond started November 1, 2020 and will end after 7 years on November 1, 2027. The advance refunding of the 2015B Salinas Valley Solid Waste Authority advance refunding reduced total debt service payments over the next 7 years by \$241,953. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$244,664. Debt payable of \$2,790,000 is recorded as Governmental Activities at June 30, 2023.

In the event of an event of default, the Trustee may and, at the direction of the owners of not less than a majority of the aggregate principal amount of bonds then outstanding, and upon being indemnified to its reasonable satisfaction therefore, shall, upon notice in writing to the City and the Salinas Financing Authority, exercise any of the remedies granted to the Salinas Financing Authority under the lease agreement and, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the owners, either at law or in equity bankruptcy or otherwise, whether for specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right.

The annual debt service requirements to maturity for the certificates are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 565,000	\$ 100,300	\$ 665,300
2025	585,000	77,300	662,300
2026	610,000	53,400	663,400
2027	630,000	28,600	658,600
2028	400,000	8,000	408,000
Total	<u>\$ 2,790,000</u>	<u>\$ 267,600</u>	<u>\$ 3,057,600</u>

Assessment District Bonds

At June 30, 2023, outstanding Assessment District Bonds totaled \$7,715,000 plus bond premiums of \$491,866. Bonds issued for improvements in special assessment districts are liabilities of the property owners and are secured by liens against the assessed property. In the case of default, the City has the authority to advance bonds payments from the special reserve fund and to foreclosure on delinquent property. The bonds are secured by a pledge of the net revenue of the Assessment District and may not be used for any other purpose. The total Assessment District Reserve Fund balance was \$1,868,574 at June 30, 2023.

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

Note 13 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Assessment District Bonds (Continued)

Assessment District 2017 Act Bonds

On July 28, 2017 the City issued \$4,555,000 in bonds to refinance the following special assessment district debt:

- 1998 AD 98-1 – Bella Vista III Refunding (\$2,665,000)
- 2000 AD 96-2 – Acacia Park Refunding (\$340,000)
- 2002 RADA – Bella Vista Refunding (\$1,365,000)
- 2002 RADB – Bella Vista Refunding (\$185,000)

The refunding of the assessment districts debt reduced total debt service payments over 9 years by \$937,889. This results was an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$318,303. Maximum debt service is \$882,065, including interest ranging from 2.3% to 2.7% for 9 years. Debt payable of \$540,000 is recorded in Governmental Activities at June 30, 2023.

Upon the occurrence of an event of default, the trustee shall be entitled to exercise the remedies provided under the agreement to compel the City to perform and carry out their duties under the 1913 Act, the 1915 Act, or the 1984 Act and their agreements with the owners provided in the Bond agreement.

Annual debt service requirements to maturity for Assessment District 2017 Act Bonds are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 450,000	\$ 8,095	\$ 458,095
2025	45,000	1,823	46,823
2026	45,000	608	45,608
Total	\$ 540,000	\$ 10,526	\$ 550,526

CFD Monte Bella-2019 – Community Facilities District No. 2016-1 (Monte Bella) of the City of Salinas 2019 Special Tax Bonds (Improvement Area No. 1)

On February 21, 2019, the Bond Purchase Agreement was signed in the amount of \$2,675,000 at various interest rates to finance the acquisition and/or construction of certain public facilities and improvements within Community Facilities District (CFD) No. 2016-1 Improvement Area No. 1 of the district. Debt payable net of premiums of \$2,587,440 is recorded as Governmental Activities at June 30, 2023.

Upon the occurrence of an event of default, the trustee may pursue any available remedy by law to enforce the payment of principal, premium and interest on the outstanding bonds.

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

Note 13 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Assessment District Bonds (Continued)

CFD Monte Bella-2019 – Community Facilities District No. 2016-1 (Monte Bella) of the City of Salinas 2019 Special Tax Bonds (Improvement Area No. 1) (Continued)

Annual debt service requirements to maturity CFD Monte Bella-2019 #1 bonds are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 55,000	\$ 103,669	\$ 158,669
2025	55,000	102,534	157,534
2026	55,000	100,575	155,575
2027	60,000	97,700	157,700
2028	60,000	94,700	154,700
2029-2033	355,000	426,406	781,406
2034-2038	425,000	355,500	780,500
2039-2043	510,000	264,281	774,281
2044-2048	650,000	128,475	778,475
2049-2051	295,000	11,900	306,900
Total	<u>\$ 2,520,000</u>	<u>\$ 1,685,740</u>	<u>\$ 4,205,740</u>

CFD Monte Bella-2019 #2 – Community Facilities District No. 2016-1 (Monte Bella) of the City of Salinas 2019 Special Tax Bonds (Improvement Area No. 2)

On December 1, 2019, the Bond Purchase Agreement was signed in the amount of \$2,090,000 at various interest rates to finance the acquisition and/or construction of certain public facilities and improvements within Community Facilities District (CFD) No. 2016- Improvement Area 2 of the district. Debt payable net of premiums of \$2,199,856 is recorded as Governmental Activities at June 30, 2023.

Upon the occurrence of an event of default, the trustee may pursue any available remedy by law to enforce the payment of principal, premium and interest on the outstanding bonds.

Annual debt service requirements to maturity CFD Monte Bella-2019 #2 bonds are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 45,000	\$ 85,850	\$ 130,850
2025	45,000	84,050	129,050
2026	45,000	82,250	127,250
2027	50,000	80,350	130,350
2028	50,000	78,350	128,350
2029-2033	280,000	359,750	639,750
2034-2038	345,000	300,425	645,425
2039-2043	405,000	235,875	640,875
2044-2048	500,000	126,250	626,250
2049-2051	245,000	12,375	257,375
Total	<u>\$ 2,010,000</u>	<u>\$ 1,445,525</u>	<u>\$ 3,455,525</u>

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

Note 13 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Assessment District Bonds (Continued)

CFD Monte Bella-2019 #3 – Community Facilities District No. 2016-1 (Monte Bella) of the City of Salinas 2019 Special Tax Bonds (Improvement Area No. 3)

On December 20, 2020, the Bond Purchase Agreement was signed in the amount of \$2,695,000 at various interest rates to finance the acquisition and/or construction of certain public facilities and improvements within Community Facilities District (CFD) No. 2016- Improvement Area 3 of the District. Debt payable net of premiums of \$2,879,570 is recorded as Governmental Activities at June 30, 2023.

Upon the occurrence of an event of default, the trustee may pursue any available remedy by law to enforce the payment of principal, premium and interest on the outstanding bonds.

Annual debt service requirements to maturity CFD Monte Bella-2019 #3 bonds are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 55,000	\$ 104,700	\$ 159,700
2025	55,000	102,500	157,500
2026	55,000	100,300	155,300
2027	60,000	98,000	158,000
2028	60,000	95,600	155,600
2029-2033	350,000	438,200	788,200
2034-2038	425,000	360,700	785,700
2039-2043	520,000	266,600	786,600
2044-2048	625,000	152,500	777,500
2049-2051	440,000	27,000	467,000
Total	<u>\$ 2,645,000</u>	<u>\$ 1,746,100</u>	<u>\$ 4,391,100</u>

Subscription-Based Information Technology Arrangements – SBITAs

The City has contracted for the “right-to-use” certain subscription-based information technology software in the governmental activities. The arrangements have interest rates between 2.75% and 3.5%. The value of the right-to-use subscription assets as of the end of the current fiscal year was \$383,005. Subscriptions payable outstanding at June 30, 2023 were \$270,804.

Annual debt service requirements to maturity on subscription liabilities are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 133,728	\$ 6,778	\$ 140,506
2025	137,076	3,431	140,507
Total	<u>\$ 270,804</u>	<u>\$ 10,209</u>	<u>\$ 281,013</u>

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

Note 13 – Long-Term Debt (Continued)

B. Business-Type Activities

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

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Amount due within one year	Amount due in more than one year
Business-type Activities						
Direct borrowings and placements:						
Monterey Parking Garage 2014 lease	\$ 9,012,000	\$ -	\$ (599,000)	\$ 8,413,000	\$ 625,000	\$ 7,788,000
HUD Section 108 loan	1,493,000		(478,000)	1,015,000	497,000	518,000
Total direct borrowings and placements	10,505,000	-	(1,077,000)	9,428,000	1,122,000	8,306,000
Revenue Bonds:						
Wastewater 2020A	13,870,000	-	(560,000)	13,310,000	565,000	12,745,000
Total Revenue Bonds	13,870,000	-	(560,000)	13,310,000	565,000	12,745,000
Total business-type activities	\$ 24,375,000	\$ -	\$ (1,637,000)	\$ 22,738,000	\$ 1,687,000	\$ 21,051,000

2014 Lease/Purchase Agreement

The 2014 Lease/Purchase Agreement was issued by the Salinas Facilities Financing Authority on January 29, 2014. The financing was issued to refund the Animal Shelter COP Series A-1999 (\$2,812,000) and the Monterey Street Parking Structure COP Series A-2004 (\$13,253,000). The Monterey Street Parking Structure portion of the financing was issued for 20 years (ending September 1, 2033), at an average interest rate of 4.02%. Maximum annual debt service is \$963,518. Debt payable of \$8,413,000 is recorded in the Downtown Parking District Enterprise Fund at June 30, 2023 and reported as business-type activities.

Upon the occurrence of an event of default, the trustee may pursue any available remedy by law or pursuant to the lease agreement to enforce payment of the outstanding amounts. However, there shall be no right under any circumstance to accelerate the lease payments or otherwise declare any lease payments not then in default to be immediately due and payable. After the occurrence of an event of default, the City will surrender possession of the property to the financing authority, if requested to do so.

Debt service requirements to maturity is as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 625,000	\$ 325,640	\$ 950,640
2025	646,000	300,093	946,093
2026	674,000	273,561	947,561
2027	700,000	245,944	945,944
2028	731,000	217,181	948,181
2029-2033	4,113,000	612,507	4,725,507
2034-2036	924,000	18,572	942,572
Total	<u>\$ 8,413,000</u>	<u>\$ 1,993,498</u>	<u>\$ 10,406,498</u>

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

Note 13 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Direct Placement Debt

HUD Section 108 Loan

On March 28, 2015, the City entered into a contract for Loan Guarantee Assistance with the Housing and Urban Development Department (HUD), pursuant to which the City will derive funds for the purposes permitted under the agreement, and will execute one or more City Notes in the maximum aggregate principal amount of up to \$9,390,000. The City executed a note numbered as B-12-MC-06-0005 (Community and Economic Development Fund – Industrial Waste Water Conveyance System Project) in the principal amount of \$4,000,000. The City of Salinas has pledged current and future Community Development Block Grants (CDBG) funds as principal security for the loan. The loan carries a variable interest rate of 20 points (0.2%) above the applicable LIBOR rate. Debt payable of \$1,015,000 is recorded in the Industrial Waste Enterprise Fund at June 30, 2023 and is reported as business-type activities.

Upon the event of default, the custodian may take any action available by law, subject to the sections of the agreement, to pursue payment of the outstanding amount, including any additional fees, costs, and expenses incurred by the custodian in connection therewith.

Debt service requirements to maturity is as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 497,000	\$ 21,721	\$ 518,721
2025	518,000	7,382	525,382
Total	\$ 1,015,000	\$ 29,103	\$ 1,044,103

2020A Wastewater Revenue Refunding Bonds – Series 2020A

On February 8, 2012, the City of Salinas issued Sanitary Sewer System Revenue Bonds, Series 2012 in the amount of \$17,995,000 to provide funds for the current refunding of the City’s Sanitary Sewer System Revenue Bonds, Series 1998 and to finance capital replacement of existing sewer mains and other sewer related capital replacement. Maximum annual debt service is \$1,022,406, including interest ranging from 1.0% to 4.4% for 30 years. The City is authorized under Chapter 36, Article II, Division 5 of the Salinas City Code, to levy a sewer fee for the purpose of paying sanitary sewer related expenses of the City. On January 10, 2012, the City Council approved adjustments to wastewater collection fees effective February 1, 2012 to reflect the cost of wastewater conveyance through the Enterprise and an amount to cover debt service. The fee is billed by the Monterey Regional Water Pollution Control Agency.

On December 20, 2020, the Salinas Public Financing Authority issued City of Salinas Certificates of Participation, Series 2020A totaling \$14,425,000. The Advance Refunding Certificates were issued to refund the 2012 Sewer Bonds. Bond started August 1, 2021 and will end after 21 years on August 1, 2042. The advance refunding of the 2012 Sewer Bonds reduced total debt service payments over the next 21 years by \$3,764,601. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,346,741. Debt payable of \$13,310,000 is recorded as Business-type Activities at June 30, 2023.

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

Note 13 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Direct Placement Debt

2020A Wastewater Revenue Refunding Bonds – Series 2020A (Continued)

In the event of an event of default, the trustee shall, at written direction of the owners of not less than a majority in aggregate principal amount of the bonds at the time outstanding, in each case, upon written notice to the City, declare the principal of all the bonds then outstanding, and the interest accrued thereon, to be due and payable immediately.

Debt service requirements and maturity are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ 565,000	\$ 297,532	\$ 862,532
2025	565,000	293,504	858,504
2026	565,000	288,233	853,233
2027	580,000	281,693	861,693
2028	585,000	273,693	858,693
2029-2033	3,080,000	1,200,510	4,280,510
2034-2038	3,430,000	823,218	4,253,218
2039-2043	3,940,000	296,306	4,236,306
Total	<u>\$ 13,310,000</u>	<u>\$ 3,754,689</u>	<u>\$ 17,064,689</u>

C. Conduit Debt

In June 1999, the City of Salinas issued Multifamily Housing Revenue Bonds, Series 1999A (\$5,310,000 tax-exempt) and 1999A-T (\$390,000 taxable) for the construction of a 132-unit senior apartment project. Twenty percent (20%) of the project is designated to be affordable to seniors. As of June 30, 2023, the total conduit debt outstanding related to these bonds is \$2,830,000.

On June 2007, the City of Salinas issued Economics Development Revenue Bonds, Series 2007A (\$18,655,000 tax-exempt) and 2007B (\$1,570,000 taxable) for the acquisition of a building located at 1000 Main Street in Salinas. The building is currently leased in part to the County of Monterey Department of Social Services. The project intends to provide monthly rental at below the market value rates to the County of Monterey, a one-million-dollar premise improvement allowance to the Department of Social Services to renovate and upgrade its space in the building and to generate charitable support for the County’s residents. The debt was refinanced in 2016 as series 2016A and 2016B. As of June 30, 2023, total conduit debt outstanding related to the Economic Development Revenue Bonds is \$12,450,000.

Pursuant to the bond purchase agreements, the City of Salinas has no obligation related to the repayment of these bonds. Accordingly, the bonds are not reported as liabilities in the City’s financial statements.

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

Note 13 – Long-Term Debt (Continued)

D. Fiduciary Activities

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

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Amount due within one year	Amount due in more than one year
<i>Fiduciary Activities</i>						
Direct borrowings and placements:						
Homeless Shelter loan payable	\$ 157,500	\$ -	\$ -	\$ 157,500	\$ -	\$ 157,500
Total direct borrowings and placements	157,500	-	-	157,500	-	157,500
Tax Allocation Refunding Bonds:						
1996 Series A	1,495,000	-	(135,000)	1,360,000	1,360,000	-
1992 Series A	161,133	-	(161,133)	-	-	-
Bond premium/(discount):						
1996 Series A	(17,835)	-	8,919	(8,916)	-	(8,916)
Total Tax Allocation Refunding Bonds	1,638,298	-	(287,214)	1,351,084	1,360,000	(8,916)
Total fiduciary activities	\$ 1,795,798	\$ -	\$ (287,214)	\$ 1,508,584	\$ 1,360,000	\$ 148,584

Loans and Notes Payable

Homeless Shelter Loan – Green Gold Inn

On March 7, 1995, the Salinas Redevelopment Agency – Central Agency Revitalization Project entered into a funding agreement and received a loan from the City of Salinas Community Development Block Grant Fund for the acquisition of property, Green Gold Inn at 28-32 Soledad Street, to establish a homeless center/shelter. The Agency agreed that the property would be used solely for a homeless center/shelter for a period not less than ten years. If the Agency or the organization holding title to the property disposes of the property or alters the use of the property prior to expiration of the ten year period, the Agency will reimburse the City the full amount of the current fair market value less improvement costs.

Upon completion of the ten-year period, one half of the debt, \$157,500, was forgiven. Upon cessation of the homeless center/shelter operations, the City will be reimbursed the fair market value of the property less the portion of the loan paid and improvement costs.

Debt service requirements for Green Gold Inn homeless center/shelter no interest loan are as follows:

Fiscal Year Ending June 30:	Principal	Interest	Total
2024	\$ -	\$ -	\$ -
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029-2033	-	-	-
2034-2038	-	-	-
2039-2041	157,500	-	157,500
Total	<u>\$ 157,500</u>	<u>\$ -</u>	<u>\$ 157,500</u>

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

Note 13 – Long-Term Debt (Continued)

D. Fiduciary Activities (Continued)

Tax Allocation Bonds

On August 28, 1996, the former Salinas Redevelopment Agency issued \$11,145,000 of Tax Allocation Bonds Series A-1996. On October 27, 1992, the former Redevelopment Agency issued \$6,541,178 of Refunding Tax Allocation Bonds Series A-1992. The bonds were issued to complete project improvements in the Central Agency Revitalization Project area. The bonds were repaid from property taxes levied within the Salinas Redevelopment Agency Central City Revitalization Project through January 31, 2012, the dissolution date. This debt is now being paid with taxes received from the Redevelopment Property Tax Trust Fund in accordance with the Recognized Obligation Payments Schedule submitted by the Successor Agency and approved by the State Department of Finance.

The Series A-1996 bond issue has a term bond of \$4,510,000 that matures on November 1, 2023. Debt service payments beginning in fiscal year 2011-2012 are deposits into a sinking fund. The term bonds are subject to redemption prior to maturity from the sinking fund installments on each November 1 on and after November 1, 2011 without premium according to a specified schedule, which is used in these debt service requirements. The outstanding balance at June 30, 2023 was \$1,360,000.

The annual debt service requirements for the 1996 Series A bonds at June 30, 2023 are as follows:

Fiscal Year			
Ending June 30:	Principal	Interest	Total
2024	\$ 1,360,000	\$ 37,400	\$ 1,397,400
Total	\$ 1,360,000	\$ 37,400	\$ 1,397,400

The Series A-1992 bond issue has a term bond of \$2,638,475 that matured on November 1, 2022. Debt service payments beginning in fiscal year 2009-2010 were deposited into a sinking fund. The term bonds were subject to redemption prior to maturity from the sinking fund installments on each November 1 on and after November 1, 2009 without premium according to a specified schedule that is used in these debt service requirements. The outstanding balance at June 30, 2023 was \$0.

Commitment to Monterey Street Parking Structure

In November 2001, the City Council and the Agency entered into a Disposition and Development Agreement (DDA) with Maya Cinema Holding Company LLC for the development of a 14-Screen, 2,916-seat multiplex movie theater complex on the 100 block of Main Street. To serve this and other developments within the 100 blocks, the DDA committed the City/Agency to construct a five-level, 435-space public parking structure on the corner of Monterey Street and Market Street adjacent to the National Steinbeck Center and the Maya Cineplex Theater. The public parking garage opened in June 2005, while the Maya Cinemas Multiplex was completed and opened during July 2005. During FY 2013-14 the Certificates of Participation 2004 that funded the construction of the Monterey Street Parking Structure with a balance of \$13,870,000 at January 2014, was refinanced through the Salinas Facilities Financing Authority by a direct private lease placement with Western Alliance Bancorporation. Because the debt service for the 2004 Certificates was reimbursed to the City from redevelopment tax increment, the savings from the 2004 Certificates was distributed to affected taxing entities as apportioned by the County of Monterey, including a portion for the City, due to the dissolution of the City's Redevelopment Agency. With this refinancing, the average annual debt service requirement was reduced by approximately \$123,000.

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

Note 14 – Compensated Absences

Compensated absences are reported on the Government-Wide Statements for Governmental Activities and Business-type Activities in Long-Term Debt. At June 30, 2023 the liability for all compensated absences totaled \$12,462,982.

Compensated absences are reported on the financial statements in the following funds:

	<u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>	<u>Due within one year</u>	<u>Due in more than one year</u>
Governmental activities:						
General Fund	\$ 8,663,191	\$ 370,608	\$ -	\$ 9,033,799	\$ 1,806,759	\$ 7,227,040
Measure E	1,091,033	-	(259,966)	831,067	166,213	664,854
Measure G	1,484,957	153,994	-	1,638,951	327,790	1,311,161
Special revenue funds	255,075	40,532	-	295,607	59,121	236,486
Internal service funds	130,686	15,556	-	146,242	29,997	116,245
Total governmental activities	<u>11,624,942</u>	<u>580,690</u>	<u>(259,966)</u>	<u>11,945,666</u>	<u>2,389,880</u>	<u>9,555,786</u>
Business-type activities						
Enterprise funds	547,887	-	(30,571)	517,316	109,577	407,739
Total business-type activities	<u>547,887</u>	<u>-</u>	<u>(30,571)</u>	<u>517,316</u>	<u>109,577</u>	<u>407,739</u>
Total primary government	<u>\$ 12,172,829</u>	<u>\$ 580,690</u>	<u>\$ (290,537)</u>	<u>\$ 12,462,982</u>	<u>\$ 2,499,457</u>	<u>\$ 9,963,525</u>

Note 15 – Risk Management

The City has a self-insurance program and carries excess insurance for catastrophic losses. National Casualty Company combined with Berkley National Insurance Company provides General Liability coverage up to a maximum of \$15,000,000 after the self-insured retention of \$1,000,000 per occurrence met. Safety National Casualty Corporation provides Worker’s Compensation excess coverage with statutory coverage (pursuant to California Worker’s Compensation Act) after the self-insurance retention of \$1,000,000 for Public Safety and \$750,000 for non-Public Safety is met.

Liabilities for estimated claims payable for the self-insurance programs represent settled claims, claims incurred but not paid and claims incurred but not reported based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2023 is dependent on future developments, City management has determined the desired reserve level for each self-insurance program as follows and believes the estimates are adequate to cover such losses.

Worker’s Compensation insurance liability of \$28,187,000 includes \$26,349,759 for claims incurred but not paid and \$1,837,241 for claims incurred but not reported which is based on expected claims and past claims history. At June 30, 2023, Worker’s Compensation Insurance liability is reported on the statement of net position. The worker’s compensation fund was established as an Internal Service Fund on July 1, 1991. The portion of the worker’s compensation insurance liability since July 1, 1991, at June 30, 2023 is \$26,985,392 and is reported in the Internal Service Fund and \$1,201,608 is treated as general long-term debt.

General liability insurance liability at June 30, 2023 of \$3,790,619 that is reported in the Internal Service Fund includes \$2,585,637 for claims incurred but not paid and \$1,204,982 for claims incurred but not reported which is based on expected claims and past claims history. A deficit is reported with the internal service funds of \$4,701,340 at June 30, 2023 and is short the City’s goal of reserving three times the self-insured retention plus full funding of all past claims history. The City’s self-insured retention is \$1,000,000 at June 30, 2023.

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

Note 15 – Risk Management (Continued)

At June 30, 2023, the City’s insurance claims liability is recorded as follows:

	Internal Service Funds	General Long-term Debt	Total
Worker's compensation	\$ 26,985,392	\$ 1,201,608	\$ 28,187,000
General liability	3,790,619	-	3,790,619
Total	<u>\$ 30,776,011</u>	<u>\$ 1,201,608</u>	<u>\$ 31,977,619</u>

Changes to the claims liability for fiscal year ended June 30, 2023 are as follows:

	Worker's Compensation	General Liability	Total
Beginning balance of claims liability	\$ 26,950,000	\$ 4,340,195	\$ 31,290,195
Less beginning provisions for incurred but not reported claims	<u>(4,618,964)</u>	<u>(1,078,758)</u>	<u>(5,697,722)</u>
Beginning provisions for incurred but not paid claims	22,331,036	3,261,437	25,592,473
Increase (decrease) in claims incurred and reported	11,508,705	1,160,828	12,669,533
Claims expenses paid	<u>(7,489,982)</u>	<u>(1,836,627)</u>	<u>(9,326,609)</u>
Ending balance provision for incurred but not paid claims	26,349,759	2,585,638	28,935,397
Provisions for incurred but not reported claims	<u>1,837,241</u>	<u>1,204,981</u>	<u>3,042,222</u>
Ending balance of claims liability	<u>\$ 28,187,000</u>	<u>\$ 3,790,619</u>	<u>\$ 31,977,619</u>
Amount due within one year	\$ 4,903,000	\$ 2,680,807	\$ 7,583,807
Amount due in more than one year	<u>23,284,000</u>	<u>1,109,812</u>	<u>24,393,812</u>
Total	<u>\$ 28,187,000</u>	<u>\$ 3,790,619</u>	<u>\$ 31,977,619</u>

Note 16 – Unearned Revenues and Deferred Inflows of Resources

Governmental funds report unearned revenues in connection with funds received, in advance for which assets recognition criteria have been met, but for which revenue recognition criteria have not been met. Receivables for revenues not considered available to liquidate liabilities of the current period are considered unavailable revenues and reported as deferred inflows of resources on the governmental funds. Unearned revenues are stated at \$53,124,477, in the Government-Wide Statements. Governmental funds report \$53,124,477 of unearned revenues and \$1,974,555 of unavailable revenues as deferred inflows of resources that are not available resources.

Unearned revenues of the governmental activities at June 30, 2023 consist of the following:

Governmental Activities:

Major funds:	
American Rescue Plan Act (ARPA) Fund	\$ 42,182,865
2019 Special Tax Montebella	7,175,000
Nonmajor funds:	
Debt service funds:	
Assessment District Debt Service	540,000
Total governmental activities	<u>\$ 53,124,477</u>

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

Note 16 – Unearned Revenues and Deferred Inflows of Resources (Continued)

Unavailable revenues of the governmental activities at June 30, 2023 consist of the following:

Governmental Activities:		<u>Type</u>
Major funds:		
Housing and Urban Development Fund	\$ 566,865	Housing loans
Special revenue funds:		
Affordable Housing Fund	781,469	Housing loans
Grants Fund	86,740	Unavailable grants receivable
Capital projects funds:		
Special Construction Assistance Fund	563,931	Unavailable grants receivable
Total governmental activities	<u>\$ 1,999,005</u>	

Note 17 – Retirement Programs

A. Summary

The City of Salinas provides defined benefit retirement program benefits through the California Public Employees’ Retirement System (“CalPERS”) and New York Life. As of June 30, 2023, the City was contributing to agent multiple-employer defined benefit pension plans and cost-sharing multiple-employer defined benefit pension plans through CalPERS, and was also contributing to a single-employer defined benefit pension plan through New York Life.

Net pension liabilities are reported in the financial statements as follows:

<u>Net Pension Liability</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CalPERS pension plans:			
Agent multiple-employer - Miscellaneous	\$ 33,463,411	\$ 4,380,851	\$ 37,844,262
Agent multiple-employer - Safety Police	131,233,603	-	131,233,603
Cost sharing multiple-employer - Safety Fire	61,288,496	-	61,288,496
New York Life - single employer	3,708,928	-	3,708,928
Total net pension liability	<u>\$ 229,694,438</u>	<u>\$ 4,380,851</u>	<u>\$ 234,075,289</u>

Deferred outflows of resources related to pensions are reported in the financial statements as follows:

<u>Deferred Outflows of Resources</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CalPERS pension plans:			
Agent multiple-employer - Miscellaneous	\$ 13,635,191	\$ 1,785,046	\$ 15,420,237
Agent multiple-employer - Safety Police	34,516,151	-	34,516,151
Cost sharing multiple-employer - Safety Fire	28,786,817	-	28,786,817
New York Life - single employer	145,965	-	145,965
Total deferred outflows of resources	<u>\$ 77,084,124</u>	<u>\$ 1,785,046</u>	<u>\$ 78,869,170</u>

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

Note 17 – Retirement Programs (Continued)

A. Summary (Continued)

Deferred inflows of resources related to pensions are reported in the financial statements as follows:

<u>Deferred Inflows of Resources</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CalPERS pension plans:			
Agent multiple-employer - Miscellaneous	\$ 1,319,622	\$ 172,757	\$ 1,492,379
Agent multiple-employer - Safety Police	2,108,937	-	2,108,937
Cost sharing multiple-employer - Safety Fire	4,431,181	-	4,431,181
New York Life - single employer	10,054	-	10,054
Total deferred inflows of resources	<u>\$ 7,869,794</u>	<u>\$ 172,757</u>	<u>\$ 8,042,551</u>

Pension expense reported in the financial statements as follows:

<u>Pension Expense</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CalPERS pension plans:			
Agent multiple-employer - Miscellaneous	\$ 5,100,623	\$ 731,393	\$ 5,832,016
Agent multiple-employer - Safety Police	16,605,503	-	16,605,503
Cost sharing multiple-employer - Safety Fire	1,692,787	-	1,692,787
New York Life - single employer	(442,184)	-	(442,184)
Total pension expense	<u>\$ 22,956,729</u>	<u>\$ 731,393</u>	<u>\$ 23,688,122</u>

B. California Public Employees Retirement System Agent Multiple-Employer Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City of Salinas' separate Safety (police) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans 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 Local Government 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.

Employees Covered

At June 30, 2022, the measurement date, the following employees were covered by the benefit terms for the Plan:

	<u>Miscellaneous</u>	<u>Safety - Police</u>
Inactive employees or beneficiaries currently receiving benefits	229	292
Inactive employees entitled to, but not yet receiving benefits	282	124
Active employees	306	140
Total	<u>817</u>	<u>556</u>

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

Note 17 – Retirement Programs (Continued)

B. California Public Employees Retirement System Agent Multiple-Employer Plans (Continued)

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.

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

	Miscellaneous	
	Prior to	On or After
	January 1, 2013*	January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible	2.0% to 2.45%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.00%
Required employer contribution rates	8.57%	8.57%

	Safety - Police	
	Prior to	On or After
	January 1, 2013*	January 1, 2013
Hire date		
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52-57
Monthly benefits, as a % of eligible	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	13.50%
Required employer contribution rates	21.18%	21.18%

Contribution Description - Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. 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 City to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The contributions made by the City were as follows:

	Employer Contributions	
Miscellaneous	\$	4,714,221
Safety - Police		13,151,466

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

Note 17 – Retirement Programs (Continued)

B. California Public Employees Retirement System Agent Multiple-Employer Plans (Continued)

Benefits Provided (Continued)

Actuarial Methods and Assumptions used to determine Total Pension Liability - The June 30, 2021 valuation was rolled forward to determine the June 30, 2021 total pension liability, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvement using Society of Actuaries 90% of Scale MP 2016. For more details on this table, please refer to the December 2017 Experience Study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Change in Assumptions

The discount rate lowered from 7.15% in 2022 to 6.90% in 2023. The inflation rate lowered from 2.50% in 2022 to 2.30% in 2023. The payroll growth increased from 2.75% in 2022 to 2.80% in 2023. The investment rate of return lowered from 7.15% in 2022 to 6.90% in 2023. In the prior year, the actuarial report did not have any changes in assumptions.

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

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

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

Note 17 – Retirement Programs (Continued)

B. California Public Employees Retirement System Agent Multiple-Employer Plans (Continued)

Benefits Provided (Continued)

The expected rates of return by asset class are as follows:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10^{1,2}</u>
Global equity - cap-weighted	30.00%	4.45%
Global equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	27.00%
Mortgage-backed Securities	5.00%	50.00%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-59.00%
Total	<u>100.00%</u>	

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

² Figures are based on the 2021-22 Asset Liability Management study.

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

Amortization of Deferred Outflows and Deferred Inflows of Resources - Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

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

Difference between projected and actual earnings on pension plan investments:

- 5 years straight-line amortization

All other amounts:

- Straight-line amortization over the average expected remaining service lives (EARLS) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

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

Note 17 – Retirement Programs (Continued)

B. California Public Employees Retirement System Agent Multiple-Employer Plans (Continued)

Benefits Provided (Continued)

Deferred outflows of resources and deferred inflows of resources relating to Differences between Expected and Actual Experience, Changes of Assumptions and employer-specific amounts should be amortized over the EARSL of members provided with pensions through the Plan. The EARSL for the miscellaneous and safety (police) plans for the June 30, 2022 measurement date are 4.1 and 3.4 years, respectively, which was obtained by dividing the total service years by the total number of participants (active, inactive, and retired) in the Plan. Inactive employees and retirees have remaining service lifetimes equal to zero. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Changes in Net Pension Liability – The following tables show the changes in the net pension liability for each of the City's agent multiple-employer defined benefit pension plans recognized over the measurement period:

	Miscellaneous Plan		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2021 (Valuation Date)	\$ 141,174,194	\$ 123,879,515	\$ 17,294,679
Changes in the year:			
Service cost	3,581,707	-	3,581,707
Interest on the total pension liabilities	9,882,781	-	9,882,781
Changes in assumptions	5,420,045	-	5,420,045
Differences between expected and actual experience	(1,973,792)	-	(1,973,792)
Benefit payments, including refunds of members contributions	(6,365,156)	(6,365,156)	-
Plan to plan resource movement	-	-	-
Contributions - employer	-	4,193,288	(4,193,288)
Contributions - employee	-	1,584,132	(1,584,132)
Net investment income	-	(9,339,092)	9,339,092
Administrative expenses	-	(77,170)	77,170
Net changes	10,545,585	(10,003,998)	20,549,583
Balance at June 30, 2022 (Measurement Date)	<u>\$ 151,719,779</u>	<u>\$ 113,875,517</u>	<u>\$ 37,844,262</u>

	Safety - Police		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2021 (Valuation Date)	\$ 335,307,524	\$ 251,151,937	\$ 84,155,587
Changes in the year:			
Service cost	6,757,790	-	6,757,790
Interest on the total pension liabilities	23,595,755	-	23,595,755
Changes in assumptions	13,527,486	-	13,527,486
Differences between expected and actual experience	(1,552,114)	-	(1,552,114)
Benefit payments, including refunds of members contributions	(17,388,668)	(17,388,668)	-
Plan to plan resource movement	-	-	-
Contributions - employer	-	12,406,841	(12,406,841)
Contributions - employee	-	2,127,269	(2,127,269)
Net investment income	-	(19,126,756)	19,126,756
Administrative expenses	-	(156,453)	156,453
Net changes	24,940,249	(22,137,767)	47,078,016
Balance at June 30, 2022 (Measurement Date)	<u>\$ 360,247,773</u>	<u>\$ 229,014,170</u>	<u>\$ 131,233,603</u>

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

Note 17 – Retirement Programs (Continued)

B. California Public Employees Retirement System Agent Multiple-Employer Plans (Continued)

Benefits Provided (Continued)

Pension Plan Fiduciary Net Position - Detailed information about each plan's fiduciary net position is available in the separately issued CalPERS financial report.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)					
	Discount Rate - 1%		Current Discount		Discount Rate + 1%	
	(5.90%)		Rate (6.90%)		(7.90%)	
Miscellaneous	\$	59,518,251	\$	37,844,262	\$	20,035,281
Safety - Police	\$	181,671,837	\$	131,233,603	\$	90,150,480

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions For the measurement period ending June 30, 2022 (the measurement date), the City of Salinas recognized a pension expense of \$5,832,016 and \$16,605,503 for the miscellaneous and safety (police) plans, respectively.

For the measurement period ending June 30, 2022 (the measurement date), the City of Salinas reports other amounts for the miscellaneous and safety (police) plans as deferred outflow and deferred inflow of resources related to pensions as follows:

	Miscellaneous			
	Deferred outflows of Resources		Deferred inflows of Resources	
Pension contributions made subsequent to measurement date	\$	4,714,221	\$	-
Difference between projected and actual earning on pension plan investments		5,758,715		-
Changes in assumptions		4,098,083		-
Differences between expected and actual experience		849,218		(1,492,379)
Total	\$	15,420,237	\$	(1,492,379)
	Safety - Police			
	Deferred outflows of Resources		Deferred inflows of Resources	
Pension contributions made subsequent to measurement date	\$	13,151,466	\$	-
Difference between projected and actual earning on pension plan investments		11,573,517		-
Changes in assumptions		9,548,814		-
Differences between expected and actual experience		242,354		(2,108,937)
Total	\$	34,516,151	\$	(2,108,937)

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

Note 17 – Retirement Programs (Continued)

B. California Public Employees Retirement System Agent Multiple-Employer Plans (Continued)

Benefits Provided (Continued)

\$4,714,221 and \$13,151,466 reported as deferred outflows of resources to contributions subsequent to the measurement date for the miscellaneous and safety police plans, respectively, will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	<u>Miscellaneous</u>		<u>Safety - Police</u>	
	<u>Deferred Outflows/ (Inflows) of Resources</u>		<u>Deferred Outflows/ (Inflows) of Resources</u>	
2024	\$	2,378,965	\$	4,931,214
2025		1,894,567		4,836,236
2026		1,284,235		2,218,898
2027		3,655,870		7,269,400
2028		-		-
Thereafter		-		-
	\$	9,213,637	\$	19,255,748

C. California Public Employees Retirement System Cost-Sharing Multiple-Employer Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety risk pool (Fire Tier 1 & Tier 2), cost-sharing multiple-employer defined benefit pension plans administered by 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 Local Government 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.

Employees Covered – As of June 30, 2022 (measurement date), the following employees were covered by the benefit terms for the plan:

	<u>Safety - Fire</u>
Inactive employees or beneficiaries currently receiving benefits	190
Inactive employees entitled to, but not yet receiving benefits	59
Active employees	98
Total	347

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.

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

Note 17 – Retirement Programs (Continued)

C. California Public Employees Retirement System Cost-Sharing Multiple-Employer Plan (Continued)

The City’s plans provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Safety - Fire			
	Tier 1		Tier 2	
	Prior to January 1, 2013*	On or After January 1, 2013	Prior to January 1, 2013*	On or After January 1, 2013
Hire date				
Benefit formula	3.0% @ 50	2.7% @ 57	3.0% @ 55	2.5% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	52-57	55	52-57
Monthly benefits, as a % of eligible	3.00%	2.0% to 2.7%	3.00%	2.0% to 2.7%
Required employee contribution rates	9.00%	13.75%	9.00%	13.75%
Required employer contribution rates	25.64%	13.75%	22.48%	13.75%

Contribution Description - Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. 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 employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City’s contribution for the safety fire plan were as follows:

	<u>Employer Contributions</u>	
Safety - Fire	\$	6,940,599

Pension Liabilities, Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions – As of June 30, 2023, the City reported net pension liabilities for its proportionate share of the net pension liability as of June 30, 2023 and 2022 were as follows:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Balance at: 6/30/21 (Measurement date)	\$ 193,123,087	\$ 159,977,517	\$ 33,145,570
Balance at: 6/30/22 (Measurement date)	205,362,463	144,073,967	61,288,496
Net changes during 2021-2022	\$ 12,239,376	\$ (15,903,550)	\$ 28,142,926

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

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

Note 17 – Retirement Programs (Continued)

C. California Public Employees Retirement System Cost-Sharing Multiple-Employer Plan (Continued)

The City’s proportionate share of the net pension liability as of the June 30, 2022 and 2021 measurement dates were as follows:

Percentage Share of Net Pension Liability/(Asset)	
Proportion June 30, 2021	0.612870%
Proportion June 30, 2022	0.530600%
Change - Increase (Decrease)	-0.082270%

For the year ended June 30, 2023 (measurement date June 30, 2022), the City of Salinas recognized a pension expense of \$1,692,787 for the Safety Plan (Fire).

As of June 30, 2023 the City of Salinas reports deferred outflow and deferred inflow of resources related to pensions as follows:

Safety - Fire		
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 6,940,599	\$ -
Difference between projected and actual earning on pension plan investments	9,678,310	
Adjustment due to differences in proportions		
Changes in assumptions	6,179,736	-
Difference between actual and expected experience	2,536,509	(665,545)
Difference between employer's actual contributions and proportionate share of contributions	3,451,663	(3,765,636)
Total	\$ 28,786,817	\$ (4,431,181)

\$6,940,599 reported as deferred outflows of resources for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expenses as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2024	\$ 5,044,893
2025	4,122,245
2026	2,344,005
2027	5,903,894
2028	-
Thereafter	-
	\$ 17,415,037

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

Note 17 – Retirement Programs (Continued)

C. California Public Employees Retirement System Cost-Sharing Multiple-Employer Plan (Continued)

Actuarial Methods and Assumptions used to determine Total Pension Liability - The June 30, 2021 valuation was rolled forward to determine the June 30, 2022 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

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

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

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

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

Note 17 – Retirement Programs (Continued)

C. California Public Employees Retirement System Cost-Sharing Multiple-Employer Plan (Continued)

The expected real rates of return by asset class are as follows:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10^{1,2}</u>
Global equity - cap-weighted	30.00%	4.45%
Global equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	27.00%
Mortgage-backed Securities	5.00%	50.00%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	<u>100.00%</u>	

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

² Figures are based on the 2021-22 Asset Liability Management study.

Amortization of Deferred Outflows and Deferred Inflows of Resources – The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments is amortized over the remaining amortization periods. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

Deferred Outflows of Resources and Deferred Inflows of Resources relating to Differences Between Expected and Actual Experience and Changes of Assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for PERF C for the measurement date ending June 30, 2022 is 3.7 years, which was obtained by dividing the total service years of 574,665 (the sum of remaining service lifetimes of the active employees) by 153,587 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

Note 17 – Retirement Programs (Continued)

C. California Public Employees Retirement System Cost-Sharing Multiple-Employer Plan (Continued)

Sensitivity of Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the proportionate share of the net pension liability of the City’s Plan as of the Measurement Date, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1%	Current Discount	Discount Rate + 1%
(5.90%)	Rate (6.90%)	(7.90%)
\$ 89,648,731	\$ 61,288,496	\$ 38,110,411

Pension Plan Fiduciary Net Position – Detailed information about each plan’s fiduciary net position is available in the separately issued CalPERS financial report.

D. New York Life Single Employer Retirement Plan

Plan Description – The New York Life retirement plan is a closed single-employer defined benefit pension plan that covers Non-Public Safety Employees. The plan’s benefits offers a formula of 2% @ 60 for vested employees. The Plan was established on September 1, 1954 and has been amended and restated from time to time since that date. Prior Plan amendments eliminated the six-month service requirement for entry into the plan and credited participants with up to six-months of service from hire to plan entry prior to time change. The Plan was amended and restated effective September 1, 1996 to bring the Plan into compliance with the Internal Revenue Code and Regulations promulgated thereby to provide for the City’s pick-up of employee eligible participants equal to the present value of vested accrued benefits. Effective June 1, 2001, the Plan amended its benefit formula to one that uses an average salary computed from the twelve-month period, replacing the old formula that used an average salary computed from a thirty six month period. As of June 19, 1995, all new regular non-public safety employees are enrolled in CalPERS.

The City has an agreement with New York Life to hold and invest plan assets of the Retirement Plan, which covers employees other than Police and Fire. New York Life holds assets in NYL Fixed Dollar Account, NYL Mainstay Total Return Bond Fund, and NYL Guaranteed Annuity Contracts.

New York Life Guaranteed Annuity Contracts in the amount of \$6,012,298 are allocated insurance contracts set up to pay benefits and accordingly are excluded from the total pension liability, and are not reported in the City’s financial statements.

Employees Covered – As of September 1, 2022 (valuation date), the following employees were covered by the benefit terms for the single-employer defined benefit pension plan:

	NY Life Plan
Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to, but not yet receiving benefits	6
Active employees	5
Total	51

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

Note 17 – Retirement Programs (Continued)

D. New York Life Single Employer Retirement Plan (Continued)

Benefits - Non-Public Safety personnel benefits vest after five years of service. The vested benefit would be in the form of a pension beginning after attaining age 60 equal to the benefits accrued at time of termination, or for a reduced amount if an election is made to have payments commence before attaining the normal retirement age of 60. City employees who retire at or after age of 60 with five years of credited service are entitled to an annual retirement benefit payable monthly, as a straight line annuity, as a ten year certain and life annuity, or as a lump sum, in an amount equal to 2% of the average earnings paid to the employee during the twelve consecutive months of service with the City during which their earnings were highest, multiplied by the number of years and completed months of plan participation.

The plan allows early retirement after reaching age 55 and completing five years of plan participation. The plan also provides death and survivor benefits.

Funding Policy – The contribution requirements of Plan members and the City are established and may be amended by the City Council. Prior to January 1, 1979, participants were required to make specified levels of contributions to the plan in order to accrue benefits under the Plan. For the period commencing January 1, 1979 through December 31, 1993, there were no participants’ contributions under this Plan. Since January 1, 1994, participants are required to contribute 4.5% of their compensation to the Plan. Since September 1, 1996, participant contributions are made by the City under the employee pretax pick-up provision for government-sponsored plans allowed under the Internal Revenue Code. As established in their Memorandum of Understanding document for personnel of the SEIU Blue Collar bargaining group, the City will contribute four and one-half percent of the employee retirement contribution.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions – As of June 30, 2023 (Measurement Date - August 31, 2022) and June 30, 2022, (Measurement Date – August 31, 2021), the City reported net pension liability as follows:

	Increase (Decrease)		
	Plan Total Pension Liability	Plan Fiduciary Net Position	Plan Net Pension Liability/(Asset)
Balance at: 8/31/21 (measurement date)	\$ 13,422,823	\$ 9,862,347	\$ 3,560,476
Balance at: 8/31/22 (measurement date)	10,058,747	6,349,819	3,708,928
Net changes during 2021-2022	\$ (3,364,076)	\$ (3,512,528)	\$ 148,452
Funded Status @ 8/31/22 measurement date	63.13%		

The City’s net pension liability is measured as of August 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 1, 2022.

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

Note 17 – Retirement Programs (Continued)

D. New York Life Single Employer Retirement Plan (Continued)

Changes in Net Pension Liability – The following tables show the changes in the net pension liability for the City’s Single-Employer Pension Plan recognized over the measurement period:

New York Life Plan			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 6/30/2022 (8/31/21 measurement date)	\$ 13,422,823	\$ 9,862,347	\$ 3,560,476
Changes in the year:			
Service cost	131,853	-	131,853
Interest on the total pension liabilities	255,632	-	255,632
Changes in assumptions	(533,090)	-	(533,090)
Differences between expected and actual experience	-	-	-
Benefit payments, including refunds of members contributions	(3,218,471)	(3,218,471)	-
Plan to plan resource movement	-	-	-
Contributions - employer	-	190,126	(190,126)
Contributions - employee	-	19,012	(19,012)
Net investment income	-	(486,138)	486,138
Administrative expenses	-	(17,057)	17,057
Net changes	(3,364,076)	(3,512,528)	148,452
Balance at June 30, 2023 (8/31/22 measurement date)	\$ 10,058,747	\$ 6,349,819	\$ 3,708,928

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the Measurement Date, calculated using the discount rate of 2.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.75 percent) or 1 percentage-point higher (3.75 percent) than the current rate:

Sensitivity of Net Pension Liability/(Asset)		
Discount Rate - 1%	Current Discount	Discount Rate + 1%
(1.75%)	Rate (2.75%)	(3.75%)
\$ 4,625,417	\$ 3,708,928	\$ 2,974,803

As of June 30, 2023, the City reports deferred outflows and deferred inflows of resources related to pensions as follows:

New York Life Plan				
	Deferred outflows of Resources		Deferred inflows of Resources	
Pension contributions made subsequent to measurement date	\$	145,965	\$	-
Difference between projected and actual earning on pension plan investments		-		(10,054)
Total	\$	145,965	\$	(10,054)

\$145,965 reported as deferred outflows of resources for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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

Note 17 – Retirement Programs (Continued)

D. New York Life Single Employer Retirement Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expenses as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources
2024	\$ (108,852)
2025	(40,623)
2026	2,645
2027	136,776
2028	-
Thereafter	-
	\$ (10,054)

Actuarial Methods and Assumptions used to Determine Total Pension Liability - For the measurement period ended August 31, 2022 (measurement date), the total pension liability was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	September 1, 2021
Measurement date	August 31, 2022
Contribution policy	City contributes full ADC
Actuarial cost method	Individual Aggregate Cost Method
Actuarial assumptions:	
Discount rate	-2.75% at August 31, 2022 -2.14% at August 31, 2021 -Discount rate lower of (1) expected long-term rate of return on investments, and (2) Bond Buyer 20- Bond GO Index as of the Measurement Date
Long-term expected rate of return on assets	-2.75% at August 31, 2022 -2.75% at August 31, 2021
Inflation	2.25%
Mortality	CalPERS 2000-2019 Experience Study
Mortality improvement	Post-retirement mortality projected fully generational with Scale MP-2021.
Salary Increases	Aggregate - 2.5% annually; merit - CalPERS 2000-2019 Experience Study
Retirement	100% retire once the retirement benefit reaches 70% of the average monthly compensation
Disability, termination	None
Benefit form for current actives	-Disability - n/a -Service retirement - Lump sum for all participants, valued using UP-1984 Mortality Table with 1% interest rate without COLA
NY Life guaranteed annuity contract	Value of payments expected to be made under contract excluded from TPL (contract assets not included in FNP)

Changes Since Prior Measurement Date – The following changes were applied since the prior measurement date of August 31, 2022:

Changes of assumptions - discount rate was updated based on municipal bond rate as of the measurement date.

Changes of benefit terms - none

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

Note 17 – Retirement Programs (Continued)

D. New York Life Single Employer Retirement Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 2.75%. The discount rate is based on the expected rate of return which is lower than the 20-year municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at current contribution rates and City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan’s fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. The City’s annual contributions will be adjusted to keep the plan solvent.

E. ICMA Retirement Corporation Defined Contribution Plan

Investments are with New York Life. Expected rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Fixed income	100.00%	0.78%
<i>Assumed long-term rate of inflation</i>		2.25%
<i>Expected long-term rate of return, rounded</i>		2.75%

Pension Plan Fiduciary Net Position - Detailed information about the pension plan’s fiduciary net position as of August 31, 2022 is as follows:

	<u>New York Life</u>
Assets:	
Investments:	
New York Life Mainstay Total Return Bond Fund	6,349,819
Total investments	6,349,819
Fiduciary net position	\$ 6,349,819

Plan Description – On June 19, 1995, the City established a qualified retirement program in accordance with Internal Revenue Code Section 401(a). This defined contribution 401(a) Money Purchase Retirement Plan was established with International City Managers Association Retirement Corporation (ICMA). Non-Public Safety Mid-Management employees that were participating in the ICMA 457 non-qualified deferred compensation plan in-lieu of participation in the New York Life Retirement Program, were required to transfer to one of the other City’s three qualified retirement plans. The City’s annual contribution to this plan is determined by the employer required contribution to the New York Life Plan Retirement Plan in accordance with Internal Revenue contribution limits.

Significant Accounting Policies

Basis of Accounting – Financial statements are prepared using the cash basis of accounting. Employer contributions are recognized in the period that the contributions are made.

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

Note 17 – Retirement Programs (Continued)

E. ICMA Retirement Corporation Defined Contribution Plan (Continued)

Significant Accounting Policies (Continued)

Method Used to Value Investments – Participants direct their investments, without restriction, among various investments options available under the ICMA 401(a) Plan. Retirement Buyback Program During Fiscal Year 1995-96, the City established a deferred compensation retirement buyback program for Department Directors where the City contributes a flat dollar amount based on tenure with the City. The 401(a) Money Purchase Retirement Plan is administered by the ICMA Retirement Corporation. The program requires employee-matching contributions for every dollar contributed by the City. At June 30, 2023, there were four participants receiving a total of \$336,302 in this form of benefit while there was one participant in the ICMA 401(a) money Purchase Plan with a City annual contribution was \$17,343 while the employee had an equal mandatory matching contribution of \$17,343.

F. Deferred Compensation Plans

The City has four deferred compensation plans created in accordance with Internal Revenue Code Section 457. The Small Business Job Protection Act of 1996 requires the establishment of a trust or similar vehicle to ensure that the assets of Deferred Compensation Plans under the Internal Revenue Code Section 457 are protected and used exclusively for the benefit of Plan participants and/or their beneficiaries. According to these laws the City established Employer Trust arrangements for each of the Plans before January 1, 1999.

The City has established Employer Trust agreements with ICMA Retirement Corporation, Mass Mutual Financial Group, and Central Coast Credit Union. In 1998, the City Council adopted a Resolution amending the City administered deferred compensation plans to conform to the new law protecting the plan participant assets from any claim against the City. Under the Trust arrangement, individual accounts maintained by the record-keeper used for receiving contributions and paying distributions must be subject to the Trust. The existence of the Trust does little to change the Plan structure except to add a layer of protection for money set aside for the employee against claims of the Employer’s creditors. The law also allows an increase in the amount a participant may contribute to differ each year, based on changes in the consumer price index.

International City Manager’s Association (ICMA) Retirement Corporation

As of June 2021, the International City Manager’s Association Retirement, Inc., (ICMA-RC), is now Mission Square Retirement and the Plan had 418 participants and a balance of \$61,771,444 at June 30, 2023. All employees are eligible to participate through voluntary salary deduction. Some management employees participated in lieu of participation in the New York Life Retirement Program until June 19, 1995 when a qualified 401(a) retirement program was established. These assets are not reported on the City’s financial statements at June 30, 2023 pursuant to the Employer Trust established by the City with ICMA Retirement Corporation during November 1997.

Trust Deed Program

The City administers a Trust Deposit Fund that includes a deferred compensation plan funded solely by the voluntary salary reductions. The goal of the Trust Deed program is to invest participants’ funds in short-term deeds of trust (notes). This investment option is administered within the City of Salinas by the City’s appointed administrator of the Deferred Compensation Plan. Loans are based on equity after obtaining a fee appraisal. All property is physically inspected and the loan package is reviewed and approved/disapproved by a Deferred Compensation Committee. All employees are eligible to participate. The Plan had 228 participants and a balance of \$6,524,283 in net assets at June 30, 2023. The balance in these plans is available to employees only upon termination, retirement, death or unforeseen emergency. While the Employer Trust established by the City on December 15, 1998 protects these funds from creditors of the City, because the City administers the plan assets, they are included in the City’s financial statements at June 30, 2023.

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

Note 17 – Retirement Programs (Continued)

F. Deferred Compensation Plans (Continued)

Trust Deed Program (Continued)

The Trust Deed Program is managed on a cash basis with interest posted when received and expenditures posted when paid. Interest and expenditures are allocated to participants based on month end cash balances. Trust deed notes secured by property taken back in foreclosure, are reevaluated based on the current market value of the property. When the value of property taken back in foreclosure is less than the note secured by that property, the note is written-down to current market value (less foreclosure and sales expenses) of the property. Gains are recognized only when properties are sold. Gains or losses are allocated to plan participants based on month end cash balances.

As of June 30, 2023, pursuant to GASB 72, properties held for resale were valued by independent real estate professionals (market approach) and trust deed notes were valued at their present value (income approach). The valuations are considered Level 3. The value of properties held for resale are reduced for cost of sales. The notes (loans) are valued based on amounts investors would likely pay for notes with interest rates ranging from 6% for all current loans discounted to provide loan to values ranging from 70% to 50% depending on property type and condition, borrowers payment history and term remaining on note. The change in net realizable values are reflected in the Statement of Changes in Fiduciary Net Assets.

Central Coast Federal Credit Union (CCFCU)

This third deferred compensation plan was established in August 1993. The plan funds are backed by the full faith and credit of the U.S. Government and are also insured by the National Credit Union Administration (NCUA), an agency of the federal government for up to \$250,000. Central Coast collateralizes any amounts invested in their savings accounts in excess of NCUA insurance limits in accordance with applicable law. As of December 31, 2020, CCFCU became the service provider for the plan and the City keeps the employees' enrollment and send their payroll elective deduction to CCFCU.

This plan was discontinued as of December 21, 2022. The assets for this plan are not reported on the City's financial statements.

Mass Mutual Financial Group (Empower Retirement)

The fourth Deferred Compensation plan was established in September 2000. This retirement savings plan enables employees to defer a portion of their current compensation for payment at later date, generally retirement. Salary deferrals (or contributions) are voluntary and are made through the ease of payroll deduction. Empower Retirement former Mass Mutual offers a variety of investment vehicles that vary in risks, term and return to the investment. These investment options are offered through a group variable annuity contract. There were 28 participants with a balance of \$2,928,326 at June 30, 2023. All employees are eligible to participate through voluntary salary deductions. The assets for this plan are not reported on the City's financial statements.

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

Note 18 – Other Postemployment Benefits

Items related to other postemployment benefits are recorded in the financial statements as follow:

	Governmental Activities	Business-Type Activities	Total
Net OPEB Liability	\$ 14,555,540	\$ 974,677	\$ 15,530,217
Deferred outflows of resources	4,872,678	326,288	5,198,966
Deferred inflows of resources	11,590,136	776,106	12,366,242
OPEB expense	309,825	20,747	330,572

A. General Information About the OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s plan (OPEB Plan) and additions to/deductions from the OPEB Plan’s fiduciary net position have been determined on the same basis. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes.

For this report, the following timeframes are used:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Measurement period	July 1, 2021 to June 30, 2022
Fiscal year end	June 30, 2023

Plan Description: The City joined the Public Employees' Medical & Hospital Care Act (PEMHCA) in 2000 for Police and Miscellaneous employees, offered through the California Public Employees’ Retirement System (CalPERS). It is an agent multiple-employer plan administered by California Public Employees’ Retirement System (CalPERS). The healthcare plan which provides medical insurance benefits to active and eligible retirees and their families in accordance with various labor agreements. Fire employees receive healthcare benefits for active and retiree members from a union sponsored plan.

OPEB Trust: The City joined The California Employers’ Retiree Benefit Trust (CERBT) in 2011 to prefund it’s OPEB liability. CERBT is an agent multiple employer defined plan for other postemployment benefits administered by CalPERS. The Plan includes participating employers of the State of California and public agencies. CalPERS is governed by a 13-member Board of Administration (the Board); two elected by CalPERS members, one elected by retired members of CalPERS, two appointed by the Governor, one public representative appointed jointly by the Speaker of the Assembly and Senate Rules Committee, and four ex-officio members: State Treasurer, State Controller, Director of California Department of Human Resources, and Designee of the State Personal Board. The Board is responsible for the management and control of CalPERS, including the exclusive control of the administration and investments of the Plan.

The plan information is as follows:

Fiscal year end	June 30, 2023
Plan type	Agent multiple-employer
OPEB trust	Yes
Special funding situations	No
Nonemployer contributing entities	No

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

Note 18 – Other Postemployment Benefits (Continued)

A. General Information About the OPEB Plan (Continued)

Post-Employment Benefits Eligibility: The City provides post-retirement healthcare benefits to eligible employees who retire directly from the City after the age of 50 years (Age 52 for Miscellaneous PEPRA employees) and with five years of service or disability retirement. For Police and Fire Supervisors, the City pays 25% of retiree and spouse health insurance premium up to \$100 per month plus PEMHCA AB2544 “unequal method” monthly benefit to retirees (\$139 per month in 2022). The payment is made until Medicare eligibility, but no more than 10 years for non-supervisory Police retirees. For Miscellaneous employees, the City pays the PEMHCA “unequal method” monthly benefit to retirees (\$143 per month in 2022). For IAFF (Fire employee), the City pays 25% of retiree and spouse health insurance premium up to \$100 per month. The payment is made until Medicare eligibility.

Employees Covered: As of the June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms under the PEMHCA and Union Sponsor Plans:

	Number of Covered Participants
Inactive employees currently receiving benefits	160
Inactive employees entitled to, but not yet receiving benefits	311
Active employees	540
Total	1,011

Contributions: The City intends to contribute to the Trust the actuarially determined contribution (“ADC”) net of the pay-as-you-go benefits paid annually directly from employer resources. For the fiscal year ended June 30, 2023, the City’s cash contributions were \$388,295 in premium payments made on behalf of retirees, \$250,000 payments to the trust, implied subsidy payments of \$351,000, and administrative expenses of \$6,913, resulting in total payments of \$996,208.

Discount Rate: The discount rate used to measure the total OPEB liability was 4.95%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Note 18 – Other Postemployment Benefits (Continued)

A. General Information About the OPEB Plan (Continued)

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

<u>Asset Class</u>	<u>Target Allocation* CERBT-Strategy</u>	<u>Expected Real Rate of Return</u>
Global equity	49.00%	4.56%
Fixed income	23.00%	1.56%
TIPS	5.00%	-0.08%
Commodities	3.00%	1.22%
REITs	20.00%	4.06%
	100.00%	
Assumed long-term rate of inflation		2.50%
Expected long-term rate of return, rounded		6.25%

B. Net OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

Changes in the OPEB Liability: The changes in the net OPEB liability for the City Plan are as follows:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2022	\$ 21,262,486	\$ 4,204,222	\$ 17,058,264
Changes Recognized for the Measurement Period:			
Service Cost	1,043,749	-	1,043,749
Interest on the total OPEB liability	849,992	-	849,992
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	(3,086,884)	-	(3,086,884)
Contribution from the employer	-	940,051	(940,051)
Net investment income	-	(599,182)	599,182
Administrative expenses	-	(5,965)	5,965
Benefit payments	(685,206)	(685,206)	-
Net changes during July 1, 2022 to June 30, 2023	(1,878,349)	(350,302)	(1,528,047)
Balance at June 30, 2023	\$ 19,384,137	\$ 3,853,920	\$ 15,530,217

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

Note 18 – Other Postemployment Benefits (Continued)

B. Net OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the Net OPEB Liability.

Plan's Total OPEB Liability		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(3.95%)	(4.95%)	(5.95%)
\$ 18,363,329	\$ 15,530,217	\$ 13,220,489

Healthcare Trend Sensitivity Analysis: The following presents the net OPEB liability of the City if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

Plan's Total OPEB Liability		
Healthcare Cost		
-1%	Trend Rate	+1%
\$ 12,801,690	\$ 15,530,217	\$ 18,994,888

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB:

For the fiscal year ended June 30, 2023, the City recognized OPEB expense of \$330,572.

As of fiscal year ended June 30, 2023, the City reported deferred outflows of resources and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 996,208	\$ -
Differences between expected and actual experience	-	(5,447,852)
Changes in assumptions	3,865,138	(6,918,390)
Net difference between projected and actual earnings of OPEB Plan investments	337,620	-
	\$ 5,198,966	\$ (12,366,242)

Deferred outflows of resources in the amount of \$996,208 related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2024.

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

Note 18 – Other Postemployment Benefits (Continued)

B. Net OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expenses as follows:

Year Ending June 30	Amount
2024	\$ (1,287,953)
2025	(1,291,502)
2026	(1,310,748)
2027	(1,080,721)
2028	(1,132,785)
Thereafter	(2,059,775)
Total	<u>\$ (8,163,484)</u>

Recognition of Deferred Outflows and Deferred Inflows of Resources: To smooth market volatility, gains and losses related to changes in total OPEB liability and fiduciary net position are recognized over nine and half years. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

Actuarial Methods and Assumptions Used to Determine the OPEB Liability: The City’s net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 based on the following significant actuarial methods and assumptions:

Actuarial valuation date	June 30, 2021
Contribution policy	City contributes \$250,000 annually and pays benefit outside of trust
Discount rate	4.95%
Municipal bond rate	3.54% (Bond Buyer 20-bond Index)s
Expected long-term rate of return on investment	6.25%
General inflation	2.50%
Mortality, retirement, disability, termination	CalPERS 2000-2019 experience study
Mortality improvement	Mortality projected fully generational with Scale MP-2021
Salary increases	Aggregate - 2.75% annually; merit - CalPERS 2000-2019 experience study
Medical trend	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076
	Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076
PEMHCA minimum increases	4.00% annually
Cap increases	None
Healthcare participation	100% for Safety \$100 benefit 50% for PEMHCA benefit if covered is active 50% for PEMHCA benefit if waived is active

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

Note 19 – Net Position and Fund Balances

A. Government-Wide Financial Statements

Net Investment in Capital Assets

The following is the calculation of net investment in capital assets at June 30, 2023:

	Governmental Activities	Business-type Activities	Total
Capital assets, net of accumulated depreciation and amortization	\$ 334,557,660	\$ 67,974,348	\$ 402,532,008
Less: outstanding principal on capital related debt, net	(122,045,935)	(22,738,000)	(144,783,935)
Add: loss on refunding of debt	-	94,464	94,464
Net investment in capital assets	\$ 212,511,725	\$ 45,330,812	\$ 257,842,537

B. Fund Financial Statements

Fund Balance Classification

It is the policy of the City to maintain a minimum reserve for a reasonable level of assurance that the City's day-to-day operations will be able to continue even if circumstances occur where revenues are insufficient to cover expenditures. The minimum reserve of the General Fund is 5% of the next year's General Fund annual budgeted operating expenditures, as calculated by the Finance Director. The minimum fund balance is shown as unassigned in the General Fund.

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

Note 19 – Net Position and Fund Balances (Continued)

B. Fund Financial Statements (Continued)

At June 30, 2023, fund balances are classified in the governmental funds as follows:

	General Fund	American Rescue Plan Act (ARPA) Special Revenue Fund	Housing and Urban Development Grant Special Revenue Fund	Capital Projects Fund	2019 Special Tax Bond Monte Bella Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable							
Loans and notes receivable	\$ -	\$ -	\$ 53,956	\$ -	\$ -	\$ 16,570	\$ 70,526
Advances (long-term portion)	2,785,000	-	-	-	-	-	2,785,000
Land held for resale	-	-	-	-	-	1,380,000	1,380,000
Total nonspendable	2,785,000	-	53,956	-	-	1,396,570	4,235,526
Restricted							
Public safety	-	-	-	-	-	2,798,651	2,798,651
Future development	-	-	-	-	-	19,438,508	19,438,508
Maintenance districts	-	-	-	-	-	9,593,377	9,593,377
Street repairs	-	-	-	-	-	28,859,859	28,859,859
Grants/special projects	-	-	-	-	-	1,593,291	1,593,291
Low/moderate income housing	-	-	-	-	-	2,887,055	2,887,055
115 trust reserve	6,000,000	-	-	-	-	-	6,000,000
Capital projects	-	-	-	-	-	12,059,963	12,059,963
Debt service	-	-	-	-	895,849	3,430,791	4,326,640
Total restricted	6,000,000	-	-	-	895,849	80,661,495	87,557,344
Committed							
Capital projects	5,055,009	-	-	2,000,000	-	141,985	7,196,994
Economic contingency reserve	16,685,000	-	-	-	-	-	16,685,000
Infrastructure maintenance reserve	3,684,000	-	-	-	-	-	3,684,000
OPEB reserve	1,000,000	-	-	-	-	-	1,000,000
Facilities maintenance reserve	1,577,000	-	-	-	-	-	1,577,000
Community Center reserve	8,100,000	-	-	-	-	-	8,100,000
Total committed	36,101,009	-	-	2,000,000	-	141,985	38,242,994
Assigned							
Carryover appropriations	18,387,565	-	-	-	-	-	18,387,565
Total assigned	18,387,565	-	-	-	-	-	18,387,565
Unassigned (deficit)	22,085,188	-	341,657	-	-	(4,637,437)	17,789,408
Total fund balances	\$ 85,358,762	\$ -	\$ 395,613	\$ 2,000,000	\$ 895,849	\$ 77,562,613	\$ 166,212,837

C. Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executor contracts; and open purchase orders). Commitments for such expenditures 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, rather, as restricted, committed, or assigned governmental fund balance.

As of June 30, 2023, total governmental fund encumbrance balances for the City are as follows:

General Fund	\$ 5,055,009
Nonmajor governmental funds	21,136,358
Total encumbrances	\$ 26,191,367

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

Note 20 – Other Required Disclosures

A. Expenditures Exceeding Appropriations

For the year ended June 30, 2023, the following funds had excess expenditures over appropriations, which are expected to be covered with existing fund balance or had sufficient available revenue:

Fund	Function	Excess Expenditures over Appropriations
General Fund	Capital outlay	\$ (449,946)
Measure E	Public works	(4,982)
Measure G	Public safety	(1,095,933)

B. Net Position Deficit and Restrictions

The government-wide statement of net position reports an unrestricted deficit of \$(103,410,930) and \$81,932,042 of restricted net position.

Note 21 – Joint Venture – Salinas Valley Solid Waste Authority

The Salinas Valley Solid Waste Authority (“Authority”) is a joint exercise of powers authority, created pursuant to an agreement dated as of January 1, 1997 (the “Authority Agreement”) among the County of Monterey, and the cities of Salinas, Gonzales, Greenfield, Soledad, and King City (the “Members”). The Authority was established to acquire and manage the landfill assets of each member, ensure long-term landfill capacity of the Authority service area and provide a unified and coordinated solid waste management for the members.

The Authority is governed by a nine member governing board, consisting of three members of the Salinas City Council, two members of the Monterey County Board of Supervisors, and one member from each patriating city. Pursuant to the Authority Agreement, while the City does not have unilateral control over the activities of the Authority, the affirmative vote of at least one member of the Authority Board who is a member of the Salinas City Council is required to approve Board actions.

With the formation of the Authority, each participating jurisdiction contractually agreed to its responsibilities. In addition, the Authority adopted waste delivery agreements with each Member of the Authority. Each member has committed to deliver waste generated within its boundaries to the Authority’s solid waste facilities, to direct its franchise/permitted solid waste haulers to dispose of waste at these facilities, and to pay tipping fees set by the Authority to cover all Authority-related costs.

The agreement may be terminated under specific terms of withdrawal, which includes a majority vote of the City Council, repayment of all outstanding debt and funding of closure, post closure and site remediation costs upon withdrawal from or termination of the Authority. The members have made no equity contributions, or have sold their interest in their assets to the Authority, and there is no explicit, measurable equity interest in this joint venture.

The City had no measurable equity interest in the Authority and does not receive a share of operating results. The Authority is currently funding the closure, post closure and site remediation costs based on estimates of these future costs. The Annual Financial Report of the Salinas Valley Solid Waste Authority is published and available from the Authority Treasurer at the Authority’s Finance Department located at 128 Sun Street, Suite 101, Salinas, CA 93901.

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

Note 21 – Joint Venture – Salinas Valley Solid Waste Authority (Continued)

On December 6, 2018, the City issued a notice of intention to withdraw from the Joint Powers Agreement (the “Agreement”) Pursuant to Section 19 of the Joint Powers Agreement, the notice serves as a one-year notice. The City’s notice of intent to withdraw as a member of the Authority merely served as notice to the Authority and its remaining members. The one-year term has passed without any further action from the City or the Authority. However, the City and Authority representatives are working on finding a resolution to the notice.

The City understands and acknowledges its obligation to continue paying its share of the 2014 Bonds as regularly scheduled and agrees to continue paying its share of the obligation after withdrawal from the Authority, should withdrawal occur. In addition, the City understands and acknowledges its obligation to pay its share of financial liability for closure and post-closure and site remediation costs as further described in Section 19(a) of the Agreement. If the City withdraws from the Authority arrangements must be made to meet this obligation.

Note 22 – Commitments and Contingencies

Claims and Litigation

The City is directly and indirectly involved in various suits relating principally to claims arising from construction contracts, personal injury, and property damage. In the opinion of the City Attorney and City’s management, potential claims against the City resulting from such litigation, not covered by insurance, would not materially affect the basic financial statements of the City. As a result, no liability has been accrued by the City relating to these matters as of June 30, 2023.

This page left intentionally blank.

REQUIRED SUPPLEMENTARY INFORMATION

This page left intentionally blank.

City of Salinas
Budgetary Information
For the Year Ended June 30, 2023

Budgetary Information

The budget is prepared by the City Manager and adopted by the City Council. The City Council approves operating appropriations at the department and fund level prior to July 1, each year and may amend the budget during the fiscal year. Budgetary control is maintained at the program level. Formal budgetary integration was employed as a management control device during the fiscal year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds and Internal Service Funds.

Budgets are legally adopted for all Governmental and Proprietary Fund Types. Fiduciary Funds and Agency Funds have no adopted budgets because the City is only required to make payments to the extent funds are available. Agency Fund budgets that are approved by their respective governing boards are recorded in the City's accounting system.

The City Manager may transfer budget appropriations between departments and Department Directors may transfer appropriations between programs and accounts within their individual departments and divisions, but only the Council may appropriate funds from reserves or fund balances.

Budget policy excludes the use of taxes, accounts receivable, interest receivable assets and long-term advances that are not currently available resources for budget purposes. Condemnation deposits, are also excluded because they are returned upon right of way acquisition.

Expenditures may not legally exceed budgeted appropriations at the department level. Budgeted amounts shown are as originally adopted and as amended by the City Council during the year. During the year, Council amends the budget with the approval of supplemental appropriations and reviews and amends the budget at mid-year and at year-end.

Appropriations lapse at fiscal year end to the extent they have not been expended. New budget appropriations are approved for the coming year. Project-length financial plans are adopted for all capital projects funds and appropriations are carried forward until project completion. Grant funds are carried forward until the grant expires.

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 year-end are recorded as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

On November 8, 2005, the voters of Salinas approved Measure V, a 0.50% transactions and use tax. Measure V is a general tax and is reported as part of the General Fund. The tax was effective April 1, 2005 and had an original sunset of ten (10) years. Measure V was revised by the voters on November 6, 2012 eliminating a termination date on the imposition of the tax through Measure E. The Measure E Oversight Committee is a fundamental provision of the voter-approved tax. The Mayor and City Council each annually appoints one member of the public to serve on the Oversight Committee. The committee is responsible for and overseeing the use of Measure E funds to assure consistency with the voter approved tax and the appropriated use of Measure E funds.

On November 4, 2014, the voters of Salinas approved Measure G (For a Safer Better Salinas), a 1.00% transactions and use tax. Measure G is a general tax and is reported as part of the General Fund. The tax was effective April 1, 2015 and had a sunset date of fifteen (15) years. The Measure G Oversight Committee is a fundamental provision of the voter-approved tax. The Mayor and City Council each annually appoints one member of the public to serve on the Oversight Committee. The committees' main responsibilities include the review of the auditor's report of the specific uses of Measure G funds and to issue a public report to the City Council regarding the use of revenue and such other matters as the City Council may assign.

City of Salinas
Budgetary Information (Continued)
For the Year Ended June 30, 2023

BUDGETARY INFORMATION

The adopted FY 2023 budget represents the financial and organizational plan by which the policies and programs approved by the City Council will be implemented. It includes: (1) the programs, projects, services and activities to be provided during the fiscal year; (2) estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The City's goals and objectives identified by the City Council in the Strategic Plan thru 2025 was approved on March 8, 2022, following a strategic planning session on December 4, 2021 and are as follows:

- Economic Development
- Affordable Housing
- Infrastructure and Environmental Sustainability
- Excellent Infrastructure
- Public Safety
- Youth and Seniors
- Effective and Culturally Responsive Government

On May 25, 2021, the City Council was introduced and reviewed the proposed operating budget for the City of Salinas and Successor Agency. The Salinas City Council adopted FY 2023 Annual Operating Budgets on June 8, 2022. Capital project budget is updated annually.

Annual budgets are prepared for General Governmental Funds, Internal Service, Enterprise Operations, Assessment and maintenance Districts, Block Grant and Home programs, certain Grant and City Agencies, Deferred Compensation and Retirement, Debt Service, Successor Agency and Capital Project Funds.

The annual appropriation resolution adopts the budget at an appropriation level by fund, with detail expenditure by departments and programs included in the budget document.

GENERAL FUND

The General Fund fund balance increased \$7,352,746 to \$36,155,366, of which \$2,785,000 is nonspendable, \$20,960,197 is committed, \$7,321,952 is assigned and \$(911,783) is unassigned.

General Fund reserves have been set-aside by Council for specific purposes. Under the Reserved fund balance category, the General Fund Non-spendable fund balance of \$2,785,000 includes advances (\$2,785,000). Committed funds balance of \$20,960,197 are committed for capital projects, reserves, and future encumbrances. Carryover appropriations of \$15,266,804 are under the assigned fund balance category.

MEASURE E

Measure E is a general tax (discretionary) and is reported as part of the General Fund. The Measure E fund balance increased \$4,704,508 to \$19,079,298, of which \$9,205,721 is committed for future encumbrances, \$863,153 is assigned and \$9,010,424 is unassigned.

City of Salinas
Budgetary Information (Continued)
For the Year Ended June 30, 2023

MEASURE G

Measure G is a general tax (discretionary) and is reported as part of the General Fund. The Measure G fund balance increased \$3,316,838 to \$30,124,098, of which \$6,199,405 is committed for future encumbrances, \$7,081,699 is assigned and \$16,842,994 is unassigned.

BUDGETARY RESULTS RECONCILED TO GAAP

The budgetary process is based upon accounting for certain transactions on a basis other than the accounting principles generally accepted in the United States (GAAP) basis. The results of operations are presented in the accompanying budget and actual comparison schedules in accordance with the budgetary process (budgetary basis) to provide a meaningful comparison with the budget. The major differences between the budgetary basis actual and GAAP basis are as follows:

- Year-end encumbrances are recognized as the equivalent of expenditures in the budgetary basis financial statements, while encumbered amounts are not recognized as expenditures on the GAAP basis until the equipment, supplies, or services are received.
- Certain loan transactions are recognized as expenditures for the budgetary basis but not for the GAAP basis. When these loans are made, they are recorded as receivables for the GAAP basis and as expenditures for the budgetary basis. When loan repayments are received, they are recorded as reductions to receivables for the GAAP basis, but are recognized as revenues for the budgetary basis.
- Certain accounts such as the change in fair market value of investments included in the City's GAAP basis amounts, for which no formal budgets are prepared, are excluded from the budgetary basis financial statements.
- Certain grant revenues received in advance are recognized on the budgetary basis financial statements, but are deferred and not recognized as revenue on the GAAP basis financial statements. This process normally creates a variance in recognized revenue from the prior year to the current year.

City of Salinas
Budgetary Comparison Schedules – General Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 145,731,585	\$ 145,731,585	\$ 150,598,921	\$ 4,867,336
Licenses and permits	10,497,000	10,497,000	10,568,223	71,223
Intergovernmental	1,116,200	1,116,200	908,898	(207,302)
Charges for services	4,997,200	4,988,200	5,296,314	308,114
Investment income (loss)	1,158,000	1,158,000	3,485,836	2,327,836
Rental income	329,000	329,000	330,717	1,717
Fines and forfeitures	240,000	240,000	203,463	(36,537)
Miscellaneous	880,200	880,200	955,765	75,565
Total revenues	164,949,185	164,940,185	172,348,137	7,407,952
EXPENDITURES:				
Current:				
General government	23,534,999	28,735,113	21,640,139	7,094,974
Public safety	86,922,130	88,330,151	87,579,791	750,360
Public works	16,117,846	17,234,834	13,861,038	3,373,796
Recreation	7,981,454	8,196,454	6,940,329	1,256,125
Library	5,701,471	5,757,193	5,055,324	701,869
Capital outlay	63,900	361,173	811,956	(449,946)
Debt Service:				
Principal	532,400	532,400	811,119	532,400
Interest and fiscal charges	174,400	174,400	173,380	1,020
Total expenditures	141,028,600	149,321,718	136,873,076	13,260,598
REVENUES OVER (UNDER) EXPENDITURES	23,920,585	15,618,467	35,475,061	(5,852,646)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of capital assets	1,000	1,000	-	(1,000)
Proceeds from issuance of long-term debt	-	-	410,213	410,213
Transfers in	6,100,000	8,793,127	2,917,795	(5,875,332)
Transfers out	(31,776,020)	(60,200,228)	(23,428,977)	36,771,251
Total other financing sources (uses)	(25,675,020)	(51,406,101)	(20,100,969)	31,305,132
Net change in fund balance	\$ (1,754,435)	\$ (35,787,634)	15,374,092	\$ 51,161,726
FUND BALANCE:				
Beginning of year			69,984,670	
End of year			<u>\$ 85,358,762</u>	

City of Salinas
Budgetary Comparison Schedules – ARPA Fund
Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 8,693,064	\$ 8,693,064
Total revenues	<u>-</u>	<u>-</u>	<u>8,693,064</u>	<u>8,693,064</u>
EXPENDITURES:				
Current:				
General government	-	12,184,237	4,529,148	7,655,089
Public safety	-	387,015	14,205	372,810
Public works	-	11,970,479	2,322,369	9,648,110
Recreation	-	2,308,985	715,564	1,593,421
Capital outlay	-	23,960,466	1,111,778	23,960,466
Total expenditures	<u>-</u>	<u>50,811,182</u>	<u>8,693,064</u>	<u>43,229,896</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (50,811,182)</u>	<u>-</u>	<u>\$ 50,811,182</u>
FUND BALANCE:				
Beginning of year			<u>-</u>	
End of year			<u>\$ -</u>	

City of Salinas
Budgetary Comparison Schedules – HUD Fund
Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES :				
Intergovernmental	\$ 16,863,836	\$ 22,979,508	\$ 11,494,933	\$ (11,484,575)
Interest	2,000	2,000	31,747	29,747
Miscellaneous	100,000	104,013	227,453	123,440
Total revenues	<u>16,965,836</u>	<u>23,085,521</u>	<u>11,754,133</u>	<u>(11,331,388)</u>
EXPENDITURES :				
Current:				
General government	6,840,724	16,767,129	8,098,577	8,668,552
Public safety	-	54,911	9,890	45,021
Public works	-	993,200	82,285	910,915
Capital outlay	7,000	8,231	8,231	8,231
Total expenditures	<u>6,847,724</u>	<u>17,823,471</u>	<u>8,198,983</u>	<u>9,632,719</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>10,118,112</u>	<u>5,262,050</u>	<u>3,555,150</u>	<u>1,706,900</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(1,381,577)	(387,350)	994,227
Total other financing sources (uses)	<u>-</u>	<u>(1,381,577)</u>	<u>(387,350)</u>	<u>994,227</u>
Net change in fund balance	<u>\$ 10,118,112</u>	<u>\$ 3,880,473</u>	<u>3,167,800</u>	<u>\$ (712,673)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			<u>(2,772,187)</u>	
End of year			<u>\$ 395,613</u>	

City of Salinas
Required Supplemental Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios –
Miscellaneous Plan

City Miscellaneous Plans									
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement Period, Year Ended June 30:	2022	2021	2020	2019	2018	2017	2016	2015	2014 ¹
Total Pension Liability									
Service Cost	\$ 3,581,707	\$ 3,130,339	\$ 3,162,904	\$ 3,157,247	\$ 3,099,429	\$ 2,873,548	\$ 2,135,480	\$ 2,197,484	\$ 2,331,545
Interest on total pension liability	9,882,781	9,498,842	8,959,786	8,430,817	7,806,166	7,282,974	6,801,939	6,445,778	6,154,034
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(1,973,792)	727,132	588,822	2,005,995	1,457,261	489,759	(996,921)	(1,789,044)	-
Changes in assumptions	5,420,045	-	-	-	(752,607)	6,388,079	-	(1,686,636)	-
Benefit payments, including refunds of employee contributions	(6,365,156)	(5,481,505)	(5,107,076)	(4,456,008)	(3,952,236)	(3,361,268)	(3,116,204)	(2,803,130)	(2,673,091)
Net change in total pension liability	10,545,585	7,874,808	7,604,436	9,138,051	7,658,013	13,673,092	4,824,294	2,364,452	5,812,488
Total pension liability - beginning	141,174,194	133,299,386	125,694,950	116,556,899	108,898,886	95,225,794	90,401,500	88,037,048	82,224,560
Total pension liability - ending (a)	\$ 151,719,779	\$ 141,174,194	\$ 133,299,386	\$ 125,694,950	\$ 116,556,899	\$ 108,898,886	\$ 95,225,794	\$ 90,401,500	\$ 88,037,048
Plan fiduciary net position									
Contributions - employer	\$ 4,193,288	\$ 4,273,977	\$ 7,793,322	\$ 3,511,716	\$ 3,133,948	\$ 3,232,477	\$ 2,635,818	\$ 2,037,528	\$ 2,010,590
Contributions - employee	1,584,132	1,464,611	1,411,627	1,501,635	1,403,836	1,331,850	1,339,737	987,786	959,420
Net investment income	(9,339,092)	22,935,564	4,662,415	5,681,706	6,712,207	7,844,830	375,028	1,500,373	9,911,526
Benefit payments, including refunds of employee contributions	(6,365,156)	(5,481,505)	(5,107,076)	(4,456,008)	(3,952,236)	(3,361,268)	(3,116,204)	(2,803,130)	(2,673,091)
Net plan to plan resource movement	-	-	383,290	-	(199)	-	365	-	-
Administrative expense	(77,170)	(100,678)	(129,381)	(61,083)	(122,563)	(102,919)	(41,756)	(77,059)	-
Other miscellaneous income/expense	-	-	-	199	(232,749)	-	-	-	-
Net change in plan fiduciary net position	(10,003,998)	23,091,969	9,014,197	6,178,165	6,942,244	8,944,970	1,192,988	1,645,498	10,208,445
Plan fiduciary net position - beginning	123,879,515	100,787,546	91,773,349	85,595,184	78,652,940	69,707,970	68,514,982	66,869,484	56,661,039
Plan fiduciary net position - ending (b)	\$ 113,875,517	\$ 123,879,515	\$ 100,787,546	\$ 91,773,349	\$ 85,595,184	\$ 78,652,940	\$ 69,707,970	\$ 68,514,982	\$ 66,869,484
Net pension liability - ending (a) - (b)	\$ 37,844,262	\$ 17,294,679	\$ 32,511,840	\$ 33,921,601	\$ 30,961,715	\$ 30,245,946	\$ 25,517,824	\$ 21,886,518	\$ 21,167,564
Plan fiduciary net position as a percentage of the total pension liability	75.06%	87.75%	75.61%	73.01%	73.44%	72.23%	73.20%	75.79%	75.96%
Covered payroll	\$ 21,667,920	\$ 20,799,596	\$ 20,946,385	\$ 20,634,254	\$ 20,051,944	\$ 18,618,295	\$ 15,300,421	\$ 15,513,480	\$ 15,831,777
Plan net pension liability as a percentage of covered payroll	174.66%	83.15%	155.21%	164.39%	154.41%	162.45%	166.78%	141.08%	133.70%

¹Information only presented from the implementation year

City of Salinas
Required Supplemental Information (Unaudited)
Schedule of Pension Plan Contributions
Miscellaneous Plan

City Miscellaneous Plans										
Fiscal Year Ended June 30:	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 4,714,221	\$ 4,193,288	\$ 4,273,977	\$ 3,857,093	\$ 3,511,716	\$ 3,133,731	\$ 3,231,650	\$ 2,635,818	\$ 2,037,528	\$ 2,010,590
Contributions in relation to the actuarially determined contribution	(4,714,221)	(4,193,288)	(4,273,977)	(7,788,891)	(3,511,716)	(3,133,731)	(3,231,650)	(2,635,818)	(2,037,528)	(2,010,590)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (3,931,798)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 21,667,920	\$ 21,509,329	\$ 20,799,596	\$ 20,946,385	\$ 20,634,254	\$ 20,051,944	\$ 18,618,295	\$ 15,300,421	\$ 15,513,480	\$ 15,831,777
Contributions as a percentage of covered payroll	21.76%	19.50%	20.55%	37.18%	17.02%	15.63%	17.36%	17.23%	13.13%	12.70%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2023 were derived from the June 30, 2021 funding valuation report.

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2021 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2021 Funding Valuation
Inflation	2.50%
Salary increases	Varies based on entry age and service
Payroll growth	2.75%
Investment rate of return	7.00% net of pension plan investment and administrative expenses
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. 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.

Other Information:

For changes to previous years' information, refer to past GASB 68 reports.

City of Salinas
Required Supplemental Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios –
City Police Plans

		City Police Plans								
Measurement Period, Year Ended June 30:		2023	2022	2021	2020	2019	2018	2017	2016	2015
		2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$	6,757,790	6,086,593	6,156,433	6,076,786	5,603,486	5,171,913	4,462,598	4,440,981	4,932,982
Interest on total pension liability		23,595,755	22,716,035	22,017,085	21,051,415	19,772,458	18,658,643	17,933,618	17,475,350	17,097,550
Changes in benefit terms		-	-	-	-	-	-	-	-	-
Differences between expected and actual experience		(1,552,114)	(2,364,429)	1,696,481	6,664,829	6,096,574	(2,807)	(4,299,665)	(5,739,808)	-
Changes in assumptions		13,527,486	-	-	-	(1,307,343)	16,117,523	-	(4,436,648)	-
Benefit payments, including refunds of employee contributions		(17,388,668)	(16,317,199)	(15,680,099)	(15,037,162)	(13,742,608)	(12,772,896)	(11,890,953)	(11,383,179)	(10,895,705)
Net change in total pension liability		24,940,249	10,121,000	14,189,900	18,755,868	16,422,567	27,172,376	6,205,598	356,696	11,134,827
Total pension liability - beginning		335,307,524	325,186,524	310,996,624	292,240,756	275,818,189	248,645,813	242,440,215	242,083,519	230,948,692
Total pension liability - ending (a)		\$ 360,247,773	\$ 335,307,524	\$ 325,186,524	\$ 310,996,624	\$ 292,240,756	\$ 275,818,189	\$ 248,645,813	\$ 242,440,215	\$ 242,083,519
Plan fiduciary net position										
Contributions - employer	\$	12,406,841	11,629,887	10,297,024	9,485,870	8,260,458	7,798,560	6,462,584	5,540,793	5,285,903
Contributions - employee		2,127,269	2,305,151	1,946,146	1,993,713	1,816,971	1,625,541	1,512,655	1,350,215	1,375,826
Net investment income		(19,126,756)	46,981,535	9,999,235	12,630,434	15,347,329	18,439,075	800,238	3,733,737	25,664,291
Benefit payments, including refunds of employee contributions		(17,388,668)	(16,317,199)	(15,680,099)	(15,037,162)	(13,742,608)	(12,772,896)	(11,890,953)	(11,383,179)	(10,895,705)
Net plan to plan resource movement		-	-	(383,290)	-	(447)	-	19,216	-	-
Administrative expense		(156,453)	(206,540)	(283,165)	(136,963)	(282,146)	(245,410)	(103,251)	(190,690)	-
Other miscellaneous income/expense		-	-	-	444	(535,801)	-	-	-	-
Net change in plan fiduciary net position		(22,137,767)	44,392,834	5,895,851	8,936,336	10,863,756	14,844,870	(3,199,511)	(949,124)	21,430,315
Plan fiduciary net position - beginning²		251,151,937	206,759,103	200,863,252	191,926,916	181,063,160	166,218,290	169,417,801	170,366,925	148,936,610
Plan fiduciary net position - ending (b)		\$ 229,014,170	\$ 251,151,937	\$ 206,759,103	\$ 200,863,252	\$ 191,926,916	\$ 181,063,160	\$ 166,218,290	\$ 169,417,801	\$ 170,366,925
Net pension liability - ending (a) - (b)		\$ 131,233,603	\$ 84,155,587	\$ 118,427,421	\$ 110,133,372	\$ 100,313,840	\$ 94,755,029	\$ 82,427,523	\$ 73,022,414	\$ 71,716,594
Plan fiduciary net position as a percentage of the total pension liability		63.57%	74.90%	63.58%	64.59%	65.67%	65.65%	66.85%	69.88%	70.38%
Covered payroll ³	\$	20,251,095	19,916,863	19,776,528	19,051,278	17,967,376	16,214,420	15,715,033	15,494,316	16,589,818
Plan net pension liability as a percentage of covered payroll		648.03%	422.53%	598.83%	578.09%	558.31%	584.39%	524.51%	471.29%	432.29%

¹During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

²Includes any beginning of year adjustment.

³Includes one year's payroll growth using 2.80% payroll growth assumption for fiscal year ended June 30, 2022; 2.75% payroll growth assumption for fiscal years ended June 30, 2018-21; 3.00% payroll growth assumption for 1

City of Salinas
Required Supplemental Information (Unaudited)
Schedule of Pension Plan Contributions
City Police Plans

City Police Plans										
Fiscal Year Ended June 30:	2022	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 13,151,466	\$ 12,406,841	\$ 11,629,887	\$ 10,297,024	\$ 9,485,870	\$ 8,260,458	\$ 7,798,560	\$ 6,462,584	\$ 5,540,793	\$ 5,285,903
Contributions in relation to the actuarially determined contribution	(13,151,466)	(12,406,841)	(11,629,887)	(10,296,552)	(9,485,870)	(8,260,458)	(7,798,560)	(6,462,584)	(5,540,793)	(5,285,903)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 472	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 20,251,095	\$ 20,514,369	\$ 19,916,863	\$ 19,776,528	\$ 19,051,278	\$ 17,967,376	\$ 16,214,420	\$ 15,715,033	\$ 15,494,316	\$ 16,589,818
Contributions as a percentage of covered payroll	64.94%	60.48%	58.39%	52.06%	49.79%	45.97%	48.10%	41.12%	35.76%	31.86%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2023 were derived from the June 30, 2021 funding valuation report.

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2021 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2021 Funding Valuation
Inflation	2.50%
Salary increases	Varies based on entry age and service
Payroll growth	2.75%
Investment rate of return	7.00% net of pension plan investment and administrative expenses
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. 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.

City of Salinas
Required Supplemental Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios –
City Fire Plans

	City Fire Plans								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Measurement Period, Year Ended June 30:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.53060%	0.61287%	0.48376%	0.46772%	0.46967%	0.58010%	0.60039%	0.64362%	0.64195%
Proportionate share of the net pension liability	\$ 61,288,496	\$ 33,145,570	\$ 52,635,552	\$ 47,927,704	\$ 45,259,034	\$ 57,529,594	\$ 51,951,899	\$ 44,177,449	\$ 39,944,785
Covered payroll*	\$ 11,615,639	\$ 11,387,448	\$ 11,013,870	\$ 10,748,465	\$ 9,763,022	\$ 9,636,368	\$ 9,436,688	\$ 9,158,594	\$ 9,531,935
Proportionate share of the net pension liability as percentage of covered payroll	527.64%	291.07%	477.90%	445.90%	463.58%	597.00%	550.53%	482.36%	419.06%
Plan's fiduciary net position as percentage of the total pension liability	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

* For the year ending on the measurement date.

City of Salinas
Required Supplemental Information (Unaudited)
Schedule of Pension Plan Contributions
City Fire Plans

		City Fire Plans								
Fiscal Year Ended June 30:		2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$	6,940,599	6,791,444	5,708,093	5,058,738	4,369,284	5,440,481	5,132,440	4,732,759	3,811,507
Contributions in relation to the actuarially determined contribution		(6,940,599)	(6,791,444)	(5,708,093)	(5,058,738)	(4,369,284)	(16,741,091)	(5,132,440)	(4,732,759)	(3,811,507)
Contribution deficiency (excess)	\$	-	-	-	-	-	(11,300,610)	-	-	-
Covered payroll	\$	12,823,623	11,615,639	11,387,448	11,013,870	10,748,465	9,763,022	9,636,368	9,436,668	9,158,594
Contributions as a percentage of covered payroll		54.12%	58.47%	50.13%	45.93%	40.65%	171.47%	53.26%	50.15%	41.62%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2023 were derived from the June 30, 2021 funding valuation report.

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2021 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2021 Funding valuation Report.
Inflation	2.50%
Salary increases	Varies based on entry age and service
Payroll growth	2.75%
Investment rate of return	7.00% net of pension plan investment and administrative expenses
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. 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.

City of Salinas
Required Supplemental Information (Unaudited)
Schedule of Changes in Net Pension Liability and Related Ratios
Single Employer Plan

		Single-Employer Plan							
		2023	2022	2021	2020	2019	2018	2017	2016
Measurement Period, Year Ended June 30:		2022	2021	2020	2019	2018	2017	2016	2015 ¹
Total Pension Liability									
Service Cost	\$	131,853	345,756	325,385	232,193	302,184	279,000	336,000	436,000
Interest on total pension liability		255,632	283,983	506,095	684,730	679,330	537,000	655,000	676,000
Changes in benefit terms		-	-	-	-	-	-	531,000	-
Differences between expected and actual experience		-	1,595,858	-	889,365	-	2,172,000	-	-
Changes in assumptions		(533,090)	(37,244)	907,299	217,496	-	(106,000)	-	-
Benefit payments, including refunds of employee contributions		(3,218,471)	(2,656,129)	(9,123,048)	(1,305,661)	(199,769)	(3,508,000)	(87,000)	(3,139,000)
Net change in total pension liability		(3,364,076)	(467,776)	(7,384,269)	718,123	781,745	(626,000)	1,435,000	(2,027,000)
Total pension liability - beginning		13,422,823	13,893,599	21,277,868	20,559,745	19,778,000	20,404,000	18,969,000	20,996,000
Total pension liability - ending (a)	\$	10,058,747	13,425,823	13,893,599	21,277,868	20,559,745	19,778,000	20,404,000	18,969,000
Plan fiduciary net position									
Contributions - employer	\$	190,126	5,695,926	8,030,028	2,919,589	1,927,686	1,654,000	1,483,000	1,340,000
Contributions - employee		19,012	34,635	52,751	71,806	70,043	69,000	82,000	77,000
Net investment income		(486,138)	894,536	338,833	503,893	60,254	(506,000)	84,000	(85,000)
Benefit payments, including refunds of employee contributions		(3,218,471)	(2,656,129)	(9,123,048)	(1,305,661)	(199,769)	(3,508,000)	(87,000)	(3,139,000)
Administrative expense		(17,057)	(18,061)	(18,582)	(19,188)	(54,195)	(75,000)	(83,000)	(100,000)
Net change in plan fiduciary net position		(3,512,528)	3,950,907	(720,018)	2,170,439	1,804,019	(2,366,000)	1,479,000	(1,907,000)
Plan fiduciary net position - beginning		9,862,347	5,914,440	6,634,458	4,464,019	2,660,000	5,026,000	3,547,000	5,454,000
Plan fiduciary net position - ending (b)	\$	6,349,819	9,865,347	5,914,440	6,634,458	4,464,019	2,660,000	5,026,000	3,547,000
Net pension liability - ending (a) - (b)	\$	3,708,928	3,560,476	7,979,159	14,643,410	16,095,726	17,118,000	15,378,000	15,422,000
Plan fiduciary net position as a percentage of the total pension liability		63.13%	73.48%	42.57%	31.18%	21.71%	13.45%	24.63%	18.70%
Covered payroll	\$	437,872	768,725	1,176,879	1,628,432	1,610,679	1,649,359	1,461,000	1,738,432
Plan net pension liability as a percentage of covered payroll		847.03%	463.17%	677.99%	899.23%	999.31%	1037.86%	1052.57%	887.12%

¹Information only presented from the implementation year

City of Salinas
Required Supplemental Information (Unaudited)
Schedule of Pension Plan Contributions
Single Employer Plan

		Single-Employer Plan						
Fiscal Year Ended June 30:	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 697,000	\$ 2,963,000	\$ 4,252,000	\$ 4,114,000	\$ 2,000,000	\$ 1,932,000	\$ 1,583,000	\$ 1,520,000
Contributions in relation to the actuarially determined contribution	(145,965)	(208,396)	(10,212,240)	(5,573,828)	(2,135,107)	(1,614,000)	(1,571,000)	(1,107,000)
Contribution deficiency (excess)	\$ 551,035	\$ 2,754,604	\$ (5,960,240)	\$ (1,459,828)	\$ (135,107)	\$ 318,000	\$ 12,000	\$ 413,000
Covered payroll	\$ 401,365	\$ 463,101	\$ 804,977	\$ 1,273,326	\$ 1,664,538	\$ 1,693,493	\$ 1,796,000	\$ 1,872,000
Contributions as a percentage of covered payroll	36.37%	45.00%	1268.64%	437.74%	128.27%	95.31%	87.47%	59.13%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2023 were derived from the September 1, 2021 funding valuation report.

Actuarial cost method	Individual aggregate cost method
Amortization method/period	N/A
Asset valuation method	Cash value as reported by New York Life Investment Management, LLC
Discount rate	2.75%
Inflation	2.25%
Salary increases	2.5% annually
Payroll growth	2.875%
Mortality	The probabilities of mortality are based on the CalPERS Experience Study for the period from 2000 to 2019. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Actuaries.

¹Information only presented from the implementation year

City of Salinas
Required Supplemental Information (Unaudited)
Schedule of Changes in the City's Net OPEB Liability

Schedule of Changes in the City's Net OPEB Liability

	2023	2022	2021	2020	2019	2018
For the Measurement Period:	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017 ¹
Total OPEB Liability:						
Service Cost	\$ 1,043,749	\$ 1,639,274	\$ 1,169,996	\$ 1,065,470	\$ 1,085,475	\$ 1,209,000
Interest on the total OPEB liability	849,992	884,846	974,493	1,143,094	1,064,391	951,000
Changes in benefit terms	-	-	-	574,467	-	-
Difference between expected and actual experience	-	(4,117,866)	-	(4,138,016)	-	-
Changes in assumptions	(3,086,884)	(4,258,871)	4,678,007	1,474,189	(609,871)	(1,765,000)
Benefit payments	(685,206)	(704,749)	(676,514)	(945,329)	(915,000)	(861,000)
Net changes in Total OPEB Liability	(1,878,349)	(6,557,366)	6,145,982	(826,125)	624,995	(466,000)
Beginning of Year	21,262,486	27,819,852	21,673,870	22,499,995	21,875,000	22,341,000
End of Year	\$ 19,384,137	\$ 21,262,486	\$ 27,819,852	\$ 21,673,870	\$ 22,499,995	\$ 21,875,000
Plan Fiduciary Net Position:						
Employer contribution	\$ 940,051	\$ 959,007	\$ 931,063	\$ 1,195,329	\$ 1,165,000	\$ 1,111,000
Employee contributions	-	-	-	-	-	-
Net investment income (loss)	(599,182)	897,217	102,633	152,998	159,215	171,000
Benefit payments	(685,206)	(704,749)	(676,514)	(945,329)	(915,000)	(861,000)
Administrative expenses	(5,965)	(5,500)	(5,988)	(541)	(3,619)	(1,000)
Net changes in Fiduciary Net Position	(350,302)	1,145,975	351,194	402,457	405,596	420,000
Beginning of Year	4,204,222	3,058,247	2,707,053	2,304,596	1,899,000	1,479,000
End of Year	\$ 3,853,920	\$ 4,204,222	\$ 3,058,247	\$ 2,707,053	\$ 2,304,596	\$ 1,899,000
Net OPEB Liability	\$ 15,530,217	\$ 17,058,264	\$ 24,761,605	\$ 18,966,817	\$ 20,195,399	\$ 19,976,000
Fiduciary Net Position as a % of Total OPEB Liability	19.88%	19.77%	10.99%	12.49%	10.24%	8.68%
Covered Payroll	\$ 69,854,034	\$ 64,469,561	\$ 64,146,096	\$ 64,026,542	\$ 62,965,263	\$ 48,821,000
Net OPEB Liability as a % of Payroll	22.23%	26.46%	38.60%	29.62%	32.07%	40.92%

Notes to Schedule:

Change of assumptions: For the measure period ended June 30, 2020, the ACA excise tax was removed. Tax was repealed in December 2019.

¹ Information only presented from the implementation year

City of Salinas
Required Supplemental Information (Unaudited)
Schedule of OPEB Contributions

Schedule of OPEB Contributions

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
Actuarially determined contribution	\$ 1,733,000	\$ 1,687,000	\$ 1,997,000	\$ 1,938,000	\$ 2,322,000	\$ 2,188,000
Contributions in relation to the actuarially determined contributions	(996,208)	(940,051)	(959,007)	(931,063)	(1,195,329)	(1,165,000)
Contribution deficiency (excess)	<u>\$ 736,792</u>	<u>\$ 746,949</u>	<u>\$ 1,037,993</u>	<u>\$ 1,006,937</u>	<u>\$ 1,126,671</u>	<u>\$ 1,023,000</u>
Covered payroll	\$ 69,854,034	\$ 67,797,683	\$ 64,469,561	\$ 64,146,096	\$ 64,026,452	\$ 51,530,000
Contributions as a percentage of covered payroll	1.43%	1.39%	1.49%	1.45%	1.87%	2.26%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year ended June 30, 2021 were as follows:

Methods and assumptions used to determine contribution rates:

ADC for fiscal year	6/30/2022
Actuarial valuation date	6/30/2021
Actuarial cost method	Entry-Age Normal Cost Method
Asset valuation method	Actuarial value of assets
Inflation	2.50%
Investment rate of return	6.25%
Healthcare cost trend rate	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076; Medicare - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076;
Projected salary growth and increase	Not applicable
Mortality	CalPERS 2000-2019 Experience Study

¹ Information only presented from the implementation year

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

City of Salinas
Combing Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 64,706,773	\$ 3,408,490	\$ 9,275,575	\$ 77,390,838
Receivables, net:				
Interest	1,208,790	28,771	153,033	1,390,594
Due from outside agencies	2,543,876	-	831,984	3,375,860
Assessments	-	540,000	-	540,000
Leases	174,790	-	3,632,559	3,807,349
Loans and notes receivable, net of allowance	16,570	-	-	16,570
Land and properties held for resale	1,380,000	-	-	1,380,000
Total assets	\$ 70,113,493	\$ 3,977,261	\$ 13,893,151	\$ 87,983,905
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,114,352	\$ 7,470	\$ -	\$ 1,121,822
Due to other funds	1,799,693	211,415	1,643,067	3,654,175
Unearned revenues	-	540,000	-	540,000
Total liabilities	2,914,045	758,885	1,643,067	5,315,997
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	868,209	-	563,931	1,432,140
Related to leases	164,264	-	3,508,891	3,673,155
Total deferred inflows of resources	1,032,473	-	4,072,822	5,105,295
Fund Balances:				
Nonspendable	1,380,000	-	-	1,380,000
Restricted	65,170,741	3,430,791	12,059,963	80,661,495
Committed	-	-	141,985	141,985
Unassigned	(383,766)	(212,415)	(4,024,686)	(4,620,867)
Total fund balances	66,166,975	3,218,376	8,177,262	77,562,613
Total liabilities, deferred inflows of resources, and fund balances	\$ 70,113,493	\$ 3,977,261	\$ 13,893,151	\$ 87,983,905

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

	Non-major Special Revenue Funds	Non-major Debt Service Funds	Non-major Capital Projects Funds	Total Non-Major Governmental Funds
REVENUES:				
Taxes	\$ 668,442	\$ -	\$ -	\$ 668,442
Taxes - special assessments	-	42,792	-	42,792
Licenses and permits	123,639	-	-	123,639
Intergovernmental	18,140,499	-	3,530,237	21,670,736
Charges for services	2,498,571	-	319,467	2,818,038
Investment income (loss)	1,369,100	427,921	179,431	1,976,452
Rental income	311,076	-	-	311,076
Fines and forfeitures	339,672	-	-	339,672
Miscellaneous	1,746,193	-	187,733	1,933,926
Total revenues	25,197,192	470,713	4,216,868	29,884,773
EXPENDITURES:				
Current:				
General government	2,752,118	-	-	2,752,118
Public safety	2,500,199	-	-	2,500,199
Public works	1,457,249	-	-	1,457,249
Recreation	741,989	-	-	741,989
Library	315,316	-	-	315,316
Capital outlay	655,430	-	-	655,430
Debt service:				
Principal	-	5,953,000	-	5,953,000
Interest and fiscal charges	-	4,502,921	-	4,502,921
Total expenditures	8,422,301	10,455,921	-	18,878,222
REVENUES OVER (UNDER) EXPENDITURES	16,774,891	(9,985,208)	4,216,868	11,006,551
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long-term debt	-	-	-	-
Transfers in	1,407,500	9,823,372	-	11,230,872
Transfers out	(9,243,065)	-	(8,718,005)	(17,961,070)
Total other financing sources (uses)	(7,835,565)	9,823,372	(8,718,005)	(6,730,198)
NET CHANGE IN FUND BALANCES	8,939,326	(161,836)	(4,501,137)	4,276,353
FUND BALANCES:				
Beginning of year	57,227,649	3,380,212	12,678,399	73,286,260
End of year	<u>\$ 66,166,975</u>	<u>\$ 3,218,376</u>	<u>\$ 8,177,262</u>	<u>\$ 77,562,613</u>

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for specified purposes. The Special Revenue Funds used by the City in this report are as follows:

Lighting, Landscape and Maintenance District - This fund accounts for monies received from the various maintenance districts throughout the City. Funds are used to pay for the lighting and landscape maintenance of the respective districts.

Local Public Safety - This fund accounts for monies received from federal and state grants, which are expended to enhance law enforcement services.

Development Fees - This fund accounts for the fees that subdividers and developers of property are required to pay, by Resolution 3823 (N.C.S.), covering traffic impact, annexation, use of existing or new sewers, storm drains, park facilities, library facilities, and street trees.

Gas Tax - This fund accounts for gas tax revenues received from State apportionments of gasoline taxes. Expenditures are restricted to street maintenance and street improvements. No expenditures are made directly from this fund, but transfers are made to the General Fund for street maintenance and engineering salaries and to the Capital Projects Fund for street improvements based on actual expenditures.

Emergency Medical Services - This fund accounts for monies received from County Service Area (CSA) 74. Funds are used to purchase emergency medical and safety equipment under the capital improvement program.

Asset Seizure - This fund accounts for the proceeds from sale of assets seized primarily from illegal narcotics activity. These funds are used for law enforcement.

Traffic Safety - This fund accounts for revenues derived from traffic violations whose use is restricted by State statute for traffic safety and street maintenance purposes. No expenditures are made directly from this fund, but transfers are made to the General Fund for traffic safety expenditures and street maintenance.

Vehicle Abatement - This fund accounts for monies allocated by the State to fund the vehicle abatement program.

Cable - This fund accounts for revenues received for public, educational and governmental (PEG) fees from video service providers. Its use is restricted to provide non-commercial public, educational and government channels.

Contributions and Donations - This fund accounts for contributions and donations from different individuals and agencies to the Library, Rec-Park, Fire and Police Department. Use of the funds are restricted for use of the appropriate Department.

Non-Major Governmental Funds (Continued)

Special Revenue Funds (Continued)

KDF Los Padres Dev Social Services - This fund accounts for social services provided by the City of Salinas to lower income residents of the Development. On June 1, 2003, the Salinas Redevelopment Agency, the City of Salinas and the KDF Los Padres, L.P. entered into a loan agreement where loan payments will be collected annually by the City and used to provide recreational and social services to lower income residents of the Development. Term of the loan is 55 years commencing in 2006. Payment will increase by 3% annually.

Measure X Transport Safety & Inv Plan - This fund accounts for revenues allocated by TAMC from the transportation sales and use tax. Expenditures are restricted to road improvements, pothole repairs, street and road maintenance, traffic deduction and regional safety, mobility and walkability.

SBI Road Maintenance & Rehab & SBI Traffic Congestion Relief - This fund accounts for gas tax revenues received from State apportionments of an increased tax on gasoline and a new vehicle license fee from Senate Bill 1 (SB 1), the Road Repair and Accountability Act of 2017. Expenditures are restricted to street maintenance and street improvements including facilities for bicycles and pedestrians. No expenditures are made directly from this fund, but transfers are made to the General Fund for street maintenance and engineering salaries and to the Capital Projects Fund for street improvements based on actual expenditures.

SRA Public Improvement Grant - This fund accounts for the use of monies received from proceeds of the land sale located in Main Street where the “Taylor Farms” headquarters is constructed and other properties held for re-sale.

Affordable Housing - These funds are used to improve and increase the supply of low income housing within the City.

Grants - This fund accounts for various minor grants received for purposes ranging from library to police operations.

City of Salinas
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2023

	Lighting, Landscape, and Maintenance District	Local Public Safety	Development Fees	Gas Tax	Emergency Medical Services
ASSETS					
Cash and investments	\$ 9,656,832	\$ 2,173,750	\$ 19,338,024	\$ 4,462,644	\$ -
Receivables, net:					
Interest	68,197	7,637	136,395	35,494	-
Due from outside agencies	-	117,389	-	426,546	-
Leases	-	-	-	49,387	-
Loans and notes receivable, net of allowance	-	-	-	-	-
Land and properties held for resale	-	-	-	-	-
Total assets	\$ 9,725,029	\$ 2,298,776	\$ 19,474,419	\$ 4,978,269	\$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 80,079	\$ 110,021	\$ -	\$ -	\$ 66,121
Due to other funds	51,573	-	35,911	237,116	303,924
Total liabilities	131,652	110,021	35,911	237,116	370,045
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	-
Related to leases	-	-	-	46,849	-
Total deferred inflows of resources	-	-	-	46,849	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	9,593,377	2,188,755	19,438,508	4,694,304	-
Unassigned	-	-	-	-	(370,045)
Total fund balance (deficit)	9,593,377	2,188,755	19,438,508	4,694,304	(370,045)
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,725,029	\$ 2,298,776	\$ 19,474,419	\$ 4,978,269	\$ -

(Continued)

City of Salinas
Combining Balance Sheet (Continued)
Nonmajor Special Revenue Funds
June 30, 2023

	Asset Seizure	Traffic Safety	Vehicle Abatement	Cable	Contributions & Donations
ASSETS					
Cash and investments	\$ 232,225	\$ -	\$ 345,509	\$ 557,928	\$ 499,109
Receivables, net:					
Interest	3,197	-	-	-	-
Due from outside agencies	-	57,260	38,228	-	-
Leases	-	-	-	-	-
Loans and notes receivable, net of allowance	-	-	-	-	-
Land and properties held for resale	-	-	-	-	-
Total assets	\$ 235,422	\$ 57,260	\$ 383,737	\$ 557,928	\$ 499,109
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 6,736	\$ 9,263	\$ 31,250	\$ -
Due to other funds	-	64,245	-	-	-
Total liabilities	-	70,981	9,263	31,250	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	-
Related to leases	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	235,422	-	374,474	526,678	499,109
Unassigned	-	(13,721)	-	-	-
Total fund balance (deficit)	235,422	(13,721)	374,474	526,678	499,109
Total liabilities, deferred inflows of resources, and fund balances	\$ 235,422	\$ 57,260	\$ 383,737	\$ 557,928	\$ 499,109

(Continued)

City of Salinas
Combining Balance Sheet (Continued)
Nonmajor Special Revenue Funds
June 30, 2023

	KDF Los Padres Dev Social Services	Measure X Transport Safety & Inv Plan	SB1 Road Maintenance & Rehab	SB1 Traffic Congestion Relief	SRA Public Improvement Grant
ASSETS					
Cash and investments	\$ 269,509	\$ 12,037,508	\$ 8,059,078	\$ 570,607	\$ 1,635,102
Receivables, net:					
Interest	-	81,517	55,943	4,085	11,721
Due from outside agencies	-	1,521,546	323,622	-	-
Leases	-	-	-	-	-
Loans and notes receivable, net of allowance	-	-	-	-	-
Land and properties held for resale	-	-	-	-	584,419
Total assets	\$ 269,509	\$ 13,640,571	\$ 8,438,643	\$ 574,692	\$ 2,231,242
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,371	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	113,423	21,751	-	-
Total liabilities	1,371	113,423	21,751	-	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	-
Related to leases	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	584,419
Restricted	268,138	13,527,148	8,416,892	574,692	1,646,823
Unassigned	-	-	-	-	-
Total fund balance (deficit)	268,138	13,527,148	8,416,892	574,692	2,231,242
Total liabilities, deferred inflows of resources, and fund balances	\$ 269,509	\$ 13,640,571	\$ 8,438,643	\$ 574,692	\$ 2,231,242

(Continued)

City of Salinas
Combining Balance Sheet (Continued)
Nonmajor Special Revenue Funds
June 30, 2023

	Affordable Housing	Grants	Total
ASSETS			
Cash and investments	\$ 2,849,395	\$ 2,019,553	\$ 64,706,773
Receivables, net:			
Interest	802,958	1,646	1,208,790
Due from outside agencies	-	59,285	2,543,876
Leases	-	125,403	174,790
Loans and notes receivable, net of allowance	16,570	-	16,570
Land and properties held for resale	795,581	-	1,380,000
Total assets	\$ 4,464,504	\$ 2,284,383	\$ 70,113,493
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 399	\$ 809,112	1,114,352
Due to other funds	-	971,750	1,799,693
Total liabilities	399	1,780,862	2,914,045
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	781,469	86,740	868,209
Related to leases	-	117,415	164,264
Total deferred inflows of resources	781,469	204,155	1,032,473
Fund Balances:			
Nonspendable	795,581	-	1,380,000
Restricted	2,887,055	299,366	65,170,741
Unassigned	-	-	(383,766)
Total fund balance (deficit)	3,682,636	299,366	66,166,975
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,464,504	\$ 2,284,383	\$ 70,113,493

(Concluded)

City of Salinas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023

	Lighting, Landscape, and Maintenance District	Local Public Safety	Development Fees	Gas Tax	Emergency Medical Services
REVENUES:					
Taxes	\$ -	\$ 668,442	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	379,557	-	3,638,932	137,124
Charges for services	-	-	2,498,571	-	-
Investment income (loss)	230,371	19,178	447,314	99,635	-
Rental income	-	-	-	258,856	-
Fines and forfeitures	-	-	-	-	-
Miscellaneous	1,987,121	-	-	-	-
Total revenues	<u>2,217,492</u>	<u>1,067,177</u>	<u>2,945,885</u>	<u>3,997,423</u>	<u>137,124</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	1,467,690
Public works	1,383,538	-	-	-	-
Recreation	-	-	-	-	-
Library	-	-	-	-	-
Capital outlay	-	-	-	-	327
Total expenditures	<u>1,383,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,468,017</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>833,954</u>	<u>1,067,177</u>	<u>2,945,885</u>	<u>3,997,423</u>	<u>(1,330,893)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	1,357,500
Transfers out	(137,735)	-	(403,473)	(2,955,423)	(18,170)
Total other financing sources (uses)	<u>(137,735)</u>	<u>-</u>	<u>(403,473)</u>	<u>(2,955,423)</u>	<u>1,339,330</u>
NET CHANGE IN FUND BALANCES	696,219	1,067,177	2,542,412	1,042,000	8,437
FUND BALANCES (DEFICIT):					
Beginning of year	8,897,158	1,121,578	16,896,096	3,652,304	(378,482)
End of year	<u>\$ 9,593,377</u>	<u>\$ 2,188,755</u>	<u>\$ 19,438,508</u>	<u>\$ 4,694,304</u>	<u>\$ (370,045)</u>

(Continued)

City of Salinas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023

	Asset Seizure	Traffic Safety	Vehicle Abatement	Cable	Contributions & Donations
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	123,639	-
Intergovernmental	79,798	-	160,299	-	-
Charges for services	-	-	-	-	-
Investment income (loss)	8,890	-	-	-	-
Rental income	-	-	-	-	-
Fines and forfeitures	-	339,679	(7)	-	-
Miscellaneous	-	-	-	-	12,840
Total revenues	88,688	339,679	160,292	123,639	12,840
EXPENDITURES:					
Current:					
General government	-	126,265	-	125,001	-
Public safety	5,044	-	190,849	-	-
Public works	-	-	-	-	-
Recreation	-	-	-	-	420
Library	-	-	-	-	7,676
Capital outlay	-	-	-	-	-
Total expenditures	5,044	126,265	190,849	125,001	8,096
REVENUES OVER (UNDER) EXPENDITURES	83,644	213,414	(30,557)	(1,362)	4,744
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	50,000	-	-
Transfers out	-	(200,000)	-	-	-
Total other financing sources (uses)	-	(200,000)	50,000	-	-
NET CHANGE IN FUND BALANCES	83,644	13,414	19,443	(1,362)	4,744
FUND BALANCES (DEFICIT):					
Beginning of year	151,778	(27,135)	355,031	528,040	494,365
End of year	<u>\$ 235,422</u>	<u>\$ (13,721)</u>	<u>\$ 374,474</u>	<u>\$ 526,678</u>	<u>\$ 499,109</u>

(Continued)

City of Salinas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023

	KDF Los Padres Dev Social Services	Measure X Transport Safety & Inv Plan	SB1 Road Maintenance & Rehab	SB1 Traffic Congestion Relief	SRA Public Improvement Grant
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	5,855,296	3,297,741	-	-
Charges for services	-	-	-	-	-
Investment income (loss)	-	252,556	167,706	14,270	40,829
Rental income	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	6,107,852	3,465,447	14,270	40,829
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Recreation	13,236	-	-	-	-
Library	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	13,236	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	(13,236)	6,107,852	3,465,447	14,270	40,829
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	(3,767,413)	(1,754,856)	-	-
Total other financing sources (uses)	-	(3,767,413)	(1,754,856)	-	-
NET CHANGE IN FUND BALANCES	(13,236)	2,340,439	1,710,591	14,270	40,829
FUND BALANCES (DEFICIT):					
Beginning of year	281,374	11,186,709	6,706,301	560,422	2,190,413
End of year	<u>\$ 268,138</u>	<u>\$ 13,527,148</u>	<u>\$ 8,416,892</u>	<u>\$ 574,692</u>	<u>\$ 2,231,242</u>

(Continued)

City of Salinas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2023

	Affordable Housing	Grants	Total
REVENUES:			
Taxes	\$ -	\$ -	\$ 668,442
Licenses and permits	-	-	123,639
Intergovernmental	-	4,591,752	18,140,499
Charges for services	-	-	2,498,571
Investment income (loss)	81,414	6,937	1,369,100
Rental income	-	52,220	311,076
Fines and forfeitures	-	-	339,672
Miscellaneous	(328,517)	74,749	1,746,193
Total revenues	<u>(247,103)</u>	<u>4,725,658</u>	<u>25,197,192</u>
EXPENDITURES:			
Current:			
General government	5,498	2,495,354	2,752,118
Public safety	-	836,616	2,500,199
Public works	-	73,711	1,457,249
Recreation	-	728,333	741,989
Library	-	307,640	315,316
Capital outlay	-	655,103	655,430
Total expenditures	<u>5,498</u>	<u>5,096,757</u>	<u>8,422,301</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(252,601)</u>	<u>(371,099)</u>	<u>16,774,891</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	1,407,500
Transfers out	(5,995)	-	(9,243,065)
Total other financing sources (uses)	<u>(5,995)</u>	<u>-</u>	<u>(7,835,565)</u>
NET CHANGE IN FUND BALANCES	(258,596)	(371,099)	8,939,326
FUND BALANCES (DEFICIT):			
Beginning of year	3,941,232	670,465	57,227,649
End of year	<u>\$ 3,682,636</u>	<u>\$ 299,366</u>	<u>\$ 66,166,975</u>

(Concluded)

Nonmajor Governmental Funds

Debt Service Funds

Debt Service Funds are used for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on general long-term debt. The nonmajor debt service funds include the following debt issuances:

Assessment District Debt Service - This fund is used to accumulate monies for payment of the City's Assessment Districts Improvement Bonds. Debt service is financed with special assessments levied against property owners within the respective improvement districts.

COP 1999 & COP 2004 Consolidation (2014) - This fund is used to accumulate funds for the payment of principal and interest on the 2014 Lease Purchase/Agreement that was issued on January 29, 2014 to refinance the portion of the 1999 Certificates of Participation that were used to finance the construction of the City Animal Shelter. Debt service for the Animal Shelter is used to finance the City's General Fund.

2018 Lease-PS Building Police - This fund is used to accumulate monies for the designing, permitting, constructing and equipping the new public safety building, including ancillary parking and related facilities, located at 312 E Alisal Street in Salinas. Salinas Public Safety Facilities Inc. (SPF) issued lease revenue bonds to finance the construction of the new building. Lease payments are made from the City's Measure G Funds.

COP 2018B T.R.I.P. Total Road Improvement - This fund is used to accumulate monies for the principal and interest payments for the Transportation Revenue COP Certificates issued to finance large scale street improvement projects. COPs will be secured by Measure X Revenues the City receives from the Transportation Agency of Monterey County (TAMC).

2018 Lease-El Gabilan Library - This fund is used to accumulate monies for the designing, permitting, constructing and equipping the El Gabilan Library expansion, including ancillary parking, located at 1400 N Main Street in Salinas. Salinas Public Safety Facilities, Inc. (SPF) issued lease revenue bonds to facilitate the construction of the El Gabilan Library. Lease payments are made from the City's Measure E Funds.

2020A Refunding Energy - This fund is used to account for the refunding of the 2014 Energy Improvement Lease and accumulate monies for the payment of principal and interest.

2020A Refunding SVSWA - for the refunding of the outstanding portion of the Certificates of Participation Series 2015B (1997 Capital Improvement Projects) and accumulate monies for the payment of principal and interest.

Assessment District Administration - This fund accounts for the cost of administering the City's assessment district bonds used to finance improvements within those districts. Funding is provided by an assessment equal to 5% of the assessment amount with a maximum \$16 levy per parcel per bond.

Assessment District Reserve - This fund accounts for the reserves on outstanding assessment districts bonds.

City of Salinas
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2023

	Assessment District Debt Service	COP 1999 & 2004 Consolidation (2014)	2018 Lease-PS Building Police	COP 2018B T.R.I.P. Total Road Improvement	2018 Lease El Gabilan Library
ASSETS					
Cash and investments	\$ -	\$ -	\$ 1,021	\$ 1,526,511	\$ 1,492
Receivables, net:					
Interest	-	-	2,131	12,254	888
Assessments	540,000	-	-	-	-
Total assets	<u>\$ 540,000</u>	<u>\$ -</u>	<u>\$ 3,152</u>	<u>\$ 1,538,765</u>	<u>\$ 2,380</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,000	\$ -	\$ 2,020	\$ 2,500	\$ 1,950
Due to other funds	209,237	-	-	-	-
Unearned revenues	540,000	-	-	-	-
Total liabilities	<u>750,237</u>	<u>-</u>	<u>2,020</u>	<u>2,500</u>	<u>1,950</u>
Fund Balances:					
Restricted	-	-	1,132	1,536,265	430
Unassigned (deficit)	(210,237)	-	-	-	-
Total fund balances	<u>(210,237)</u>	<u>-</u>	<u>1,132</u>	<u>1,536,265</u>	<u>430</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 540,000</u>	<u>\$ -</u>	<u>\$ 3,152</u>	<u>\$ 1,538,765</u>	<u>\$ 2,380</u>

(Continued)

City of Salinas
Combining Balance Sheet (Continued)
Nonmajor Debt Service Funds
June 30, 2023

	2020A Refunding Energy	2020A Refunding SVSWA	Assessment District Administration	Assessment District Reserve	Total
ASSETS					
Cash and investments	\$ 494	\$ 23,718	\$ -	\$ 1,855,254	\$ 3,408,490
Receivables, net:					
Interest	-	178	-	13,320	28,771
Assessments	-	-	-	-	540,000
Total assets	<u>\$ 494</u>	<u>\$ 23,896</u>	<u>\$ -</u>	<u>\$ 1,868,574</u>	<u>\$ 3,977,261</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 7,470
Due to other funds	-	-	2,178	-	211,415
Unearned revenues	-	-	-	-	540,000
Total liabilities	<u>-</u>	<u>-</u>	<u>2,178</u>	<u>-</u>	<u>758,885</u>
Fund Balances:					
Restricted	494	23,896	-	1,868,574	3,430,791
Unassigned (deficit)	-	-	(2,178)	-	(212,415)
Total fund balances	<u>494</u>	<u>23,896</u>	<u>(2,178)</u>	<u>1,868,574</u>	<u>3,218,376</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 494</u>	<u>\$ 23,896</u>	<u>\$ -</u>	<u>\$ 1,868,574</u>	<u>\$ 3,977,261</u>

(Concluded)

City of Salinas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended June 30, 2023

	Assessment District Debt Service	COP 1999 & 2004 Consolidation (2014)	2018 Lease-PS Building Police	COP 2018B T.R.I.P. Total Road Improvement	2018 Lease El Gabilan Library
REVENUES:					
Taxes - special assessments	\$ 42,792	\$ -	\$ -	\$ -	\$ -
Investment income (loss)	4,191	1,804	7,903	366,189	1,381
Total revenues	46,983	1,804	7,903	366,189	1,381
EXPENDITURES:					
Debt service:					
Principal	430,000	163,000	2,910,000	750,000	220,000
Interest and fiscal charges	23,370	62,813	1,568,088	1,568,525	564,669
Total expenditures	453,370	225,813	4,478,088	2,318,525	784,669
REVENUES OVER (UNDER) EXPENDITURES	(406,387)	(224,009)	(4,470,185)	(1,952,336)	(783,288)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	58,245	4,469,926	2,316,025	783,718
Total other financing sources (uses)	-	58,245	4,469,926	2,316,025	783,718
NET CHANGE IN FUND BALANCES	(406,387)	(165,764)	(259)	363,689	430
FUND BALANCES (DEFICIT):					
Beginning of year	196,150	165,764	1,391	1,172,576	-
End of year	<u>\$ (210,237)</u>	<u>\$ -</u>	<u>\$ 1,132</u>	<u>\$ 1,536,265</u>	<u>\$ 430</u>

(Continued)

City of Salinas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)
Nonmajor Debt Service Funds
For the Year Ended June 30, 2023

	2020A Refunding Energy	2020A Refunding SVSWA	Assessment District Administration	Assessment District Reserve	Total
REVENUES:					
Taxes - special assessments	\$ -	\$ -	\$ -	\$ -	\$ 42,792
Investment income (loss)	494	176	-	45,783	427,921
Total revenues	494	176	-	45,783	470,713
EXPENDITURES:					
Debt service:					
Principal	935,000	545,000	-	-	5,953,000
Interest and fiscal charges	591,723	123,733	-	-	4,502,921
Total expenditures	1,526,723	668,733	-	-	10,455,921
REVENUES OVER (UNDER) EXPENDITURES	(1,526,229)	(668,557)	-	45,783	(9,985,208)
OTHER FINANCING SOURCES (USES):					
Transfers in	1,526,723	668,735	-	-	9,823,372
Total other financing sources (uses)	1,526,723	668,735	-	-	9,823,372
NET CHANGE IN FUND BALANCES	494	178	-	45,783	(161,836)
FUND BALANCES (DEFICIT):					
Beginning of year	-	23,718	(2,178)	1,822,791	3,380,212
End of year	\$ 494	\$ 23,896	\$ (2,178)	\$ 1,868,574	\$ 3,218,376

(Concluded)

This page intentionally left blank.

Nonmajor Governmental Funds

Capital Projects Funds

Capital Projects Funds are used to account for major capital acquisition and construction activities. The nonmajor Capital Projects Funds used by the City in this report are as follows:

Special Construction Assistance Capital Projects - This fund accounts for proceeds of long-term borrowings resulting from the sale of Certificates of Participation to finance the acquisition and construction of capital projects.

Special Aviation - This fund accounts for federal and state airport grants. Funds are used to reimburse the Capital Projects Fund for airport capital expenditures.

Assessment District Projects - This fund accounts for bond proceeds from assessment districts used for capital improvements. Funds are used to reimburse the Capital Projects Fund for assessment district capital project expenditures.

2019 Special Tax Bond Monte Bella - This fund accounts for bond proceeds from assessments from the Monte Bella District for Capital Improvements. Funds are used to reimburse the Capital Projects Fund for Monte Bella District Capital Project Expenditures.

This page intentionally left blank.

City of Salinas
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2023

	Special Construction Assistance	Special Aviation	Assessment District Project	2019 Special Tax Bond Monte Bella	Total
ASSETS					
Cash and investments	\$ 8,180,976	\$ 648,400	\$ 419,310	\$ 26,889	\$ 9,275,575
Receivables, net:					
Interest	145,041	4,795	3,019	178	153,033
Due from outside agencies	831,984	-	-	-	831,984
Leases	3,632,559	-	-	-	3,632,559
Total assets	<u>\$ 12,790,560</u>	<u>\$ 653,195</u>	<u>\$ 422,329</u>	<u>\$ 27,067</u>	<u>\$ 13,893,151</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 1,584,972	\$ 58,095	\$ -	\$ -	\$ 1,643,067
Total liabilities	<u>1,584,972</u>	<u>58,095</u>	<u>-</u>	<u>-</u>	<u>1,643,067</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	563,931	-	-	-	563,931
Related to leases	3,508,891	-	-	-	3,508,891
Total deferred inflows of resources	<u>4,072,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,072,822</u>
Fund Balances:					
Restricted	11,015,467	595,100	422,329	27,067	12,059,963
Committed	141,985	-	-	-	141,985
Total fund balances	<u>7,132,766</u>	<u>595,100</u>	<u>422,329</u>	<u>27,067</u>	<u>8,177,262</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,790,560</u>	<u>\$ 653,195</u>	<u>\$ 422,329</u>	<u>\$ 27,067</u>	<u>\$ 13,893,151</u>

City of Salinas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2023

	Special Construction Assistance	Special Aviation	Assessment District Project	2019 Special Tax Bond Monte Bella	Total
REVENUES:					
Intergovernmental	\$ 3,403,628	\$ 126,609	\$ -	\$ -	\$ 3,530,237
Charges for services	319,467	-	-	-	319,467
Investment income (loss)	145,041	22,937	10,512	941	179,431
Miscellaneous	187,733	-	-	-	187,733
Total revenues	4,055,869	149,546	10,512	941	4,216,868
REVENUES OVER (UNDER) EXPENDITURES	4,055,869	149,546	10,512	941	4,216,868
OTHER FINANCING SOURCES (USES):					
Transfers out	(8,080,555)	(637,450)	-	-	(8,718,005)
Total other financing sources (uses)	(8,080,555)	(637,450)	-	-	(8,718,005)
NET CHANGE IN FUND BALANCES	(4,024,686)	(487,904)	10,512	941	(4,501,137)
FUND BALANCES:					
Beginning of year	11,157,452	1,083,004	411,817	26,126	12,678,399
End of year	<u>\$ 7,132,766</u>	<u>\$ 595,100</u>	<u>\$ 422,329</u>	<u>\$ 27,067</u>	<u>\$ 8,177,262</u>

Internal Service Funds

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.

Risk Management - This fund is used to account for the City's risk management program which administers employee benefits and the Internal Service Funds insurance programs.

General Insurance - This fund is used to account for city-wide safety programs, employee assistance programs, unemployment claims, biennial physical exams, and insurance for property, fine arts, and reimbursable damages.

Workers Compensation - This fund is used to account for the City's self-insured workers compensation program.

General Liability - This fund is used to account for the City's self-insured general liability insurance program.

Fleet Maintenance - This fund is used to account for the inspection, maintenance, and repair of all the City's vehicles and equipment.

This page intentionally left blank.

City of Salinas
Combining Statement of Net Position
All Internal Service Funds
June 30, 2023

	Risk Management	General Insurance	Workers Compensation	General Liability	Fleet Maintenance	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,944,257	\$ 1,074,097	\$ 9,043,896	\$ -	\$ 10,075,322	\$ 22,137,572
Due from other funds	-	-	16,831,462	-	-	16,831,462
Accrued interest	-	-	65,356	-	-	65,356
Total current assets	1,944,257	1,074,097	25,940,714	-	10,075,322	39,034,390
Noncurrent assets:						
Restricted cash and investments	-	-	263,442	-	-	263,442
Total noncurrent assets	-	-	263,442	-	-	263,442
Total assets	1,944,257	1,074,097	26,204,156	-	10,075,322	39,297,832
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	-	-	148,805	-	446,262	595,067
Related to OPEB	-	-	10,138	24,591	65,039	99,768
Total deferred outflows of resources	-	-	158,943	24,591	511,301	694,835
LIABILITIES						
Current liabilities:						
Accounts payable	-	57,662	49,813	9,014	100,224	216,713
Due to other funds	-	-	-	781,837	-	781,837
Insurance claims payable - due within one year	-	-	4,903,000	2,680,807	-	7,583,807
Compensated absences - due within one year	-	-	5,417	2,502	22,078	29,997
Total current liabilities	-	57,662	4,958,230	3,474,160	122,302	8,612,354
Noncurrent liabilities:						
Insurance claims payable - due in more than one year	-	-	22,082,392	1,109,812	-	23,192,204
Compensated absences - due in more than one year	-	-	21,669	10,009	84,567	116,245
Net pension liability	-	-	365,197	-	1,095,213	1,460,410
Net OPEB liability	-	-	30,284	73,458	194,283	298,025
Total noncurrent liabilities	-	-	22,499,542	1,193,279	1,374,063	25,066,884
Total liabilities	-	57,662	27,457,772	4,667,439	1,496,365	33,679,238
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	-	-	14,401	-	43,189	57,590
Related to OPEB	-	-	24,114	58,492	154,702	237,308
Total deferred inflows of resources	-	-	38,515	58,492	197,891	294,898
NET POSITION						
Unrestricted (deficit)	1,944,257	1,016,435	(1,133,188)	(4,701,340)	8,892,367	6,018,531
Total net position	\$ 1,944,257	\$ 1,016,435	\$(1,133,188)	\$ (4,701,340)	\$ 8,892,367	\$ 6,018,531

This page intentionally left blank.

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

	Risk Management	General Insurance	Workers Compensation	General Liability	Fleet Maintenance	Total
OPERATING REVENUES:						
Charges for services	\$ -	\$ 316,772	\$ 5,579,660	\$ 258,488	\$ -	\$ 6,154,920
Total operating revenues	-	316,772	5,579,660	258,488	-	6,154,920
OPERATING EXPENSES:						
Personnel services	-	-	585,695	80,986	1,283,147	1,949,828
Contractual services	-	39,015	-	-	161,126	200,141
Supplies	-	-	-	-	878,126	878,126
Insurance	-	1,395,736	436,325	5,129,163	-	6,961,224
Insurance claims	-	-	6,005,500	(549,576)	-	5,455,924
Other	150	174,667	-	-	21,199	196,016
Total operating expenses	150	1,609,418	7,027,520	4,660,573	2,343,598	15,641,259
OPERATING INCOME (LOSS)	(150)	(1,292,646)	(1,447,860)	(4,402,085)	(2,343,598)	(9,486,339)
NONOPERATING REVENUES (EXPENSES):						
Investment income (loss)	-	-	228,005	14,813	-	242,818
Other non-operating revenue (expense)	-	-	(18,163)	-	(71,813)	(89,976)
Total nonoperating revenues (expenses)	-	-	209,842	14,813	(71,813)	152,842
INCOME (LOSS) BEFORE TRANSFERS	(150)	(1,292,646)	(1,238,018)	(4,387,272)	(2,415,411)	(9,333,497)
TRANSFERS:						
Transfers in	-	500,000	39,800	2,700,000	2,120,000	5,359,800
Total transfers	-	500,000	39,800	2,700,000	2,120,000	5,359,800
Changes in net position	(150)	(792,646)	(1,198,218)	(1,687,272)	(295,411)	(3,973,697)
NET POSITION (DEFICIT):						
Beginning of year	1,944,407	1,809,081	65,030	(3,014,068)	9,187,778	9,992,228
End of year	<u>\$ 1,944,257</u>	<u>\$ 1,016,435</u>	<u>\$(1,133,188)</u>	<u>\$(4,701,340)</u>	<u>\$ 8,892,367</u>	<u>\$ 6,018,531</u>

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

	Risk Management	General Insurance	Workers Compensation	General Liability	Fleet Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ -	\$ 316,772	\$ 5,579,660	\$ 258,488	\$ -	\$ 6,154,920
Payments to suppliers for goods and services	-	(1,426,893)	23,654	909	(1,017,897)	(2,420,227)
Payments to employees for services	-	-	(422,006)	(250,287)	(1,197,716)	(1,870,009)
Payments to claimants	-	-	(4,767,948)	(5,129,163)	-	(9,897,111)
Other	(150)	(174,667)	-	-	(21,199)	(196,016)
Net cash provided by (used in) operating activities	(150)	(1,284,788)	413,360	(5,120,053)	(2,236,812)	(8,228,443)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Borrowing from (to) other funds	-	-	-	781,837	-	781,837
Other expenses	-	-	(18,163)	-	(71,813)	(89,976)
Transfers from other funds	-	500,000	39,800	2,700,000	2,120,000	5,359,800
Net cash provided by noncapital financing activities	-	500,000	21,637	3,481,837	2,048,187	6,051,661
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income (loss)	-	-	177,102	17,398	-	194,500
Net cash provided by investing activities	-	-	177,102	17,398	-	194,500
Net change in cash and cash equivalents	(150)	(784,788)	612,099	(1,620,818)	(188,625)	(1,982,282)
CASH AND CASH EQUIVALENTS:						
Beginning of year	1,944,407	1,858,885	8,695,239	1,620,818	10,263,947	24,383,296
End of year	<u>\$ 1,944,257</u>	<u>\$ 1,074,097</u>	<u>\$ 9,307,338</u>	<u>\$ -</u>	<u>\$ 10,075,322</u>	<u>\$ 22,401,014</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:						
Cash and cash investments	\$ 1,944,257	\$ 1,074,097	\$ 9,043,896	\$ -	\$ 10,075,322	\$ 22,137,572
Restricted cash and investments	-	-	263,442	-	-	263,442
Total cash and cash equivalents	<u>\$ 1,944,257</u>	<u>\$ 1,074,097</u>	<u>\$ 9,307,338</u>	<u>\$ -</u>	<u>\$ 10,075,322</u>	<u>\$ 22,401,014</u>

City of Salinas
Combining Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2023

	Risk Management	General Insurance	Workers Compensation	General Liability	Fleet Maintenance	Total
RECONCILIATION OF OPERATING INCOME						
(LOSS) TO NET CASH PROVIDED BY (USED						
IN) OPERATING ACTIVITIES:						
Operating income (loss)	\$ (150)	\$(1,292,646)	\$(1,447,860)	\$(4,402,085)	\$(2,343,598)	\$(9,486,339)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:						
Changes in operating assets and liabilities, and deferred outflows and inflows of resources:						
Deferred outflows - related to pensions	-	-	(126,843)	43,985	(270,443)	(353,301)
Deferred outflows - related to OPEB	-	-	447	1,816	(13,383)	(11,120)
Accounts payable	-	7,858	23,654	909	21,355	53,776
Accrued liabilities	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Insurance claims payable	-	-	1,673,877	(549,576)	-	1,124,301
Compensated absences	-	-	16,937	2,362	(3,743)	15,556
Net pension liability	-	-	301,898	(126,770)	588,479	763,607
Net OPEB liability	-	-	(2,468)	(8,251)	34,447	23,728
Deferred inflows - related to pensions	-	-	(27,706)	(84,328)	(293,895)	(405,929)
Deferred inflows - related to OPEB	-	-	1,424	1,885	43,969	47,278
Total adjustments	-	7,858	1,861,220	(717,968)	106,786	1,257,896
Net cash provided by (used in) operating activities	\$ (150)	\$(1,284,788)	\$ 413,360	\$(5,120,053)	\$(2,236,812)	\$(8,228,443)

This page intentionally left blank.

Fiduciary Funds

PRIVATE PURPOSE TRUST FUNDS

The private-purpose trust funds accounts for assets and activities of the dissolved Redevelopment Agency, which is accounted for in the Successor Agency Trust, and other trust arrangement not otherwise reported in a pension trust.

Successor Agency Redevelopment Obligation Retirement - This fund accounts for all the financial activities of the Redevelopment Obligation Retirement Fund (RORF) related to the former Redevelopment Project Area in accordance with AB 1x26 and AB 1484 which unwind the Redevelopment Agency of the City of Salinas.

Successor Agency Administration – This fund accounts for the administrative activities of the Successor Agency to the former Salinas Redevelopment Agency which was dissolved on February 1, 2012 in accordance with AB 1x26 (enacted June 28, 2011).

Other Private Purpose Trust Funds – These funds are used to account for other trust arrangements not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments. The City accounts for the following trust funds: Community Center, Monterey Regional Water Pollution Control Agency (MRWPCA) Fees, Sales Tax, Payroll Taxes, Developer Deposits, Evidence Room, Construction Bonds, Monterey County Tourism Improvement District, Leadership Salinas, and miscellaneous.

This page intentionally left blank.

City of Salinas
Combining Statement of Fiduciary Net Position
Private Purpose Trust Funds
June 30, 2023

	Successor Agency Trust				Total Private Purpose Trust Funds
	Redevelopment Obligation Retirement Fund	Administration	Total Successor Agency Trust	Other Private Purpose Trust Fund	
ASSETS					
Cash and investments	\$ 2,049,936	\$ 24,745	\$ 2,074,681	\$ 1,339,519	\$ 3,414,200
Cash and investments held by fiscal agent	1,438,695	-	1,438,695	-	1,438,695
Receivables:					
Accounts	-	-	-	7,618	7,618
Interest	11,011	-	11,011	-	11,011
Loans and notes	163,900	-	163,900	-	163,900
Total assets	3,663,542	24,745	3,688,287	1,347,137	5,035,424
LIABILITIES					
Accounts payable	-	150	150	353,856	354,006
Interest payable	12,196	-	12,196	-	12,196
Deposits payable	-	-	-	234,995	234,995
Unearned revenue	796,621	10,000	806,621	-	806,621
Long-term debt:					
Due in one year	1,360,000	-	1,360,000	-	1,360,000
Due in more than one year	148,584	-	148,584	-	148,584
Total liabilities	2,317,401	10,150	2,327,551	588,851	2,916,402
NET POSITION					
Restricted for individuals and organizations	1,346,141	14,595	1,360,736	758,286	2,119,022
Total net position	\$ 1,346,141	\$ 14,595	\$ 1,360,736	\$ 758,286	\$ 2,119,022

City of Salinas
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2023

	Successor Agency Trust				Total Private Purpose Trust Funds
	Redevelopment Obligation Retirement Fund	Successor Agency Trust		Other Private Purpose Trust Fund	
	Administration	Trust	Trust Fund		
ADDITIONS:					
Taxes	\$ 5,406,716	\$ 10,000	\$ 5,416,716	\$ -	\$ 5,416,716
Private contributions	-	-	-	2,947,456	2,947,456
Interest	132,561	-	132,561	-	132,561
Total additions	5,539,277	10,000	5,549,277	2,947,456	8,496,733
DEDUCTIONS:					
Expenses	571,406	736	572,142	50,085	622,227
Payments on behalf of trustees	-	3,927	3,927	2,890,157	2,894,084
Contributions to other agencies	2,948,785	-	2,948,785	-	2,948,785
Payments to City	949,243	-	949,243	-	949,243
Total deductions	4,469,434	4,663	4,474,097	2,940,242	7,414,339
Change in net position	1,069,843	5,337	1,075,180	7,214	1,082,394
NET POSITION:					
Beginning of year	276,298	9,258	285,556	751,072	1,036,628
End of period	<u>\$ 1,346,141</u>	<u>\$ 14,595</u>	<u>\$ 1,360,736</u>	<u>\$ 758,286</u>	<u>\$ 2,119,022</u>

Fiduciary Funds

Custodial Funds

Custodial Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds operate as a clearing mechanism. Cash resources are collected, held for a brief period and then distributed to the proper recipients. The City has a fiduciary responsibility for the assets, which it does not own outright.

SUBA Business Improvement District - This fund accounts for the business license surcharged assessment imposed on Alisal businesses, and are used to promote and revitalize the business district. Expenditures are determined by the districts' Board of Directors and approved by the City Council.

Flexible Spending - This fund is used to account for revenues resulting of employee concessions contributions used to reduce the cost of medical, vision and dental health insurance premiums.

Downtown Community Benefit District - This fund accounts for the property assessment generated revenues imposed on the Downtown Community Benefit District. The concept is that eventually the Downtown Community Benefit District will grow and receive revenues from multiple sources within a defined boundary that can among other things, including entrepreneurial activities, special mandate, are not be excluded, and no exemptions for not-for-profit entities are being considered. It can be governed by a 501(c)3 non-profit corporation, merging the existing energies in Downtown into just one organization, rather than the 501(c)6 BID and the OSA Foundation. It can receive grants and donations, and merge these with more assessments that are powerful.

This page intentionally left blank.

City of Salinas
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2023

	SUBA Business Improvement District	Flexible Spending	Downtown Community Benefit District	Total Custodial Funds
ASSETS				
Cash and investments	\$ -	\$ -	\$ 128,537	\$ 128,537
Cash and investments held by fiscal agent	-	67,728	-	67,728
Total assets	-	67,728	128,537	196,265
LIABILITIES				
Accounts payable	-	161,587	128,537	290,124
Total liabilities	-	161,587	128,537	290,124
NET POSITION (DEFICIT)				
Restricted for individuals and organizations	-	(93,859)	-	(93,859)
Total net position (deficit)	\$ -	\$ (93,859)	\$ -	\$ (93,859)

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

	SUBA Business Improvement District	Flexible Spending	Downtown Community Benefit District	Total Custodial Funds
ADDITIONS:				
Taxes	\$ -	\$ -	\$ 456,530	\$ 456,530
Plan member contributions	-	316,212	-	316,212
Total additions	-	316,212	456,530	772,742
DEDUCTIONS:				
Expenses	-	411,755	-	411,755
Benefit payments	-	19,780	-	19,780
Assessments disbursed to other governments	548	-	456,530	457,078
Total deductions	548	431,535	456,530	888,613
Change in net position	(548)	(115,323)	-	(115,871)
NET POSITION (DEFICIT):				
Beginning of year	548	21,464	-	22,012
End of period	<u>\$ -</u>	<u>\$ (93,859)</u>	<u>\$ -</u>	<u>\$ (93,859)</u>

City of Salinas
Combining Balance Sheet
General, Measure E, & Measure G Funds
June 30, 2023

	General Fund	Measure E Fund	Measure G Fund	Total
ASSETS				
Cash and investments	\$ 37,660,412	\$ 16,421,241	\$ 24,976,533	\$ 79,058,186
Receivables, net:				
Accounts	399,364	148	-	399,512
Taxes	9,133,830	3,075,093	6,171,975	18,380,898
Interest	798,429	113,485	175,466	1,087,380
Leases	1,676,984	-	-	1,676,984
Due from other funds	8,403,525	-	-	8,403,525
Advances to other funds	2,785,000	-	-	2,785,000
Total assets	\$ 60,857,544	\$ 19,609,967	\$ 31,323,974	\$ 111,791,485
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,059,994	\$ 530,669	\$ 1,100,708	\$ 7,691,371
Due to other funds	16,986,926	-	99,168	17,086,094
Deposits payable	29,353	-	-	29,353
Total liabilities	23,076,273	530,669	1,199,876	24,806,818
DEFERRED INFLOWS OF RESOURCES				
Related to leases	1,625,905	-	-	1,625,905
Total deferred inflows of resources	1,625,905	-	-	1,625,905
Fund Balances (deficit):				
Nonspendable	2,785,000	-	-	2,785,000
Restricted	6,000,000	-	-	6,000,000
Committed	20,695,883	9,205,721	6,199,405	36,101,009
Assigned	10,442,713	863,153	7,081,699	18,387,565
Unassigned	(3,768,230)	9,010,424	16,842,994	22,085,188
Total fund balances (deficit)	36,155,366	19,079,298	30,124,098	85,358,762
Total liabilities, deferred inflows of resources, and fund balances	\$ 60,857,544	\$ 19,609,967	\$ 31,323,974	\$ 111,791,485

City of Salinas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General, Measure E, & Measure G Funds
For the Year Ended June 30, 2023

	General Fund	Measure E Fund	Measure G Fund	Intrafund Eliminations	Total
REVENUES:					
Taxes	\$ 98,998,161	\$ 17,163,587	\$ 34,437,173	\$ -	\$ 150,598,921
Licenses and permits	10,568,223	-	-	-	10,568,223
Intergovernmental	908,898	-	-	-	908,898
Charges for services	5,296,314	-	-	-	5,296,314
Interest (loss)	2,579,895	333,063	572,878	-	3,485,836
Rental income	330,717	-	-	-	330,717
Fines and forfeitures	203,463	-	-	-	203,463
Miscellaneous	953,482	2,283	-	-	955,765
Total revenues	119,839,153	17,498,933	35,010,051	-	172,348,137
EXPENDITURES:					
Current:					
General government	18,213,027	114,232	3,312,880	-	21,640,139
Public safety	74,738,008	3,883,839	8,957,944	-	87,579,791
Public works	9,282,487	4,982	4,573,569	-	13,861,038
Recreation	182,487	2,446,786	4,311,056	-	6,940,329
Library	-	5,055,324	-	-	5,055,324
Capital outlay	565,973	3,184	242,799	-	811,956
Debt service:					
Principal	811,119	-	-	-	811,119
Interest and fiscal charges	173,380	-	-	-	173,380
Total expenditures	103,966,481	11,508,347	21,398,248	-	136,873,076
REVENUES OVER (UNDER) EXPENDITURES	15,872,672	5,990,586	13,611,803	-	35,475,061
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of long-term debt	410,213	-	-	-	410,213
Transfers in	7,993,127	350,000	-	(5,425,332)	2,917,795
Transfers out	(16,923,266)	(1,636,078)	(10,294,965)	5,425,332	(23,428,977)
Total other financing sources (uses)	(8,519,926)	(1,286,078)	(10,294,965)	-	(20,100,969)
NET CHANGE IN FUND BALANCES	7,352,746	4,704,508	3,316,838	-	15,374,092
FUND BALANCES:					
Beginning of year	28,802,620	14,374,790	26,807,260	-	69,984,670
End of year	<u>\$ 36,155,366</u>	<u>\$ 19,079,298</u>	<u>\$ 30,124,098</u>	<u>\$ -</u>	<u>\$ 85,358,762</u>

City of Salinas
Budgetary Comparison Schedule
Measure E
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 16,423,000	\$ 16,423,000	\$ 17,163,587	\$ 740,587
Interest	45,000	45,000	333,063	288,063
Miscellaneous	-	-	2,283	2,283
Total revenues	<u>16,468,000</u>	<u>16,468,000</u>	<u>17,498,933</u>	<u>1,030,933</u>
EXPENDITURES:				
Current:				
General government	130,500	131,969	114,232	17,737
Public safety	4,523,779	4,734,176	3,883,839	850,337
Public works	-	-	4,982	(4,982)
Recreation	2,703,682	2,524,312	2,446,786	77,526
Library	5,701,471	5,757,193	5,055,324	701,869
Capital outlay	3,000	3,623	3,184	3,623
Total expenditures	<u>13,062,432</u>	<u>13,151,273</u>	<u>11,508,347</u>	<u>1,646,110</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>3,405,568</u>	<u>3,316,727</u>	<u>5,990,586</u>	<u>(2,673,859)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	350,000	350,000	350,000	-
Transfers out	<u>(2,233,600)</u>	<u>(3,096,753)</u>	<u>(1,636,078)</u>	<u>(1,460,675)</u>
Total other financing sources (uses)	<u>(1,883,600)</u>	<u>(2,746,753)</u>	<u>(1,286,078)</u>	<u>(1,460,675)</u>
Net change in fund balance	<u>\$ 1,521,968</u>	<u>\$ 569,974</u>	4,704,508	<u>\$ 4,134,534</u>
FUND BALANCE:				
Beginning of year			<u>14,374,790</u>	
End of year			<u>\$ 19,079,298</u>	

City of Salinas
Budgetary Comparison Schedule
Measure G
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable/ (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 32,846,000	\$ 32,846,000	\$ 34,437,173	\$ 1,591,173
Interest	108,000	108,000	572,878	464,878
Total revenues	<u>32,954,000</u>	<u>32,954,000</u>	<u>35,010,051</u>	<u>2,056,051</u>
EXPENDITURES:				
Current:				
General government	2,652,766	3,650,361	3,312,880	337,481
Public safety	7,773,564	7,862,011	8,957,944	(1,095,933)
Public works	5,606,186	5,668,557	4,573,569	1,094,988
Recreation	5,254,872	5,464,357	4,311,056	1,153,301
Capital outlay	59,700	200,927	242,799	200,927
Total expenditures	<u>21,347,088</u>	<u>22,846,213</u>	<u>21,398,248</u>	<u>1,690,764</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>11,606,912</u>	<u>10,107,787</u>	<u>13,611,803</u>	<u>(3,504,016)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(12,082,710)	(27,948,124)	(10,294,965)	(17,653,159)
Total other financing sources (uses)	<u>(12,082,710)</u>	<u>(27,948,124)</u>	<u>(10,294,965)</u>	<u>(17,653,159)</u>
Net change in fund balance	<u>\$ (475,798)</u>	<u>\$ (17,840,337)</u>	3,316,838	<u>\$ 21,157,175</u>
FUND BALANCE:				
Beginning of year			<u>26,807,260</u>	
End of year			<u>\$ 30,124,098</u>	

OTHER INFORMATION

City of Salinas
Other Information (Unaudited)
Claims Development
Internal Service Funds - General Liability Insurance
Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net earned required contribution and investment revenues	\$ 971,785	\$ 1,892,297	\$ 1,019,378	\$ 1,074,526	\$ 863,563
Unallocated expenses	353,537	334,291	339,171	314,127	374,303
Estimated incurred claims and expenses, end of policy year	161,668	965,536	534,565	36,271	7,532
Paid claims as of:					
End of policy year	18,140	55,188	116,262	15,603	6,310
One year later	635,352	282,538	20,991	227,379	22,088
Two years later	842,560	570,687	64,153	846,232	285,818
Three years later	1,345,021	679,871	65,043	947,734	340,771
Four years later	1,635,636	732,404	66,412	1,019,825	1,072,628
Five years later	1,676,450	779,178	835,586	1,721,882	438,723
Six years later	1,926,852	788,081	588,263	90,970	
Seven years later	1,926,852	1,195,953	563,125		
Eight years later	1,549,519	518,672			
Nine years later	416,531				
Reestimated incurred claims and expenses:					
End of policy year	161,668	965,536	234,565	36,271	7,532
One year later	2,233,535	1,390,213	194,433	357,416	796,619
Two years later	2,280,849	1,554,039	79,955	1,714,261	327,418
Three years later	1,960,665	730,656	94,678	949,419	666,518
Four years later	1,748,340	1,296,507	80,580	1,041,511	1,144,430
Five years later	1,742,087	1,091,507	835,586	1,721,882	8,760
Six years later	1,930,214	1,121,507	1,234,203	131,016	
Seven years later	1,926,852	1,195,953	26,455		
Eight years later	1,549,519	50,398			
Nine years later	456,096				
Increase/(decrease) in estimated incurred claims and expenses	1,765,184	155,971	601,021	1,005,241	658,986

City of Salinas
Other Information (Unaudited)
Claims Development
Internal Service Funds - General Liability Insurance (Continued)
Last Ten Fiscal Years

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Net earned required contribution and investment revenues	\$ 342,324	\$ 263,104	\$ 276,393	\$ 1,228,577	\$ 273,301
Unallocated expenses	651,645	748,046	1,090,415	1,860,605	2,140,090
Estimated incurred claims and expenses, end of policy year	892,986	4,006	53,317	603,165	19,883
Paid claims as of:					
End of policy year	75,401	3,618	2,999	233,121	120
One year later	387,594	7,635	33,435	47,068	
Two years later	2,660,599	312,080	428,518		
Three years later	2,723,293	225,494			
Four years later	895,990				
Five years later					
Six years later					
Seven years later					
Eight years later					
Nine years later					
Reestimated incurred claims and expenses:					
End of policy year	892,986	4,006	53,317	603,165	19,883
One year later	1,583,466	42,411	778,790	66,288	
Two years later	3,952,801	468,435	11,615		
Three years later	3,936,716	51,124			
Four years later	17,475				
Five years later					
Six years later					
Seven years later					
Eight years later					
Nine years later					
Increase/(decrease) in estimated incurred claims and expenses	3,059,815	38,405	-	-	-

City of Salinas
Other Information (Unaudited)
Claims Development
Internal Service Funds - Workers Compensation Insurance
Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Net earned required contribution and investment revenues	\$ 4,377,426	\$ 6,130,921	\$ 13,748,053	\$ 4,743,276	\$ 4,922,253
Unallocated expenses	360,203	335,408	471,472	334,542	1,056,134
Estimated incurred claims and expenses, end of policy year	1,666,909	1,432,032	813,874	953,545	1,284,514
Paid claims as of:					
End of policy year	950,284	334,257	333,561	357,390	346,475
One year later	1,371,978	1,597,521	1,061,264	1,070,983	1,177,834
Two years later	1,927,023	2,162,775	1,602,857	1,997,607	1,617,945
Three years later	2,409,062	2,554,090	1,895,742	2,329,308	1,937,327
Four years later	2,621,000	2,706,246	2,014,757	2,558,332	2,010,366
Five years later	2,699,388	2,878,566	2,044,352	270,304	2,133,667
Six years later	2,783,374	2,985,635	2,064,349	2,846,811	
Seven years later	3,670,222	3,140,217	2,105,316		
Eight years later	3,705,820	3,794,745			
Nine years later	3,745,577				
Reestimated incurred claims and expenses:					
End of policy year	1,666,909	1,432,032	813,874	953,545	1,284,514
One year later	2,218,693	2,641,671	1,711,199	1,934,390	1,833,783
Two years later	3,204,843	3,520,776	2,433,616	2,924,696	2,290,339
Three years later	3,674,042	3,793,217	2,406,924	2,932,147	3,249,184
Four years later	3,643,183	3,694,285	2,505,621	3,111,763	3,195,733
Five years later	3,745,001	3,718,134	2,618,375	3,804,982	135,620
Six years later	4,104,444	3,779,664	2,636,313	1,104,685	
Seven years later	3,971,493	4,108,102	576,053		
Eight years later	4,015,971	325,231			
Nine years later	280,585				
Increase/(decrease) in estimated incurred claims and expenses	-	-	-	-	-

City of Salinas
Other Information (Unaudited)
Claims Development
Internal Service Funds - Workers Compensation Insurance (Continued)
Last Ten Fiscal Years

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Net earned required contribution and investment revenues	\$ 6,079,547	\$ 10,151,619	\$ 8,119,793	\$ 5,176,801	\$ 5,807,667
Unallocated expenses	210,341	436,618	323,042	216,651	216,651
Estimated incurred claims and expenses, end of policy year	1,222,180	1,638,983	4,366,805	2,233,467	2,515,012
Paid claims as of:					
End of policy year	725,652	567,497	1,420,172	930,895	1,518,668
One year later	1,580,493	1,844,018	2,372,771	3,271,499	
Two years later	1,987,948	2,550,102	3,310,505		
Three years later	2,763,247	3,996,808			
Four years later	2,941,966				
Five years later					
Six years later					
Seven years later					
Eight years later					
Nine years later					
Reestimated incurred claims and expenses:					
End of policy year	1,222,180	1,638,983	4,366,805	2,223,467	2,515,012
One year later	2,488,357	3,759,255	5,391,076	4,145,263	
Two years later	3,269,045	4,558,744	3,959,616		
Three years later	4,060,647	2,012,955			
Four years later	1,061,645				
Five years later					
Six years later					
Seven years later					
Eight years later					
Nine years later					
Increase/(decrease) in estimated incurred claims and expenses	-	-	-	-	-

This page intentionally left blank.