

**INFRASTRUCTURE STATE REVOLVING FUND PROGRAM
STAFF REPORT**

Summary terms

Applicant:	City of Santa Cruz (City)
Project name:	Front-Spruce-Pacific 54-Inch Sewer Rehabilitation Project (Project #1) and Wastewater Treatment Facility Headworks Rehabilitation Project (Project #2), together the “Projects”.
Applicant eligibility category:	City government
Project eligibility category:	Public Development Facilities / 10. Sewage Collection and Treatment
Project location:	Project #1: Various locations along Front and Spruce Streets, and Pacific Avenue, in downtown Santa Cruz Project #2: 110 California Street, Santa Cruz
Financing amount:	One proposed loan of \$26,000,000 (Project #1 \$5,374,430 / Project #2 \$20,625,570)
Financing term:	30 years
Interest rate:	All-in interest rate of 4.10% (inclusive of 0.15% servicing fee), based on MMD Revenue A scale (dropped one notch from S&P AA+ issuer rating); community subsidy applied based on project locations.
Fees:	1% origination fee. To be paid by borrower
Source of repayment:	Wastewater Enterprise Fund (Fund)
Security:	Pledge of net system revenues and all legally available amounts in the Wastewater Enterprise Fund
Applicant credit rating:	Standard & Poor’s AA+ issuer rating (Fund is unrated)
ISRF funding source(s):	ISRF Equity
Applicant ISRF financing exposure:	Current IBank ISRF exposure to the City: <ul style="list-style-type: none"> • Wastewater Fund loan: \$3,168,954 • Water Fund loan: \$20,467,648 • Total ISRF exposure if the requested loan were approved would be \$49,636,602.
IBank referral source	Existing Borrower

Executive Summary

Borrower description:

The City of Santa Cruz, incorporated in 1866, is located on the northern part of the Monterey Bay and has an estimated population of 63,224. The principal industries of Santa Cruz are tourism, education (UC Santa Cruz) and high-tech companies. Tourism is the main economic driver of the City owing to its beaches, surf culture, and historic landmarks, including the Santa Cruz Beach Boardwalk. The City currently has an unemployment rate of 6.6% vs 4.8% at the State level, and a Median Household income (MHI) of \$104,409, or 114% of the State figure of \$91,511.

The City of Santa Cruz provides a broad range of public services, and also operates municipal utilities for water, wastewater, storm water and refuse in addition to enterprise operations for parking facilities. It

has a very strong AA+ issuer credit rating with a stable outlook from Standard and Poor’s. The source of repayment for the requested financing is the Wastewater Enterprise Fund (Fund), which is unrated.

Santa Cruz is an existing ISRF borrower with one other loan to the Wastewater Enterprise, and another loan to the Water Fund. All loans, including a General Fund loan repaid in August 2024, have been paid-as-agreed. Should the current loan request be approved, ISRF portfolio concentration for combined Santa Cruz loans would increase to 9.79%, which though high is still well within the program limit of 20%.

Project description and benefits:

The City will use the requested ISRF financing to complete two major capital improvement projects related to its wastewater system. The first project is the Front-Spruce-Pacific 54-Inch Sewer Rehabilitation Project (FSP), for \$5.4M, and the second is the Headworks Rehabilitation Project (Headworks) for the Santa Cruz Wastewater Treatment Facility (SCWWTF), for \$18.2M, each including a 10% hard cost contingency. (Additional project contingencies add up to \$2.4M.) These two projects were determined to be in the most critical need of rehabilitation.

The Front-Spruce-Pacific 54-Inch Sewer was installed in 1966. A 2022 inspection revealed surface damage, concrete spalling, and corroded reinforcement within the pipeline and related structures. The Headworks structure was originally constructed in 1965, with major upgrades to the screens in 1988. The wastewater infrastructure assets installed during those upgrades are approaching the end of their service life and require rehabilitation and replacement.

The proposed rehabilitation of the two projects will extend the life of each asset by at least 50 years. The projects will benefit the City of Santa Cruz by preventing costly repairs, protecting the pipelines from corrosion, improving water quality, minimizing the risk of damage to the surrounding area, and improving the wastewater system’s resiliency to the impacts of future extreme weather events.

Project Uses	Project Sources		
	IBank	City of Santa Cruz	Total
Project # 1			
Front-Spruce-Pacific Project Costs + Contingency	\$5,374,430	\$0	\$5,374,430
Project # 2			
Wastewater Treatment Facility Headworks Costs + Contingency	\$18,224,275	\$0	\$18,224,275
Additional Projects Contingency	\$2,401,295	\$0	\$2,401,295
Origination Fee		\$260,000	\$260,000
Total Projects Cost	\$26,000,000	\$260,000	\$26,260,000

Staff has reviewed a detailed version of the project cost budget, which was prepared by input from designers and public works department. The project budget for the Headworks project will be finalized after the Request for Proposal (RFP) is completed before the end of fall of 2024. It is worth noting that total contingencies add up to 16% of the combined budget for the two projects. If there are additional unforeseen cost overruns, the Wastewater Enterprise Fund has healthy cash reserves (\$23.2M as of Fiscal Year (FY) 2023) that can be used to cover these.

Financial and Repayment Analysis

The proposed ISRF financing will be secured by a pledge of revenues from the City's Wastewater Enterprise Fund (Fund). The Fund's performance reflects operating losses in four of the five years from FY 2019 to FY 2023, though better results after accounting for depreciation expense and including intergovernmental revenues from a service contract with the Santa Cruz County Sanitation District. Operating revenues grew from \$19.8M to \$25.2M over the five-year period, while the net position fell slightly from \$84.9M to \$82.7M.

FY 2023 was an exceptional year due to one-time expenses disaster-related expenses of over \$4M. The City has requested and been approved for FEMA funds to compensate for these expenses. The timing and dollar amount will be finalized later in 2024, although the city expects to receive between \$4M and \$6M before the end of December 2024, essentially offsetting the one-time expenses.

The Fund had \$23.2M of cash on hand in FY23. Its Current Ratio was never below 10.3x in the historical years analyzed, and was 17.0x in FY23.

Historical Cash flow analysis is summarized as follows:

CASH FLOW					
For Fiscal Year Ending (FYE) June 30	2019	2020	2021	2022	2023
Operating Income (Loss)	-\$1,101,253	-\$2,802,140	-\$1,598,476	\$1,991,351	-\$5,818,568
Transaction Specific Adjustments					
+ Depreciation	4,248,268	4,283,647	4,333,564	4,560,440	4,930,779
+ Investment Earnings	380,320	317,702	125,549	-\$313,000	\$130,252
+ Transfer In	4,000	0	282,260	0	0
- Transfer Out	-\$248,055	-\$69,477	-\$70,076	-\$131,762	-\$66,509
+ Intergovernment revenues	\$715,866	\$800,129	\$2,087,991	\$1,326,008	\$2,013,451
Total of all Adjustments	5,100,399	5,332,001	6,759,288	5,441,686	7,007,973
Cash Available for Debt Service	\$3,999,146	\$2,529,861	\$5,160,812	\$7,433,037	\$1,189,405
Debt Service Calculation					
Total Existing MADS Debt Service	176,461	176,461	176,461	176,461	176,461
Proposed iBank MADS ⁽¹⁾	1,551,057	1,551,057	1,551,057	1,551,057	1,551,057
Total Obligations MADS	\$1,727,518	\$1,727,518	\$1,727,518	\$1,727,518	\$1,727,518
Debt Service Coverage Ratio ⁽²⁾	2.31	1.46	2.99	4.30	0.69

(1) Calculated as \$26,000,000 at an all-in rate of 4.10% (including a 0.15% annual servicing fee) for a term of 30 years.

(2) Existing Parity Debt Minimum Required DSCR 1.20

The Wastewater Fund's only other debt is ISRF Loan 21-138, with an outstanding balance of \$3.17M. Considering the combined debt service for the two loans, after adjustments the Fund would have had adequate historical cash flow (with minimum DSCR over 1.20x), except for FY 2023, when DSCR was low at 0.69X. This was due to the extreme weather events mentioned above, which required several emergency repairs and upgrades to damaged electrical equipment and to the sewer system. If the FEMA award were to fully offset the disaster-related expenditures, FY23 DSCR would be 3.06x.

The table above shows DSCR after add-backs was 1.46X or higher in four of the five years reviewed.

Looking ahead, the City is soon to award a contract to a consultant to complete a rate study which will help determine the next 5-year rate structure for their Wastewater Fund. Based on its internal current analysis, the City is conservatively considering a 5% rate increase starting 7/1/25, followed by rate increases between 5% and 7% over the following years. If implemented, the anticipated rate increases

would considerably improve the Fund's debt repayment capacity. A more detailed analysis of the Fund's historical and projected repayment capacity appears in the body of the staff report.

Risks and mitigants

Risk:

- The approval of the proposed \$26M loan to the City will increase the IBank ISRF exposure to the City to \$49,636,602 which would make the City the borrower with the highest exposure in our ISRF Portfolio, accounting for 9.79% of the ISRF Portfolio; loans to the Wastewater Fund would account for 5.75% of the projected outstanding balance.

Mitigants:

- The concentrations are well below the limits stated in the ISRF Criteria of 20% to a single borrower and 15% to the same source of pledged revenue.
- The City has a very strong issuer rating of AA+ from S&P.
- All existing and prior ISRF loans have been paid as agreed.

Risk:

- FY 2023 reflects insufficient cash flow with DSCR at 0.69x.

Mitigants:

- The factors that contributed to this include one-time disaster related expenses and high depreciation related to high fixed assets.
- Historical and projected cash flows indicate that, except for FY23, the City would have comfortably met DSCR requirements for the proposed debt.
- Assuming one-time disaster related expenses will be offset by the expected FEMA award, FY23 DSCR would improve to 3.06x.
- The Fund shows a strong liquidity position, a high Current Ratio and a low Leverage Ratio. In FY23 the Fund had a cash position of \$23M. (Please see the Financial Analysis section below and the Key indicators chart in Exhibit 4 for more detail.)

Risk:

- The City is not prohibited from incurring additional obligations payable from the Fund.

Mitigants:

- The Fund will be prohibited from issuing future debt senior to the IBank financing.
- New parity debt will only be permitted if Net Revenues support a Debt Service Coverage Ratio (DSCR) of at least 1.20x, based on Maximum Annual Debt Service (MADS).
- The Fund will be required to maintain rates and charges in an amount sufficient to support a minimum DSCR of 1.20x, based on Annual Debt Service (ADS), for the Loan and any parity debt.

Compliance with IBank Criteria, Priorities, and Guidelines

The application and the proposed financing are in accordance with IBank Criteria, Priorities and Guidelines (ISRF Criteria).

ISRF Criteria Waivers

The City seeks an IBank Board waiver of the Criteria requirement to complete construction within two years. The City expects the construction to be completed in 24 months but has requested 36 months to provide a cushion in the case of unforeseen events.

Staff Recommendation

Staff recommends approval of Resolution No. 24-15 authorizing ISRF Program Financing in an amount not to exceed \$26,000,000 to the City of Santa Cruz for the Front-Spruce-Pacific 54-Inch Sewer Rehabilitation Project and Wastewater Treatment Facility Headworks Rehabilitation Project.

IBank Staff:	Richard Nesbitt and Lina Moeller
Date of IBank Board Meeting	September 25, 2024
Resolution Number:	24 – 15

Borrower background

Borrower description

The City of Santa Cruz is a Charter City and has operated under the council-manager form of government since its incorporation in 1866. Policy-making and legislative authority are vested in a seven-member governing council consisting of a mayor and six council members who serve four year overlapping terms. The City of Santa Cruz provides a broad range of public services. It also operates municipal utilities for water, wastewater, storm water and refuse in addition to enterprise operations for parking facilities.

The City of Santa Cruz has an area of 12 square miles and an estimated population of 63,224 as of June 2023. It is home to the University of California, Santa Cruz, which first opened in 1965 with 650 students. It has a current enrollment of 17,502 undergraduates and 1,976 graduate students, and is the City’s largest employer, with over 9,105 employees. The City is also home to the historic Santa Cruz Beach Boardwalk and the Santa Cruz Warriors’ basketball team.

Existing IBank Exposure and Relationship

This will be the City’s fourth ISRF loan. The first of these loans, to the General Fund, was fully repaid in August 2024. The two outstanding loans appear below:

TOTAL CURRENT ISRF OBLIGATIONS FOR THE CITY OF SANTA CRUZ					
Debt Issued	Date Issued	Maturity	Amount Issued	Outstanding Balance	FUND
ISRF-21-138	11/20/2020	8/1/2050	\$3,500,000	\$3,168,954	Wastewater
ISRF 17-115	8/19/2016	8/1/2046	\$25,000,000	\$20,467,648	Water
	Total		\$28,500,000	\$23,636,602	

All loans have been paid-as-agreed. When the two outstanding loans are combined with the current loan request, Santa Cruz would account for 9.79% of the ISRF loan portfolio, making it the second highest concentration behind the City of San Diego (11.70%). Exposure to Santa Cruz’s Wastewater Fund would be 5.75%. Though these figures are high, they still fall well within the limits defined in the ISRF Criteria, of 20% global exposure to a single borrower (regardless of repayment source), and 15% payable from the same source of borrower revenue. Staff feels the risk is sufficiently mitigated by the City’s intrinsic credit quality, as demonstrated by its AA+ issuer rating from Standard and Poor’s, as well as the Fund’s good performance record and its demonstrated ability to meet projected debt service payments, as detailed below.

Local Economy

The principal industries of Santa Cruz are tourism, education (UC Santa Cruz) and high-tech companies. Tourism is the main economic driver of the City owing to its beaches, surf culture, and historic landmarks. Agriculture is significant in parts of surrounding Santa Cruz County. According to the Santa Cruz County Economic Forecast published by Caltrans, the county was expected to have a full labor market recovery for 2023. Employment gains in 2023 were expected to be the largest in leisure services, state and local government and healthcare. Approximately 1,200 jobs were expected to be re-gained at government agencies, including local schools and UC Santa Cruz. The Santa Cruz County population is expected to grow slowly between 2021 and 2026, and approximately the same number of homes to be built over the next five years.

Project background

Project # 1: Front-Spruce-Pacific 54-Inch Sewer Rehabilitation (\$5,374,430)

The Front-Spruce-Pacific (FSP) 54-Inch Sewer was installed in 1966. In 2022, Public Works contracted with consultant Brown & Caldwell to inspect the condition of the pipeline. The inspection revealed surface damage, concrete spalling, and corroded reinforcement within the pipeline and related structures.

The FSP Rehabilitation Project will consist of addressing the deterioration in the pipes, rehabilitation of seven manholes as well as the sanitary sewer cure-in-place-pipe (CIPP) infiltration mitigation, demolition, sewage flow control, and excavation support and protection. The project aims to restore the structural integrity of the City's Eastside sewer interceptor pipeline, preventing further deterioration and failure, and will also extend the pipeline's lifespan by at least 50 years.

Project # 2: Wastewater Treatment Facility Headworks Rehabilitation (\$20,625,570)

The Headworks structure was originally constructed in 1965, with major upgrades to the screens in 1988. The wastewater infrastructure assets installed during those upgrades are approaching the end of their service life and require rehabilitation and replacement.

The Headworks Rehabilitation Project focuses on the City-owned wastewater system, which includes flow from the 54-inch diameter and 30-inch diameter gravity sewer lines from the east side of the City, and the 42-inch diameter line from the west side of the City.

The Headworks project will rehabilitate the influent and headworks infrastructure, including improvements to the headworks vault, influent vault, screen room, influent wet well, influent pump station, and replacement of two influent pumps with submersible pumps to increase facility resiliency in the event of an extreme weather event or flood. This project will also upgrade the ventilation system at the headworks facility to improve the air quality within the screen room, which will improve worker comfort, health, and safety. The useful life of this project is also at least 50 years.

The projected start dates of these projects will be Summer / Fall 2024. The FSP project started earlier this summer and has been completed in August 2024 and a portion of the loan is to be used to reimburse the City for project costs incurred to complete the project. The Headworks project is expected start with the closing of this loan and is to be completed by December 2025.

Staff has reviewed a detailed version of the project budget. The budget was prepared in consultation with designers and the City's public works engineers and department staff. The Headworks project will be going to bid in the next few weeks. The Project Cost Summary shows a 10% hard-cost contingency for each project, as well as a global contingency of 10% for the combined budget of the two projects, amounting to total contingencies of 16%, or \$4,203,529.

Project benefits

Both projects will benefit the City of Santa Cruz by preventing costly repairs, protecting the pipelines from corrosion, improving water quality, and minimizing the risk of damage to the surrounding environment. When completed the projects are expected to improve the System's resiliency against the future impact of extreme weather.

The projects also benefit the tourist industry that depends on clean beaches made possible by a dependable wastewater facility which effectively manages and treats sewage and stormwater, preventing contamination of coastal waters.

The project is expected to create 50 construction jobs at an average wage of \$50 per hour.

Loan security and source of repayment

The Loan will be secured by a pledge of the Fund's net revenues and all other legally available resources and will be repaid from these amounts. An overview of the strength of the Fund's system and finances appears below in order to provide a sense of the reliability of this pledge.

System Overview

The Santa Cruz Wastewater Treatment Facility operates and maintains a regional wastewater treatment and disposal facility for the City of Santa Cruz, Santa Cruz County, and the cities of Live Oak, Capitola, Soquel and Aptos. The SCCSD (Santa Cruz County Sanitation District) pays their share of the cost incurred at the WWTF and maintains its own collection system that traverses the City to the WWTP. The City and SCCSD have had contracts in place for 40 years and this relationship is expected to continue.

The system consists of 160 miles of pipes supported by 21 pump stations leading to the Wastewater Treatment Facility. As noted in the Key Indicators table in Exhibit 4, the estimated remaining useful life of the Wastewater Enterprise's net fixed assets was at 15 years in FY23, indicating the need for new capital investment. However, upon completion of the upgrades to the two projects being financed, their useful remaining life is expected to be extended by at least 50 years. The System handles approximately 5 million gallons of wastewater daily. System staff provides regular inspections and monitoring of outfall disposal, limiting discharge of harmful constituents into the sanitary sewer system and storm drain system. Enterprise staff also handles issues with wastewater discharge permits to industrial discharges, and issues with citations and levies fines for code violations.

Enterprise staff provided a list of CIP projects that are planned over the next five years. The projects are smaller projects that range in size from less than \$100 thousand to a little over \$2 million. The projects include the Cowell Beach Water Quality Project, Recreational Vehicle Sanitary Disposal Station project, Stormwater Trash Capture Program etc. These projects are expected to be paid for by the planned rate increases rather than additional borrowing.

The following table displays the Number of Users by Category and reflects stability in the user base. The City of Santa Cruz is largely built out and shows a slight increase in Residential Users and a small reduction in Commercial Users since 2020. No material changes are expected in service demand over the next 5 years. The table further reflects a high proportion of Residential Users, which is consistent with the nature of the City, and provides a stable anchor to its user base. The Other category mainly consists of UC Santa Cruz and its facilities.

NUMBER OF USERS BY CATEGORY					
For Fiscal Year Ending (FYE) June 30	2020	2021	2022	2023	2024
Residential	14,065	14,114	14,137	14,150	14,319
Commercial	1,223	1,221	1,227	1,223	1,208
Industrial	28	28	26	26	27
Other	40	40	41	40	40
Total	15,356	15,403	15,431	15,439	15,594
% change	N/A	0.3%	0.2%	0.1%	1.0%

Source: Financing Application Addendum

The table below displays Current System Usage and Revenue as of June 30, 2024. Residential Users represent approximately 71% of the Total Gross Annual Revenues.

CURRENT SYSTEM USAGE & REVENUE				
	Annual Usage (CCF) ⁽¹⁾	% Annual Usage	Gross Annual Revenue	% Gross Annual Revenue
Residential	1,115,091	64.9%	\$13,297,033	70.6%
Commercial	368,495	21.4%	\$2,658,081	14.1%
Industrial	48,964	2.8%	\$304,327	1.6%
Other	186,399	10.8%	\$2,578,282	13.7%
Total	1,718,949	100.0%	\$18,837,723	100.0%

Source: Financing Application Addendum

The following table displays the Top 10 System Users and shows that the City complies with ISRF Criteria’s requirements that revenues derived from the top ten ratepayers not exceed 50% of total revenues, and that no single ratepayer generates 15% or greater of the System’s annual revenues. While UC Santa Cruz provides 13.27% of the System’s revenue, as a long-standing campus that forms part of the highly-regard University of California system, it is very likely to remain a stable System user for the foreseeable future.

TOP TEN SYSTEM USERS AS OF JUNE 30, 2024				
	User	% System Use	% System Revenues	Customer Class (Residential/ Commercial/ Industrial/Other)
1	UC Santa Cruz	10.07%	13.27%	Other
2	Harmany Foods Corp	1.18%	0.70%	Industrial
3	Harmany Foods Corp	0.96%	0.57%	Industrial
4	MHC Acquisition One	0.82%	0.64%	Residential
5	Cypress Point	0.72%	0.77%	Residential
6	1010 Pacific Apt	0.37%	0.36%	Residential
7	Hidden Creek	0.35%	0.36%	Residential
8	Baywood at North Shore	0.33%	0.37%	Residential
9	La Posada Apt	0.26%	0.34%	Residential
10	Shelton Lagoon	0.25%	0.30%	Residential
	Total	15.3%	17.7%	

Source: Financing Application Addendum

User Rate Information - Increases and Projected Rate Increases

The City anticipates Wastewater System rate increases in the coming years. The City is currently reviewing statements of qualifications to carry out a new rate study with the expectations to have it completed prior to April 2025, in order for new rates take effect on July 1, 2025. The new rates will allow the City to continue to reinvest in the Wastewater Treatment Facility and wastewater collection system to protect the essential quality of life services that they provide.

The most recent rate increases were as follows:

HISTORICAL RATE INCREASES OF THE PAST FIVE YEARS		
Date Adopted	Date Effective	Percent Increase
2/26/2019	7/1/2019	7.00%
2/26/2019	7/1/2020	7.00%
2/26/2019	7/1/2021	7.00%
2/26/2019	7/1/2022	6.00%
2/26/2019	7/1/2023	6.00%

Source: Financing Application Addendum

The following table displays the Historical Average minimum Annual User Charge Per Residential Unit from FY 2019 through FY 2023. (There was no rate increase in FY24.)

HISTORICAL AND CURRENT AVERAGE MONTHLY USER CHARGE PER RESIDENTIAL UNIT					
For Fiscal Year Ending (FYE) June 30	2019	2020	2021	2022	2023
Residential	\$50.50	\$54.00	\$57.80	\$61.30	\$65.00
% change	N/A	6.9%	7.0%	6.1%	6.0%
% of MHI (2023 at \$104,409)	0.6%	0.6%	0.7%	0.7%	0.7%

Source: Financing Application Addendum

The following table displays the Projected Average minimum Annual User Charge Per Residential Unit from FY 2024 through FY 2028. Based on recent analysis, the City is tentatively anticipating a 5% rate increase in FY 2025. The table below assumes 7% increases for FY 26 – FY 28:

PROJECTED AVERAGE MONTHLY USER CHARGE PER RESIDENTIAL UNIT					
For Fiscal Year Ending (FYE) June 30	2024	2025	2026	2027	2028
Residential	\$65.00	\$68.25	\$73.03	\$78.14	\$83.61
% change	0%	5%	7%	7%	7%

The following table displays the City's Average Monthly System User Charge compared to nearby systems as of July 2024. The City's average monthly residential rate of \$65.00 is slightly higher than the average of rates in the nearby systems, though well below the highest rate of \$75.72 charged by the Santa Cruz County Sanitation District.

CURRENT AVERAGE MONTHLY SYSTEM USER CHARGE COMPARED TO NEARBY SYSTEMS			
System Name	Distance in Miles	Location	Average Monthly Residential Rate
City of Santa Cruz	N/A		\$65.00
San Jose-Santa Clara Regional Wastewater Facility	33.0	San Jose/Santa Clara, CA	\$49.59
Watsonville Wastewater Treatment Facility	18.0	Watsonville, CA	\$53.22
South County Regional Wastewater Authority	45.0	Morgan Hill, CA	\$72.97
Santa Cruz County Sanitation District	N/A	Santa Cruz, CA	\$75.72
Average Monthly Charge			\$63.30

Source: Financing Application Addendum

Credit Analysis

Santa Cruz's Wastewater Enterprise Fund provides wastewater collection and treatment services to the residents of the City and some residents of the County. The Fund's financial statements, as presented in the Annual Comprehensive Financial Reports, are presented for fiscal years 2019-2023 in Exhibits 1 and 2. Borrower financials form part of Government-Wide financial statements, which provide a broad overview of the municipality's finances following the accrual basis of accounting, similar to a private-sector business.

Comparative Balance Sheet Analysis (Exhibit 1):

The Fund has maintained healthy cash balances over the last five fiscal years, with Cash and Investments rising from \$17M in FY19 to over \$23M in FY23. The Current Ratio mirrors this performance, rising from

10.3x to 17.0x over the same period, as Current Liabilities have remained stable at less than \$2M in most years.

Accounts receivables fluctuated between FY 21 & FY 22 due to timing issues with the Santa Cruz County Sanitation District billing for the previous fiscal year. The FY 21 billings were incorrectly accrued and have since been corrected and FY 22 shows accurate balances.

Pension liabilities fluctuated significantly from FY 22 to FY 23 due to the City's unfunded PERs liability for all departments/divisions. The City had a new MOU agreement in place with higher than usual COLA's scheduled. The change in accounting treatment resulted in the City recognizing higher Pension expenses than what the City contributed.

Although net Capital Assets decreased by 9% from FY 2019 (from \$80.1M to \$73.3M), Total Assets grew by 4.5% over the same period primarily due to an increase in Cash and other Current Assets.

The Leverage Ratio (total liabilities divided by net position) has generally remained at a very low level at right around 0.2x and grew slightly in FY 2021 to 0.3x due to the increased pension liability.

Over the five-year period Fund Net Position decreased slightly by 2.7%, though still remained strong at \$82.7M. While Net investment in capital assets declined, the Unrestricted portion has risen steadily. The projects to be funded by the ISRF loan will help improve the Net investment position. Fund Balance as a % of Operating Revenues has been very strong in all years reviewed, with a 327.6% or higher. The slight downward trend, especially in FY23, was impacted by one-time disaster-related expenditures, as described below.

Comparative Income Statement Analysis (Exhibit 2):

The Fund's average Operating Margin (the Operating Result as a % of Operating Revenues) was negative in four of the last five years, except for FY 2022, which had an 8.7% surplus. However, these figures include depreciation expense, which is high (averaging \$4.5M per year), due to the Fund's large amount of fixed assets. Prior to depreciation, results were positive in all years except FY23, which was impacted by the disaster-related expenditures.

The primary operating revenues of the Fund are water-related charges. Operating revenues have increased 27.8% since FY 2019 primarily due to the rate increases that were approved in 2019 for a five-year period. In addition, the Fund receives significant Intergovernmental revenues, consisting of revenues received from SCCSD. The City & County have an agreement under which SCCSD pays for Treatment Plant modifications, a portion of loan payments for the 2020 IBank loan, reimbursements for construction of the Pure Water Soquel Project, and FEMA reimbursements related to another capital project, which have averaged over \$1.8M since FY21. When these revenues along with investment earnings, and other non-operating items and transfers are factored in, changes to net position were positive in FY21 and FY22, before the decrease in FY23.

Operating expenses include general and administrative expenses, personnel, services and other charges, and depreciation on capital assets. Total Operating Expenses increased by 49% since FY 2019. Services, supplies and other charges doubled (increased by 52.4%) in FY 2023, because of a dramatic increase of GASB 68 Pension expense and Compensated Absences, repairs and upgrades. Included in these expenses were approximately \$4.1M for Disaster/Emergency repairs to the WWTP and other areas affected by the

severe storms last winter. The pension accounting item, however, is not expected to have an immediate cash impact. (In fact, cash balances increased by \$5M in FY23.)

The \$5.8M operating loss in FY23 was impacted by a series of storms in Santa Cruz which were classified as Federal Disasters. These resulted in expenses ranging from temporary repairs to the Wastewater Treatment Plant as well as increased personnel expense due to long-term employees retiring and new employee recruitments. With respect to the emergency repairs and upgrades, the City has applied for and expects to receive before the end of December 2024, reimbursement grants from FEMA (expected to be between \$4M and \$6M) to offset these expenses.

Repayment analysis

Historical analysis

CASH FLOW					
For Fiscal Year Ending (FYE) June 30	2019	2020	2021	2022	2023
Operating Income (Loss)	-\$1,101,253	-\$2,802,140	-\$1,598,476	\$1,991,351	-\$5,818,568
Transaction Specific Adjustments					
+ Depreciation	4,248,268	4,283,647	4,333,564	4,560,440	4,930,779
+ Investment Earnings	380,320	317,702	125,549	-\$313,000	\$130,252
+ Transfer In	4,000	0	282,260	0	0
- Transfer Out	-\$248,055	-\$69,477	-\$70,076	-\$131,762	-\$66,509
+ Intergovernment revenues	\$715,866	\$800,129	\$2,087,991	\$1,326,008	\$2,013,451
Total of all Adjustments	5,100,399	5,332,001	6,759,288	5,441,686	7,007,973
Cash Available for Debt Service	\$3,999,146	\$2,529,861	\$5,160,812	\$7,433,037	\$1,189,405
Debt Service Calculation					
Total Existing MADS Debt Service	176,461	176,461	176,461	176,461	176,461
Proposed IBank MADS ⁽¹⁾	1,551,057	1,551,057	1,551,057	1,551,057	1,551,057
Total Obligations MADS	\$1,727,518	\$1,727,518	\$1,727,518	\$1,727,518	\$1,727,518
Debt Service Coverage Ratio ⁽²⁾	2.31	1.46	2.99	4.30	0.69

(1) Calculated as \$26,000,000 at an all-in rate of 4.10% (including a 0.15% annual servicing fee) for a term of 30 years.

(2) Existing Parity Debt Minimum Required DSCR 1.20

As mentioned earlier, the Fund has adequate cash flow to cover the proposed debt service in all years except FY 2023. This was driven by the disaster- related expenses which are expected to eventually be offset by FEMA funds.

Adjustments to cash flow include the following:

- Depreciation, this is a non-cash expense, and has been added back.
- Intergovernmental revenues consist of revenues received from SCCSD. The City & County have agreements in place to provide certain wastewater services since 1963.
- Investment Earnings are non-operating revenues, ongoing and consistent year over year and are from cash reserve investments, therefore they are added back to cashflow.
- Transfer In: In 2019 and 2021, respective Transfers In of \$4,000 & \$282,260 were from the City’s Carbon Reduction and Worker’s Compensation funds.
- Transfers out include repayments to the General Fund, CIP Fund, Carbon Reduction Fund, IT Central Services Fund and the City’s Public Art Fund.

Projections and analysis (Exhibit 3):

The City provided projections for FY’s 2024 through 2027 and include the revenues from the rate increases. Based on the Projections provided, staff completed the following Projected Cash Flow analysis:

PROJECTED CASHFLOW					
For Fiscal Year Ending (FYE) June 30		2024	2025	2026	2027
Operating Income (Loss)		-\$1,954,757	-\$582,734	\$403,531	\$909,959
Transaction Specific Adjustments					
+	Depreciation	4,887,978	5,034,617	5,185,656	5,341,225
	Investment Earnings	\$95,943	\$100,740	\$105,777	\$111,066
+	Transfers In				
-	Transfers Out	-\$69,835	-\$89,748	-\$76,993	-\$80,843
Total of all Adjustments		4,914,086	5,045,609	5,214,440	5,371,448
Cash Available for Debt Service		\$2,959,329	\$4,462,875	\$5,617,971	\$6,281,407
Debt Service Calculation					
	Total Existing MADS Debt Service	176,461	176,461	176,461	176,461
	Proposed IBank MADS ⁽¹⁾	1,551,057	1,551,057	1,551,057	1,551,057
	Total Obligations MADS	\$1,727,518	\$1,727,518	\$1,727,518	\$1,727,518
	Debt Service Coverage Ratio ⁽²⁾	1.71	2.58	3.25	3.64

(1) Calculated as \$26,000,000 at an all-in rate of 4.10% (including a 0.15% annual servicing fee) for a term of 30 years.

(2) Existing Parity Debt Minimum Required DSCR 1.20

Projections and following assumptions were provided by the City based on the first column in chart above i.e. FY 2023 Actual figures.

- Operation Revenues: Based on rate increases projected 5% for FY 2024 and 2025, 7% rate increase for FY 2026 through FY 2028.
- Intergovernmental revenues, as discussed, are largely from the Santa Cruz County Sanitation District (SCCSD). For a more conservative approach Intergovernmental revenues were not included in the chart above. Even so the DSCR is strong and if these revenues were included in the projected cash flow chart the DSCR would be even stronger with minimum DSCR of 2.97X in the projected years.
- Expenses levels over a five-year rate period remain consistent and have been projected considering the Memorandum of Understanding contracts and with cost-of-living adjustments.
- Non-operating Revenues: remain consistent with increases over five-year period.
- Income after adjustments is positive over all projected years.

After FY24, minimum DSCR of 2.58x occurs in FY25. This is before including intergovernmental revenues. The projected cashflow supports the proposed ISRF loan and all existing debt in the projected years.

TERMS AND CONDITIONS

Staff recommends approval of Resolution No. 24-15 authorizing ISRF Program financing to the City of Santa Cruz for the Front-Spruce-Pacific 54-Inch Sewer Rehabilitation Project and Wastewater Treatment Facility Headworks Rehabilitation Project, subject to the following key terms and conditions:

1. **Applicant/Borrower:** City of Santa Cruz (Borrower)
2. **Project Name:** Front-Spruce-Pacific 54-Inch Sewer Rehabilitation Project (Project #1) and Wastewater Treatment Facility Headworks Rehabilitation Project (Project #2), together the "Projects".
3. **Amount of ISRF Program financing:** \$26,000,000 (Tax-exempt Financing)
4. **Maturity:** Not to exceed 30 years. Financing may not be prepaid during the first 10 years.
5. **Repayment/Security:** The Financing will be secured by a senior lien on net system revenues (Net Revenues) from the City's Wastewater Enterprise Fund (Fund) and all legally available amounts in the Fund.
6. **Interest Rate:** All-in 4.10% which includes annual servicing fee described in item 7 below. The rate will be locked as outlined in item 8 below.
7. **Fees:** Borrower to pay the origination fee of 1.00%, \$260,000 of the Financing amount upon close of Financing, and an annual servicing fee of 0.15% of the outstanding balance.
8. **Rate Lock:** The interest rate in item 7 will be locked for a period of 90 calendar days after IBank Board (Board) approval of the ISRF financing (the Rate Lock Period). After the Rate Lock Period, and up until IBank's Financing commitment expires (as described in item 10 below), the interest rate may be reset at the discretion of IBank's Credit Committee.
9. **Limited Time:** Subject to the Board's approval of the Financing resolution, IBank's Financing commitment expires 180 calendar days from the date of its adoption. If the Borrower and IBank have not executed a financing agreement (Financing Agreement) before the commitment expires, there can be no assurances that IBank will be able to grant the Financing to the Borrower or consider extending the commitment period.
10. **Not an Unconditional Commitment:** If the IBank Board (Board) approves the resolution authorizing the Financing request, the resolution shall not be construed as an unconditional commitment to finance the Project, but rather is conditioned upon entry by IBank and the Borrower into a Financing Agreement (or Agreements), in form and substance satisfactory to IBank.
11. **ISRF Program Financing Agreement Covenants and Conditions:** The Financing Agreement shall include, among other things, the following covenants:
 - a. The Fund has no debt secured by senior lien on Net Revenues, and the Borrower will be prohibited from issuing future debt senior to the Financing.

- b. Parity debt will be allowed if Net Revenues amount to at least 1.20 times the Maximum Annual Debt Service (MADS) taking into consideration the MADS payable in any Fiscal Year on all existing parity debt and the Financing, and the proposed parity debt, payable from the Fund.
- c. Subordinate debt will be allowed if Net Revenues are at least 1.00 time the sum of the MADS on all outstanding debt payable from the Fund.
- d. The Borrower will be required to maintain rates and charges in an amount sufficient to ensure in each fiscal year that Net Revenues produce a minimum 1.20 times aggregate annual debt service coverage ratio for the Financing and all parity debt, and a minimum 1.00 time annual debt service coverage ratio when including subordinate debt.
- e. The Borrower will covenant against reducing rates below levels used for all debt service payable from the Fund, and to take actions to increase rates or Fund a rate stabilization Fund if debt service coverage ratios fall below required levels.
- f. Upon implementing rates and charges, the Borrower to covenant to ensure that its rate structure conforms to the requirements of Proposition 218 and those of the statutes implementing it and the cases interpreting it. Further, the Borrower to covenant to notify IBank immediately upon the filing of any legal challenge to its rates or charges.
- g. The Borrower to comply with the requirements of the ISRF Program Criteria and all applicable laws, regulations, and permitting requirements associated with public works projects.
- h. The Borrower shall meet standard insurance requirements with respect to the enterprise system, general liability insurance, worker's compensation, and builder's risk insurance.
- i. The Borrower to provide to IBank annually, within 180 days of the end of each of the Borrower's fiscal years, a copy of its audited financial statements together with an annual certificate demonstrating compliance with the foregoing covenants, as well as any other information IBank may reasonably request from time to time.
- j. Such other covenants and conditions that IBank or its counsel may reasonably require.

Exhibit #1

CITY OF SANTA CRUZ WASTEWATER (SEWER) ENTERPRISE FUND STATEMENT OF NET POSITION												
	For Fiscal Year Ending (FYE) June 30		2019		2020		2021		2022		2023	
			Annual Comprehensive Financial Report (ACFR)	%	Annual Comprehensive Financial Report (ACFR)	%	Annual Comprehensive Financial Report (ACFR)	%	Annual Comprehensive Financial Report (ACFR)	%	Annual Comprehensive Financial Report (ACFR)	%
Source:												
ASSETS AND DEFERRED OUTFLOW OF RESOURCES												
Current Assets												
Cash and Investments		\$16,993,727	16.7%	\$18,013,406	18.0%	\$17,412,307	16.3%	\$18,085,180	16.9%	\$23,188,120	21.8%	
Restricted cash and investments						3,094,307	2.9%	3,094,307	2.9%			
Interest Receivables		75,361	0.1%	13,238	0.0%	13,238	0.0%	23,099	0.0%	39,228	0.0%	
Taxes Receivable				206,125	0.2%							
Account Receivable - net		1,798,257	1.8%	2,090,676	2.1%	2,296,762	2.1%	5,999,236	5.8%	3,785,883	3.8%	
Total Current Assets		\$18,867,345	18.8%	\$20,323,445	20.3%	\$22,816,614	21.3%	\$27,201,822	25.4%	\$27,013,231	25.4%	
Noncurrent Assets												
Land Improvements		1,526,507	1.5%	1,526,507	1.5%	1,526,507	1.4%	1,526,507	1.4%	1,526,507	1.4%	
Infrastructure		58,246,632	57.3%	60,114,544	60.0%	60,828,048	58.8%	61,277,631	57.3%	61,844,098	58.2%	
Buildings		126,746,279	124.8%	126,746,279	126.8%	126,746,279	118.3%	126,746,279	118.4%	126,746,279	119.3%	
Machinery and Equipment		10,556,543	10.4%	10,850,369	10.8%	12,049,842	11.2%	13,181,821	12.3%	18,358,101	17.3%	
Lease improvements-buildings		70,000	0.1%	70,000	0.1%	70,000	0.1%	70,000	0.1%	70,000	0.1%	
Right-to-use leased assets								399,221	0.4%	399,221	0.4%	
Software		212,018	0.2%	212,018	0.2%	212,018	0.2%	212,018	0.2%	332,185	0.3%	
Construction in progress		1,398,701	1.4%	827,523	0.8%	4,843,598	4.5%	5,133,128	4.8%	126,758	0.1%	
Less accumulated depreciation		-118,202,090	-116.2%	-122,470,575	-122.3%	-126,766,689	-118.3%	-131,162,848	-122.8%	-136,077,518	-128.1%	
Total capital assets (net of accum. deprec.)		80,554,590	79.2%	77,876,665	77.8%	79,509,603	74.2%	77,383,757	72.3%	73,325,631	69.0%	
Total noncurrent assets		99,421,935	97.8%	98,200,110	98.1%	102,326,217	95.5%	104,585,579	97.7%	100,338,862	94.5%	
DEFERRED OUTFLOWS OF RESOURCES												
Deferred charge on refunding of debt		115,846	0.1%	81,092	0.1%	46,338	0.0%	11,585	0.0%			
Deferred outflows related to total OPEB		57,019	0.1%	198,226	0.2%	243,450	0.2%	352,480	0.3%	364,232	0.3%	
Deferred outflows related to pension		2,099,424	2.1%	1,651,226	1.8%	4,532,830	4.2%	2,060,543	1.9%	5,529,412	5.2%	
Total Deferred Outflow of Resources		\$2,272,289	2.2%	\$1,930,544	1.9%	\$4,822,618	4.5%	\$2,424,608	2.3%	\$5,893,644	5.5%	
Total of All Assets		\$101,694,224	100.0%	\$100,130,654	100.0%	\$107,148,835	100.0%	\$107,010,187	100.0%	\$106,232,506	100.0%	
Liabilities												
Accounts payable and other current liabilities		1,315,087	1.3%	904,453	0.9%	1,073,874	1.0%	1,180,529	1.1%	1,194,267	1.1%	
Interest payable				4,178	0.0%	39,278	0.0%	37,051	0.0%	36,683	0.0%	
Deposits payable								175,719	0.2%			
Compensated absences payable		216,737	0.2%	248,245	0.3%	277,276	0.3%	281,866	0.3%	272,108	0.3%	
Bonds, notes, loans and leases payable < 1 yr.		304,712	0.3%	314,519	0.3%	394,241	0.4%	483,577	0.5%	84,805	0.1%	
Total Current Liabilities		\$1,836,536	1.8%	\$1,471,395	1.5%	\$1,784,669	1.7%	\$2,158,742	2.0%	\$1,587,863	1.5%	
Noncurrent Liabilities												
Compensated absences payable		108,369	0.1%	124,123	0.1%	138,638	0.1%	140,933	0.1%	136,054	0.1%	
Bonds, notes, loans and leases payable > 1 yr.		967,858	1.0%	653,339	0.7%	3,759,098	3.5%	3,577,971	3.3%	3,562,174	3.4%	
Total OPEB liability		2,183,942	2.2%	2,511,586	2.8%	2,295,259	2.1%	2,503,162	2.3%	2,232,477	2.1%	
Net pension liability		11,203,581	11.3%	11,857,907	12.1%	14,423,806	13.5%	6,832,773	6.4%	15,178,267	14.3%	
Total Long Term Liabilities		14,463,750	14.5%	15,146,955	15.4%	20,616,801	19.2%	13,054,839	12.2%	21,108,972	19.9%	
Total Liabilities		16,300,286	16.4%	16,618,350	16.9%	22,401,470	20.9%	15,213,581	14.2%	22,696,835	21.4%	
Deferred Inflows of Resources												
Deferred inflows related to pensions		227,485	0.2%	200,760	0.2%	584,396	0.5%	4,951,248	4.8%			
Deferred inflows related to OPEB		199,161	0.2%	167,878	0.2%	333,000	0.3%	291,229	0.3%	831,125	0.8%	
Total Deferred Inflows of Resources		\$426,646	0.4%	\$368,638	0.4%	\$917,396	0.9%	\$5,242,477	4.9%	\$831,125	0.8%	
Net Position:												
Net investment in capital assets		79,397,866	79.9%	76,989,899	78.4%	78,496,909	73.3%	76,224,789	71.2%	69,678,652	65.6%	
Unrestricted		5,569,426	5.8%	6,153,767	6.3%	5,333,060	5.0%	10,329,340	9.7%	13,025,894	12.3%	
Net Position		\$84,967,292	85.5%	\$83,143,666	84.7%	\$83,829,969	78.2%	\$86,554,129	80.9%	\$82,704,546	77.5%	
Deferred Outflows of Resources												
Total Liabilities and Fund Balance		\$99,421,935	100.0%	\$98,200,110	100.0%	\$107,148,835	100.0%	\$107,010,187	100.0%	\$106,232,506	100.0%	

Exhibit #2

CITY OF SANTA CRUZ WASTEWATER (SEWER) ENTERPRISE FUND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION											
For Fiscal Year Ending (FYE) June 30		2019		2020		2021		2022		2023	
Source:		Comprehensive Financial Report (ACFR)	%	Comprehensive Financial Report (ACFR)	%	Comprehensive Financial Report (ACFR)	%	Comprehensive Financial Report (ACFR)	%	Comprehensive Financial Report (ACFR)	%
% Change			N/A		7%		2%		5%		9%
Operation Revenue											
Charges for services		\$19,748,997	100.0%	\$21,296,244	100.0%	\$21,647,635	100.0%	\$22,826,521	99.9%	\$25,245,183	100.0%
Other revenues		1,172	0.0%					21,338	0.1%		
Total Operating Revenues		\$19,750,169	100.0%	\$21,296,244	100.0%	\$21,647,635	100.0%	\$22,847,859	100.0%	\$25,245,183	100.0%
Operating Expenses											
Personnel services		7,995,914	40.5%	9,368,203	44.0%	8,375,757	38.7%	8,294,980	36.3%	9,328,685	37.0%
Services, supplies and other charges		8,607,240	43.6%	10,446,534	49.1%	10,536,790	48.7%	8,001,088	35.0%	16,804,287	66.6%
Depreciation											
Depreciation and amortization		4,248,268	21.5%	4,283,647	20.1%	4,333,564	20.0%	4,560,440	20.0%	4,930,779	19.5%
Total Operating Expenses		\$20,851,422	105.6%	\$24,098,384	113.2%	\$23,246,111	107.4%	\$20,856,508	91.3%	\$31,063,751	123.0%
Operating Income (Loss)		-\$1,101,253	-5.6%	-\$2,802,140	-13.2%	-\$1,598,476	-7.4%	\$1,991,351	8.7%	-\$5,818,568	-23.0%
Non-operating Revenues (Expenses)											
Intergovernmental		\$715,866	3.6%	\$800,129	3.8%	\$2,087,991	9.6%	\$1,326,008	5.8%	\$2,013,451	8.0%
Investment earnings		\$380,320	1.9%	\$317,702	1.5%	\$125,549	0.6%	-\$313,000	-1.4%	\$130,252	0.5%
Interest expense and fiscal charges		-\$82,272	-0.4%	-\$71,731	-0.3%	-\$146,855	-0.7%	-\$147,695	-0.6%	-\$112,464	-0.4%
Gain on sale of capital assets		\$1,531	0.0%	\$1,891	0.0%	\$5,910	0.0%	-\$742	0.0%	\$4,255	0.0%
Net Non-operating Revenues (Expenses)		\$1,015,445	5.1%	\$1,047,991	4.9%	\$2,072,595	9.6%	\$864,571	3.8%	\$2,035,494	8.1%
Income (Loss Before Operating Transfers)		-\$85,808	-0.4%	-\$1,754,149	-8.2%	\$474,119	2.2%	\$2,855,922	12.5%	-\$3,783,074	-15.0%
Capital Contributions and Transfers											
Transfer In		\$4,000				\$282,260					
Transfer Out		-\$248,055		-\$69,477		-\$70,076		-\$131,762		-\$66,509	
Total Contributions and Transfers		-\$244,055		-\$69,477		\$212,184		-\$131,762		-\$66,509	
Increase (decrease) in Net Position		-\$329,863		-\$1,823,626		\$686,303		\$2,724,160		-\$3,849,583	
Beginning Net Assets		85,297,155		84,967,292		83,143,666		83,829,969		86,554,129	
Ending Net Assets		\$84,967,292		\$83,143,666		\$83,829,969		\$86,554,129		\$82,704,546	

Exhibit #3

PROJECTED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION											
For Fiscal Year Ending (FYE) June 30		2023		2024		2025		2026		2027	
Annual Comprehensive Financial Report		%	Projections	%	Projections	%	Projections	%	Projections	%	
		N/A		5%		5%		8%		7%	
Operation Revenue											
Charges for services		\$25,245,183	100.0%	\$26,507,442	99.4%	\$27,832,814	99.4%	\$30,337,768	99.3%	\$32,461,411	99.2%
Other revenues		4,255	0.0%	\$169,969	0.6%	\$181,575	0.6%	\$217,890	0.7%	\$246,215	0.8%
Total Operating Revenues		25,249,438	100.0%	26,677,411	100.0%	28,014,389	100.0%	30,555,658	100.0%	32,707,626	100.0%
Operating Expenses											
Personnel services		9,328,685	36.9%	\$10,222,839	38.3%	\$11,291,964	40.3%	\$12,082,402	39.5%	\$12,928,170	39.5%
Services, supplies and other charges		16,804,287	66.6%	\$13,521,351	50.7%	\$12,270,542	43.8%	\$12,884,069	42.2%	\$13,528,272	41.4%
Depreciation and amortization		4,930,779	19.5%	4,887,978	18.3%	5,034,617	18.0%	5,185,666	17.0%	5,341,225	16.3%
Total Operating Expenses		31,063,751	123.0%	28,632,168	107.3%	28,597,123	102.1%	30,152,127	98.7%	31,797,667	97.2%
Operating Income (Loss)		-\$5,814,313	-23.0%	-\$1,954,757	-7.3%	-\$582,734	-2.1%	\$403,531	1.3%	\$909,959	2.8%
Non-operating Revenues (Expenses)											
Intergovernmental		2,013,451	8.0%	\$3,496,470	13.1%	\$3,671,294	13.1%	\$3,846,117	12.6%	\$4,038,423	12.3%
Investment earnings		\$130,252	0.5%	\$95,943	0.4%	\$100,740	0.4%	\$105,777	0.3%	\$111,066	0.3%
Interest expense and fiscal charges		-\$112,464	-0.4%	-\$118,087	-0.4%	-\$124,330	-0.4%	-\$130,192	-0.4%	-\$136,702	-0.4%
Gain on sale of capital assets		4,255	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Net Non-operating Revenues (Expenses)		2,035,494	8.1%	3,474,326	13.0%	3,647,704	13.0%	3,821,702	12.5%	4,012,787	12.3%
Income (Loss Before Operating Transfers)		-\$3,778,819	-15.0%	1,519,569	5.7%	3,064,970	10.9%	4,225,233	13.8%	4,922,746	15.1%
Capital Contributions and Transfers											
Transfer In											
Transfer Out		-\$66,509		-\$69,835		-\$89,748		-\$76,993		-\$80,843	
Total Contributions and Transfers		-\$66,509		-\$69,835		-\$89,748		-\$76,993		-\$80,843	
Increase (decrease) in Net Position		-\$3,845,328		\$1,449,734		\$2,975,222		\$4,148,240		\$4,841,903	
Fund Balance, Beginning of Year, as restated		\$86,554,129		\$82,708,801		\$84,158,535		\$87,133,757		\$91,281,997	
Fund balance, End of Year		\$82,708,801		\$84,158,535		\$87,133,757		\$91,281,997		\$96,123,900	

Exhibit #4

City of Santa Cruz, CA					
Key Indicators	2019	2020	2021	2022	2023
Economy					
Median Family Income (as % of CA Median) [1]	103.6%	110.1%	114.1%	111.6%	114.0%
Unemployment rate (%) [2]	4.9%	9.7%	6.9%	4.8%	6.6%
Full value per capita (\$)	\$148,910	\$161,306	\$193,636	\$176,699	\$191,336
Enterprise Fund					
System Characteristics					
Net Fixed Assets (\$)	78,874	76,767	74,384	71,569	72,397
Remaining useful life of NFA (years)	19	18	17	16	15
Number of system users	15,356	15,403	15,431	15,439	15,594
Average annual residential charge per unit (\$)	\$50.5	\$54.0	\$57.8	\$61.3	\$65.0
Residential charge as % of MHI	0.58%	0.62%	0.66%	0.70%	0.75%
Liquidity					
Cash Balances	\$16,993,727	\$18,013,406	\$17,412,307	\$18,085,180	\$23,188,120
Current Ratio [3]	10.3	13.8	12.8	12.6	17.0
Days Cash on Hand [4]	374	332	336	405	324
Performance					
Operating Revenue	\$19,750,169	\$21,296,244	\$21,647,635	\$22,847,859	\$25,245,183
Operating Margin [5]	-5.6%	-13.2%	-7.4%	8.7%	-23.0%
Fund Balances as % of Operating Revenue	430.2%	390.4%	387.2%	378.8%	327.6%
Leverage					
Fund Balances	\$ 84,967,292	\$ 83,143,666	\$ 83,829,969	\$ 86,554,129	\$ 82,704,546
Leverage Ratio [6]	0.2	0.2	0.3	0.2	0.3
Primary Government					
Governmental Activities - Outstanding Debt	\$ 33,473	\$ 28,457	\$ 23,357	\$ 17,711	\$ 21,309
Governmental Activities Debt to full value (%)	0.3%	0.3%	0.2%	0.2%	0.2%
Net pension liability to full value	0.9%	537.1%	0.9%	0.5%	0.5%

[1] <https://dof.ca.gov/reports/demographic-reports/american-community-survey/>

[2] <http://www.labormarketinfo.edd.ca.gov/data-release-schedule.html>

[3] $\text{Current Assets} \div \text{Current Liabilities}$

[4] $(\text{Unrestricted Cash} * 365) \div \text{Operating Expenses}$

[5] $\text{Operating Income as \% of Operating Revenues}$

[6] $\text{Total Liabilities} \div \text{Fund Balances}$

Exhibit #5

Front-Spruce-Pacific Sewer Rehabilitation



Wastewater Treatment Headworks Project Map



Pump Room

