



A G E N D A

Meeting of the Scotts Valley City Council

Date: December 19, 2018

Time: 6:00 pm

CONTACT INFORMATION	MEETING LOCATION	POSTING
City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 (831) 440-5600	City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066	The agenda was posted 12-14-18 at City Hall, SV Senior Center, SV Library and on the Internet at www.scottsvalley.org .

ELECTED OFFICIALS	CITY STAFF MEMBERS
Jim Reed, Mayor Jack Dilles, Vice Mayor Randy Johnson, Council Member Donna Lind, Council Member	Jenny Haruyama, City Manager Kirsten Powell, City Attorney Steve Walpole, Chief of Police Taylor Bateman, Community Development Director Tony McFarlane, Administrative Services Director Daryl Jordan, Public Works Director Tracy Ferrara, City Clerk

MEETING NOTICE AND AGENDA PACKET MATERIALS
Notice regarding City Council Meetings: The City Council meets regularly on the 1st and 3rd Wednesday of each month at 6:00 pm in the City Hall Council Chambers located at 1 Civic Center Drive, Scotts Valley, CA 95066. Agenda and Agenda Packet Materials: The City Council agenda and the complete agenda packet are available for review by 5:00 pm the Friday before the Wednesday meeting on the Internet at the City's website: www.scottsvalley.org and in the lobby of City Hall at 1 Civic Center Drive, Scotts Valley, CA. Pursuant to Government Code §54957.5, materials related to an agenda item, submitted after distribution of the agenda packet, are available for public inspection in the lobby of City Hall during normal business hours, Monday-Friday, 8am-12 pm and 1-5 pm. In accordance with AB 1344, such documents will be posted on the City's website at www.scottsvalley.org. Televised Meetings: City Council meetings are cablecast "Live" on Community Television of Santa Cruz County on Comcast Channel 25.

CALL TO ORDER 6:00 PM

PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

SPECIAL SET MATTERS

- a) Approval of Resolution No. 1949.5 declaring the results of the consolidated General Municipal Election held on November 6, 2018
- b) Swearing in of re-elected City Council Member Jim Reed and newly elected City Council Member Derek Timm
- c) Nomination/Motion of Mayor/Chair
(Conducted by City Manager)
- d) Nomination/Motion of Vice Mayor/Vice Chair
(Conducted by newly appointed Mayor)
- e) Brief recess

ROLL CALL

COMMITTEE REPORTS

Council members are appointed to committees which are either City committees or committees dealing with other jurisdictions. This portion of the agenda allows the committee member to present oral or written reports to the Council regarding their committee assignments. It also allows the Council to make comments and give the committee member direction, as required.

CITY MANAGER REPORT

PUBLIC COMMENT TIME

This is the opportunity for individuals to make and/or submit written or oral comments to the Council on any items within the purview of the Council, which are NOT part of the Agenda. No action on the item may be taken, but the Council may request the matter be placed on a future agenda.

ALTERATIONS TO CONSENT AGENDA

Council can remove or add items to the Consent Agenda.

CONSENT AGENDA

The Consent Agenda is comprised of items which appear to be non-controversial. Persons wishing to speak on any items may do so raising their hand to be recognized by the Mayor.

- A. Approve City Council minutes of 11-7-2018, 12-5-2018
- B. Approve check registers dated 12-3-18, 12-7-18

- C. Accept the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2018 and authorize a General Fund expenditure appropriation of \$167,837 from the Unassigned Reserve in Fund Balance
- D. Authorize the City Manager to amend the Exclusive Negotiation Agreement between the City of Scotts Valley and Scotts Valley Town Green Land, LLC extending the deadline to submit designated materials and authorize the City Manager to sign the agreement
- E. Adopt revised 2018/2019 salary schedule for temporary recreation employees to meet 2019 State minimum wage requirements
- F. Approve Resolution No. 1839.1 accepting negotiated exchange of property tax revenues pursuant to California Revenue and Taxation Code 99 allocation
- G. Approve and ratify Council Member Jim Reed's appointment of David Hodgin to the Planning Commission to replace Derek Timm

ALTERATIONS TO REGULAR AGENDA

Council can remove or add items to the Regular Agenda.
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REGULAR AGENDA

Persons wishing to speak on any item may do so by raising their hand to be recognized by the Mayor.

- 1. Future Council agenda items
(This portion of the Regular Agenda allows the Council to determine items to be placed on a future agenda and to choose a date, if so desired.)

ADJOURNMENT

ADA NOTICE

The City of Scotts Valley does not discriminate against persons with disabilities. The City Council Chambers is an accessible facility. If you wish to attend a City Council meeting and require assistance such as sign language, a translator, or other special assistance or devices in order to attend and participate at the meeting, please call the City Clerk's office at (831) 440-5602 five to seven days in advance of the meeting to make arrangements for assistance. If you require the agenda of a City Council meeting be available in an alternative format consistent with a specific disability, please call the City Clerk's Office. The California State Relay Service (TTY/VCO/HCO to Voice: English 1-800-735-2929, Spanish 1-800-855-3000; or, Voice to TTY/VCO/HCO: English 1-800-735-2922, Spanish 1-800-855-3000), provides Telecommunications Devices for the Deaf and Disabled and will provide a link between the TDD caller and users of telephone equipment.
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PROCEDURAL INFORMATION FOR THE PUBLIC

**THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN
APPROVAL OF A RESOLUTION:**

1. Move the Resolution number for approval.
2. Second the motion.
3. Vote by body, a roll call vote is not required.

**THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN
INTRODUCTION/ADOPTION OF AN ORDINANCE:**

1. Move the Ordinance number for introduction (or adoption).
2. Move the Ordinance be introduced by title only and waive the reading of the text.
3. Read the Ordinance title.
4. Second the motion.
5. Vote by body, a roll call vote is not required.

**THE FOLLOWING IS THE PROCEDURE COUNCIL SHOULD TAKE IN
PUBLIC COMMENT/PUBLIC HEARINGS:**

Unless otherwise determined by the presiding officer of the meeting:

1. Three minutes allowed per individual to speak.
2. Five minutes allowed per individual representing a group of three or more.



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RESOLUTION NO. 1949.5

**A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF SCOTTS VALLEY DECLARING RESULTS OF CONSOLIDATED
GENERAL ELECTION HELD ON NOVEMBER 6, 2018**

WHEREAS, a consolidated General Election was conducted in the City of Scotts Valley on November 6, 2018 for the election of candidates to two City Council seats, and for consideration of Measure N, Ordinance No. 76.2 of the City Council of the City of Scotts Valley to amend Scotts Valley Municipal Code Section 3.24.030 entitled Tax Imposed, to increase the Transient Occupancy Tax ("TOT") from 10% to 11%; and

WHEREAS, the canvass of the returns of said consolidated election was conducted through the office of the County Clerk of Santa Cruz County; and

WHEREAS, the County Clerk of Santa Cruz County has certified the results of the said election; and

WHEREAS, the abstract attached hereto represents the certified abstract of the results of said election; and

WHEREAS, the candidates nominated for election to the two City Council seats were Stephany E. Aguilar, Jim Reed, and Derek Timm; and

WHEREAS, the voters approved Measure N by a majority vote of 68.07%.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scotts Valley that:

1. The certified abstract hereto attached disclosing the results of the consolidated general election conducted on November 6, 2018 is hereby accepted and declared to represent the final results of said election.
2. That candidates elected to fill the two City Council seats are the two candidates who received the highest number of votes: Derek Timm and Jim Reed.
3. In accordance with Ordinance No. 76.2, Scotts Valley Municipal Code Section 3.24.030 will be amended to increase the Transient Occupancy Tax ("TOT") from 10% to 11%.
4. The results of the election set forth in the attached certified abstract shall be entered in the minutes pursuant to Section 22933 of the Elections Code of California.

The above and foregoing resolution was adopted at a duly held regular meeting of the City Council on the 19th day of December, 2018 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Approved: _____
Jim Reed, Mayor

Attest: _____
Tracy A. Ferrara, City Clerk

Statement of Vote



November 6, 2018 General Election



Gail L. Pellerin, Santa Cruz County Clerk
 701 Ocean St., Room 310
 Santa Cruz, CA 95060
 831-454-2060 / 1-866-282-5900
 831-454-2445 (FAX)
www.votescount.com

Certification of County Clerk of the Results of the Canvass of the November 6, 2018 Statewide General Election

I, Gail L. Pellerin, County Clerk of the County of Santa Cruz, do hereby certify that, in pursuance to the provisions of Elections Code Section 15300, et. seq., I did canvass the results for the votes cast in the Statewide Primary Election held in Santa Cruz County on November 6, 2018, for measures and contests that were submitted to the vote of the voters, and that the Statement of Votes Cast to which this certificate is attached, is full, true and correct.

I hereby set my hand and official seal this 4th day of December, 2018 at the County of Santa Cruz.



Gail L. Pellerin
Santa Cruz County Clerk

100036	NONPARTISAN MEMBER, CITY COUNCIL SCOTTS VALLEY: VOTE FOR 2														
	Registration	Ballots Cast	Turnout (%)		STEPHANY E. AGUILAR	JIM REED	DEREK TIMM								
14110 MB	0	0	0.00		0	0	0								
14110 - Vote By Mail / Absentee F	0	0	0.00		0	0	0								
14121 ENTERPRISE	1336	329	24.63		172	151	181								
14121 - Vote By Mail / Absentee F	1336	731	54.72		399	374	397								
14123 MB	0	0	0.00		0	0	0								
14123 - Vote By Mail / Absentee F	0	0	0.00		0	0	0								
14134 MB	2	0	0.00		0	0	0								
14134 - Vote By Mail / Absentee F	2	2	100.00		2	1	0								
14141 MB	165	0	0.00		0	0	0								
14141 - Vote By Mail / Absentee F	165	153	92.73		69	80	87								
14142 MB	4	0	0.00		0	0	0								
14142 - Vote By Mail / Absentee F	4	4	100.00		2	0	2								
54010 VISTA DEL LAGO	1015	294	28.97		151	156	151								
54010 - Vote By Mail / Absentee F	1015	517	50.94		270	294	274								
54020 BROOKDALE SV	536	99	18.47		42	45	49								
54020 - Vote By Mail / Absentee F	536	331	61.75		176	203	150								
54031 SV COM CEN	1055	263	24.93		131	117	140								
54031 - Vote By Mail / Absentee F	1055	519	49.19		252	267	257								
54032 MB	160	0	0.00		0	0	0								
54032 - Vote By Mail / Absentee F	160	133	83.13		71	67	70								
54051 SV COM CEN	1565	365	23.32		184	195	185								
54051 - Vote By Mail / Absentee F	1565	889	56.81		432	470	495								
54052 MB	3	0	0.00		0	0	0								
54052 - Vote By Mail / Absentee F	3	3	100.00		3	2	1								
54061 SV FIRE 2	974	272	27.93		125	136	159								
54061 - Vote By Mail / Absentee F	974	491	50.41		219	273	290								
54070 SV COM CEN	1181	316	26.76		149	168	171								
54070 - Vote By Mail / Absentee F	1181	647	54.78		300	363	343								
54071 MB	10	0	0.00		0	0	0								
54071 - Vote By Mail / Absentee F	10	8	80.00		4	3	5								
54082 MB	0	0	0.00		0	0	0								
54082 - Vote By Mail / Absentee F	0	0	0.00		0	0	0								
54110 MB	3	0	0.00		0	0	0								
54110 - Vote By Mail / Absentee F	3	0	0.00		0	0	0								
Precinct Totals	8009	1938	24.20		954	968	1036								
Vote By Mail / Absentee Reporting	8009	4428	55.29		2199	2397	2371								
Grand Totals	8009	6366	79.49		3153	3365	3407								
SANTA CRUZ	8009	6366	79.49		3153	3365	3407								
18th Congressional Dist	8009	6366	79.49		3153	3365	3407								
20th Congressional Dist	0	0	0.00		0	0	0								
17th Senatorial District	8009	6366	79.49		3153	3365	3407								
29th Assembly District	8009	6366	79.49		3153	3365	3407								
State Board of Equal. District 1	8009	6366	79.49		3153	3365	3407								
State Board of Equal District 2	8009	6366	79.49		3153	3365	3407								
Supervisor District 1	1507	1219	80.89		644	606	667								
Supervisor District 5	6502	5147	79.16		2509	2759	2740								
Santa Cruz	8009	6366	79.49		3153	3365	3407								
City of Scotts Valley	8009	6366	79.49		3153	3365	3407								

November 6, 2018

2018 STATEWIDE GENERAL

32.a

140067	NONPARTISAN N-SCOTTS VALLEY TRANSIENT OCCUPANCY TAX: MAJORITY														
	Registration	Ballots Cast	Turnout (%)		Yes	No									
14110 MB	0	0	0.00		0	0									
14110 - Vote By Mail / Absentee F	0	0	0.00		0	0									
14121 ENTERPRISE	1336	329	24.63		204	98									
14121 - Vote By Mail / Absentee F	1336	731	54.72		503	198									
14123 MB	0	0	0.00		0	0									
14123 - Vote By Mail / Absentee F	0	0	0.00		0	0									
14134 MB	2	0	0.00		0	0									
14134 - Vote By Mail / Absentee F	2	2	100.00		2	0									
14141 MB	165	0	0.00		0	0									
14141 - Vote By Mail / Absentee F	165	153	92.73		84	50									
14142 MB	4	0	0.00		0	0									
14142 - Vote By Mail / Absentee F	4	4	100.00		2	2									
54010 VISTA DEL LAGO	1015	294	28.97		170	106									
54010 - Vote By Mail / Absentee F	1015	517	50.94		333	154									
54020 BROOKDALE SV	536	99	18.47		59	30									
54020 - Vote By Mail / Absentee F	536	331	61.75		210	96									
54031 SV COM CEN	1055	263	24.93		150	86									
54031 - Vote By Mail / Absentee F	1055	519	49.19		348	132									
54032 MB	160	0	0.00		0	0									
54032 - Vote By Mail / Absentee F	160	133	83.13		87	38									
54051 SV COM CEN	1565	365	23.32		219	118									
54051 - Vote By Mail / Absentee F	1565	889	56.81		566	268									
54052 MB	3	0	0.00		0	0									
54052 - Vote By Mail / Absentee F	3	3	100.00		1	2									
54061 SV FIRE 2	974	272	27.93		158	91									
54061 - Vote By Mail / Absentee F	974	491	50.41		318	143									
54070 SV COM CEN	1181	316	26.76		188	110									
54070 - Vote By Mail / Absentee F	1181	647	54.78		428	172									
54071 MB	10	0	0.00		0	0									
54071 - Vote By Mail / Absentee F	10	8	80.00		8	0									
54082 MB	0	0	0.00		0	0									
54082 - Vote By Mail / Absentee F	0	0	0.00		0	0									
54110 MB	3	0	0.00		0	0									
54110 - Vote By Mail / Absentee F	3	0	0.00		0	0									
Precinct Totals	8009	1938	24.20		1148	639									
Vote By Mail / Absentee Reporting	8009	4428	55.29		2890	1255									
Grand Totals	8009	6366	79.49		4038	1894									
SANTA CRUZ	8009	6366	79.49		4038	1894									
18th Congressional Dist	8009	6366	79.49		4038	1894									
20th Congressional Dist	0	0	0.00		0	0									
17th Senatorial District	8009	6366	79.49		4038	1894									
29th Assembly District	8009	6366	79.49		4038	1894									
State Board of Equal. District 1	8009	6366	79.49		4038	1894									
State Board of Equal District 2	8009	6366	79.49		4038	1894									
Supervisor District 1	1507	1219	80.89		795	348									
Supervisor District 5	6502	5147	79.16		3243	1546									
Santa Cruz	8009	6366	79.49		4038	1894									
City of Scotts Valley	8009	6366	79.49		4038	1894									



MINUTES

Meeting of the Scotts Valley City Council

Date: November 7, 2018

Time: 6:00 pm

CONTACT INFORMATION	MEETING LOCATION	POSTING
City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 (831) 440-5600	City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066	The agenda was posted 11-2-18 at City Hall, SV Senior Center, SV Library and on the Internet at www.scottsvalley.org .

CALL TO ORDER 6:00 PM

The City Council meeting was called to order at 6:00 pm.

PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

ROLL CALL

ELECTED OFFICIALS PRESENT:

Jim Reed, Mayor
Jack Dilles, Vice Mayor
Stephany E. Aguilar, Council Member
Randy Johnson, Council Member
Donna Lind, Council Member

CITY STAFF MEMBERS PRESENT:

Jenny Haruyama, City Manager
Kirsten Powell, City Attorney
Taylor Bateman, Community Development Director
Steve Walpole, Chief of Police
Tony McFarlane, Administrative Services Director
Daryl Jordan, Public Works Director
Jessica Kahn, Civil Engineer
Tracy Ferrara, City Clerk

SPECIAL SET MATTERS

1. Introduction of New Employee: Robin Woodman, Building Official

CM Haruyama introduced Robin Woodman, the City's new Chief Building Official. Robin has over 23 years of experience in the Building Industry in the Public Sector with the preceding 7 years in the private sector as a Building Designer. She began her career as a Building Inspector and Plans Examiner in the San Francisco Bay Area, and moved back to the Santa Cruz area in 2007 to become a Plans Examiner for the County. Currently, Robin has worked in all 5 jurisdictions in the area.

2. Legislative Update by Assembly Member Mark Stone

Assembly Member Stone provided a legislative update and responded to questions from the City Council.

COMMITTEE REPORTS

CM Johnson reported that the Santa Cruz County Regional Transportation Commission met and discussed the Unified Corridor Study.

CM Lind reported that the Criminal Justice Council Executive Committee met and discussed restructuring their bylaws to make sure their focus remains on gang violence.

CM Lind reported that the Santa Cruz Metropolitan Transit District met to discuss budget.

CM Lind reported that she attended the Santa Cruz County Regional Transportation Commission meeting as a representative of the Santa Cruz Metropolitan Transportation District (SCMTD) to request the distributions of funds to the SCMTD for projects.

CM Lind reported that met and LAFCO approved a resolution for the merger between Central Fire and Aptos Fire.

CITY MANAGER REPORT

Kings Village Road Sidewalk Project Update: Construction has begun on the Kings Village Road Sidewalk project. As part of the project, several trees were removed because they were lifting up the asphalt and were located in the path of the new sidewalk. The City does intend to plan up to 3 replacement trees – which will likely be crepe myrtles -- because their root system will not lift the sidewalk.

Resealing and Restriping of Skypark Driveway and Tennis Court Parking Lot: The City recently completed the resealing and restriping of the Skypark Driveway and Parking Lot at the Skypark Tennis Courts. Special thanks to the Public Works team who received some nice kudos from the community about the recent project.

Honoring Local Veterans: For the past 3 years every November, the community comes together to celebrate our local veterans as part of Food Truck Fridays at Skypark. Food Trucks A Go Go will be hosting a veterans event on Friday, November 9 at 4:30 pm. One special veteran will be recognized for his/her service, and receive a complementary meal of his/her choosing. To nominate a veteran, visit: www.foodtrucksagogo.com or email info@foodtrucksagogo.com. Cards made by the children in our Before/After School Recreation Program for the veterans will also be on display. All veterans who attend the event are treated to complementary dessert.

Bean Creek Road: Road maintenance crews are currently working on Bean Creek Road patching potholes and preparing for winter storms.

PUBLIC COMMENT TIME

Wendy Brannan, Scotts Valley resident, expressed concerns about problems with the Post Office and delays in sending and receiving mail. She also expressed concerns about people sleeping in their vehicles overnight at City parks.

VM Dilles announced that he attended the Annual Red Ribbon Barbecue, which was well attended.

VM Dilles announced that he attended the annual Volunteer Center luncheon at the Coconut Grove, where one of the City's Senior Center Volunteers, Geri Gibson, was recognized for her work with Meals on Wheels.

VM Dilles announced that he attended a Ribbon Cutting Ceremony for Dovetail Genomics, which is a cutting edge high tech company in Scotts Valley doing genome research.

ALTERATIONS TO CONSENT AGENDA

VM Dilles requested that Item C be moved to the regular agenda for discussion.

CM Aguilar requested that Item D be removed from the agenda.

M/S: Lind/Johnson

To approve the Consent Agenda as amended moving Item C from the consent agenda to the regular agenda for discussion and removing Item D from the agenda. Carried 5/0 (AYES: Aguilar, Dilles, Johnson, Lind, Reed)

CONSENT AGENDA

- A. Approve City Council minutes of 10-17-18
- B. Approve check registers dated 10-12-18, 10-19-18, 10-31-18
- E. Accept the 2017/2018 Annual AB1600 Development Impact Fee Report
- F. Approve the second reading and adoption of Ordinance No. 176.4, repealing and replacing Chapter 5.10 of Title 5 of the Scotts Valley Municipal Code regarding massage establishments
- G. Approve the Bicycle Route Signage Memorandum of Understanding (MOU) between the City of Scotts Valley and the Santa Cruz County Regional Transportation Commission (SCCRTC) and authorize the City Manager to execute the agreement
- H. Approve tentative agreement between the City of Scotts Valley and the Scotts Valley Police Supervisors Association (SVPSA)

ALTERATIONS TO REGULAR AGENDA

M/S: Aguilar/Lind

To approve the Regular Agenda as amended moving Item C from the consent agenda to the regular agenda for discussion.

Carried 5/0 (AYES: Aguilar, Dilles, Johnson, Lind, Reed)

REGULAR AGENDA

C. Approve 2019 City Council meeting schedule

VM Dilles stated that the League of California Cities Annual Conference, being held October 16-18, 2019, conflicts with the regular October 16 City Council meeting and requested that the meeting be scheduled for October 24, 2019.

M/S: Lind/Dilles

To approve the 2019 City Council meeting schedule as amended changing the October 16, 2019 meeting to October 24, 2019.

Carried 5/0 (AYES: Aguilar, Dilles, Johnson, Lind, Reed)

1. Storm Drain Master Plan Update

CE Kahn presented the written staff report and responded to questions from Council. She stated that this is an information item only and no action is required.

2. Future Council agenda items

Mayor Reed requested a future agenda item regarding affordable housing to discuss a centralized list.

ADJOURNMENT

The meeting adjourned at 7:12 p.m.

Approved: _____
Jim Reed, Mayor

Attest: _____
Tracy A. Ferrara, City Clerk



MINUTES

Meeting of the Scotts Valley City Council

Date: December 5, 2018

Time: 6:00 pm

CONTACT INFORMATION	MEETING LOCATION	POSTING
City of Scotts Valley 1 Civic Center Drive Scotts Valley, CA 95066 (831) 440-5600	City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066	The agenda was posted 11-30-18 at City Hall, SV Senior Center, SV Library and on the Internet at www.scottsvally.org .

CALL TO ORDER 6:00 PM

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PLEDGE OF ALLEGIANCE and MOMENT OF SILENCE

ROLL CALL

ELECTED OFFICIALS PRESENT:

Jim Reed, Mayor
Jack Dilles, Vice Mayor
Stephany E. Aguilar, Council Member
Randy Johnson, Council Member
Donna Lind, Council Member

CITY STAFF MEMBERS PRESENT:

Jenny Haruyama, City Manager
Kirsten Powell, City Attorney
Steve Walpole, Chief of Police
Taylor Bateman, Community Development Director
Daryl Jordan, Public Works Director/City Engineer
Tracy Ferrara, City Clerk

CITY STAFF MEMBERS ABSENT:

Tony McFarlane, Administrative Services Director

SPECIAL SET MATTER

Susan Nemitz, Library Director, gave an oral presentation of the annual report for the Santa Cruz City/County Library System and responded to questions from Council. She also invited Council and the community to attend the 150th Anniversary of the Santa Cruz Public Libraries, which is being held on Friday, December 7th at 5:30 pm at the Main Library in Santa Cruz.

COMMITTEE REPORTS

VM Dilles reported that he attended the City Select Committee meeting for the Mayor, where Scotts Valley will be filling the seat for the Monterey Bay Community Power Policy Board and the Visit Santa Cruz County Board.

CM Lind reported that LAFCO met and one of the items discussed was the Heritage Park annexation to the Scotts Valley Water District, which will be coming before the City Council.

CM Lind reported that the Santa Cruz Metropolitan Transit District met and submitted suggestions and requests to the Santa Cruz County Regional Transportation Commission regarding the Unified Corridor Study update.

CM Lind reported that the Criminal Justice Council met and had a presentation from someone who was able escape the gang lifestyle, turn his life around, and go on to be the first in his family to complete college.

CM Lind reported that the Santa Margarita Groundwater Agency Joint Powers Authority met where they received a presentation from Santa Cruz County on the water resources in the Santa Margarita Basin.

CITY MANAGER REPORT

Upcoming City Employee Retirements: We have two retirements of long-tenured City employees – Valery Opland (33 years) who serves as our Payroll/Benefits Technician and Rhonda Lieb (21.5 years), who handles our Payables/Receivables.

City Employee Promotions: Pat Hohmann was recently promoted from a Maintenance Worker III to Maintenance Supervisor. Pat has been with the City for 29 years.

Light of the Night: The Scotts Valley Parks Advocates and other community sponsors held a very successful Night of the Light event last Saturday at the Community Center. More than 200 people attended the event, which also included a Toy Drive, coordinated by the SV Police Officers' Association.

2018 November Election: The County Clerk's Office has finalized the 2018 November Election results, which can be found by going to votescount.com.

Wayfair Decision Update: Over the next few months, the California Department of Tax and Fee Administration (CDTFA) (formally known as the Board of Equalization) will begin implementing a recent U.S. Supreme Court decision that will facilitate state and local government taxation of online retail sales, a revenue source estimated to generate up to \$2 billion dollars annually in combined state, county, city and special district tax revenues.

Farewell to Council Member Stephany Aguilar: As you know, tonight is Council Member Aguilar's last day as a Scotts Valley Council Member. It has been an honor to have served with you, and on behalf of the City organization, I would like to thank you for your 22 years of service and dedication to the community, which has helped make Scotts Valley what it is today.

PUBLIC COMMENT TIME

Angela Franklin, Scotts Valley resident, spoke in opposition to the recent growth in Scotts Valley and against the Town Center plan and the developer's lack of communication with the community.

Erin Beers, Scotts Valley resident, spoke in support of more stabilized growth and spoke in opposition to the proposed Town Center plan.

Donna Brunetti, Scotts Valley resident, expressed concerns about the current proposed designs for the Town Center. She also expressed concerns about the traffic at corner of Mt. Hermon Road and Scotts Valley Drive and an incident that had occurred today. The City Council referred her to the Chief of Police.

Ray Gorski, Scotts Valley resident, spoke in support of the Scotts Valley Community Theater Guild and working on a joint project with the Library.

Regan Barry, Scotts Valley resident, recommended that whatever is built at the Town Center benefit the entire community.

Mike Shulman, Scotts Valley resident, thanked CM Aguilar for her many years of service to the City and the community.

Frank Kertai, Scotts Valley resident, thanked CM Aguilar for her many years of service to the City and the community.

CM Aguilar thanked the citizens of Scotts Valley for her support over the years and thanked the City staff for their hard work.

The entire City Council thanked City Council Member Aguilar for her many years of work on the Scotts Valley City Council and in the community.

ALTERATIONS TO CONSENT AGENDA

CM Haruyama stated that Items E needs to be moved to the regular agenda for discussion and separate vote.

CM Haruyama made the following public statement regarding Item H, as required by State law: State law requires that any change to executive salaries be verbally summarized. Consistent with the SEIU MOU recently approved by Council, department

heads salaries will be adjusted by 3% each year over three years. An additional adjustment was included to ensure compensation parity among all department heads. In the current fiscal year, the top step for all department heads is \$13,633 a month; the top step for the Chief of Police is \$14,944. Not all department heads are currently at top step.

M/S: Lind/Aguilar

To approve the Consent Agenda as amended moving Item E to the regular agenda for discussion and separate vote.

Carried 5/0 (AYES: Aguilar, Dilles, Johnson, Lind, Reed)

CONSENT AGENDA

- A. Approve check registers dated 11-21-2018
- B. Approve amendment to the agreement for the Grove Subdivision and authorize the City Manager to execute the Amendment
- C. Approve Resolution No. 1955.1, designating the job classification of Public Works Operations Manager and adding a salary range to the salary schedule
- D. Approve Resolution No. 630.38.2 amending the FY 2018/19 budget to ensure adequate funding for storm drain master plan services
- F. Approve renewal of the Landlord Incentive Program Agreement and authorize the City Manager to sign the agreement and approve non-monetary and administrative amendments
- G. Approve closure of non-essential city facilities, including City Hall and Recreation Administrative Offices on Monday, December 24, 2018 through January 2019 and the Senior Center on Monday, December 17, 2018 through Friday, December 28, 2018
- H. Approve Resolution No. 1551.25, authorizing wage and benefit adjustments and amendments to the salary schedule as reflected in the Scotts Valley Management and Confidential Employee Compensation Benefits Package for July 1, 201 to July 1, 2021 and authorize the City Manager to execute the agreement
- I. Amendment to the Memorandum of Understanding (MOU) between the City of Scotts Valley and Police Supervisors Association (SVPSA) and authorize the City Manager to execute the MOU
- J. Approve the Tentative Agreement between the City of Scotts Valley and the Scotts Valley Police Bargaining Unit (SVPBU), authorize City staff to update the MOU to include the new terms and conditions, authorize the City Manager to sign

the agreement, and authorize the City Manager and the Administrative Services Director to take any administrative actions necessary to effectuate the terms and conditions of the agreement

ALTERATIONS TO REGULAR AGENDA

M/S: Aguilar/Lind

To approve the Regular Agenda as amended, moving consent agenda Item E to the regular agenda for discussion and separate vote.

Carried 5/0 (AYES: Aguilar, Dilles, Johnson, Lind, Reed)

REGULAR AGENDA

E. Approve Resolution No. 292.13 approving the appointment of Valery Opland to a temporary assignment as Senior Accounting/Human Resources Technician in the City of Scotts Valley Finance Department

CM Haruyama presented the written staff report and responded to questions from Council.

M/S: Aguilar/Lind

To approve Resolution No. 292.13 approving the appointment of Valery Opland to a temporary assignment as Senior Accounting/Human Resources Technician in the City of Scotts Valley Finance Department.

Carried 5/0 (AYES: Aguilar, Dilles, Johnson, Lind, Reed)

1. Scotts Valley General Plan Update (SVGPAC)

CDD Bateman and Bill Wiseman, SVGPAC Consultant, presented the written staff report and a Powerpoint Presentation on the SVGPAC update, and responded to questions from Council. This is an information item only and no Council action is required at this time.

John Yost, GPAC Committee Member, expressed his thanks to City Council and City staff on the process that has been followed for the GPAC update.

Mike Shulman, GPAC Committee Member, spoke regarding the process for growth.

Angela Franklin, GPAC Committee Member, thanked the City Council for the process that has been followed for the GPAC update and encouraged the community to read the GPAC survey and comments.

Mike Shulman, GPAC Committee Member, commended the process

Piret Harmon, SVWD, commended City staff for their work and coordination with other agencies and special districts.

2. Future Council agenda items

CM Aguilar requested a future agenda item for telecommunications undergrounding.

CONVENE TO CLOSED SESSION

The City Council convened to closed session at 8:45 p.m. to discuss the following items:

- (1) Pursuant to Government Code Section 54957, the City Council met in closed session regarding the City Manager Performance Evaluation.

RECONVENE TO OPEN SESSION

The City Council reconvened to open session at 8:50 p.m.

REPORT ON ACTION TAKE DURING CLOSED SESSION

Mayor Reed announced that there was nothing to report.

ADJOURNMENT

The meeting adjourned at 8:50 p.m.

Approved: _____
Jim Reed, Mayor

Attest: _____
Tracy A. Ferrara, City Clerk

AGENDA ITEM B
DATE: 12-19-2018

SCOTTS VALLEY ACCOUNTS PAYABLE
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CITY OF SCOTTS VALLEY
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Report Selection:

RUN GROUP... 120318 COMMENT... A/P AS OF DEC 3 2018

DATA-JE-ID DATA COMMENT

W-12032018-433 A/P AS OF DEC 3 2018

Run Instructions:

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000041	ACC BUSINESS	114974	12/03/18	1,222.77
003723	ACEK9.COM	114975	12/03/18	168.00
003457	ADAMS/TROY	114976	12/03/18	30.00
003709	AMS PLANNING & RESEARCH	114977	12/03/18	3,900.00
001009	ARD/KRISTIN	114978	12/03/18	30.00
000998	ASSOCIATED SERVICES CO.	114979	12/03/18	103.09
001670	AT & T	114980	12/03/18	301.31
003724	ATLAS BUSINESS SOLUTIONS	114981	12/03/18	561.60
000614	BATTERIES PLUS	114982	12/03/18	4.77
001373	BAY TREE, LLC	114983	12/03/18	3,620.38
000107	BIRT/DUSTIN	114984	12/03/18	20.00
001911	BOARDWALK BOWL	114985	12/03/18	185.10
000500	BOLANOS/DORENE	114986	12/03/18	20.00
000437	BRASS KEY LOCKSMITH	114987	12/03/18	11.73
001017	C.W.E.A.	114988	12/03/18	405.00
002091	COMCAST	114989	12/03/18	146.20
003588	CONDUENT BUSINESS SVCS,	114990	12/03/18	1,803.85
003464	DANIELS/JASON	114991	12/03/18	92.23
003464	DANIELS/JASON	114992	12/03/18	20.00
000207	DEPARTMENT OF JUSTICE	114993	12/03/18	146.00
001362	DUNCAN AUTO TECH	114994	12/03/18	2,845.88
000098	ESCALON SERVICES	114995	12/03/18	2,429.82
000054	EWING IRRIGATION PRODUCT	114996	12/03/18	1,142.43
000202	FEDERAL EXPRESS	114997	12/03/18	654.73
001828	GONZALES/GABE	114998	12/03/18	276.30
003706	GRANADOS/JUSTIN	114999	12/03/18	20.00
000895	GRANITE CONSTRUCTION CO	115000	12/03/18	4,588.50
000057	HACH COMPANY	115001	12/03/18	808.42
000061	HAINES & COMPANY INC	115002	12/03/18	610.00
000801	HINDERLITER, DE LLAMAS &	115003	12/03/18	40.22
000615	HOHMANN/PATRICK J.	115004	12/03/18	20.00
003271	HOME DEPOT CREDIT SERVIC	115005	12/03/18	54.88
001903	JONES/KIMARIE	115006	12/03/18	20.00
003592	KAHN/JESSICA	115007	12/03/18	30.00
001660	KING/KATI	115008	12/03/18	219.98
003725	KNORR SYSTEMS, INC	115009	12/03/18	530.25
002032	KT MECHANICAL INC	115010	12/03/18	5,571.24
003495	LONG/CASEY	115011	12/03/18	350.00
003565	MANAGEMENT PARTNERS	115012	12/03/18	3,500.00
001591	MARKELL/ROD	115013	12/03/18	1,974.00
001815	MC GRATH/TRISH	115014	12/03/18	20.00
001234	MC GRAW DDS/BERNARD	115015	12/03/18	395.20
003685	MONTEREY BAY ANALYTICAL	115016	12/03/18	420.00
000323	NBS GOVERNMENT FINANCE G	115017	12/03/18	3,263.64
003591	NICHOLS CONSULTING	115018	12/03/18	6,202.50
001615	OLIN CORP-CHLOR ALKALI	115019	12/03/18	2,119.74
000089	OLIVE SPRINGS QUARRY INC	115020	12/03/18	630.27

Check Register

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BA	GENERAL CHECKING ACCOUNT				
	001787 PETRINI'S GARDENING SERV	115021	12/03/18	75.00	
	001857 PHOENIX GROUP	115022	12/03/18	355.10	
	003323 POMPETTE/NICOLE	115023	12/03/18	20.00	
	001097 PRODESSE PROPERTY GROUP	115024	12/03/18	3,523.52	
	000463 RALEY'S	115025	12/03/18	428.29	
	000171 RIVERSIDE LIGHTING INC	115026	12/03/18	607.52	
	000196 ROSS RECREATION EQUIPMEN	115027	12/03/18	1,621.63	
	001883 S.W.R.C.B.	115028	12/03/18	155.00	
	000116 S&S WORLDWIDE	115029	12/03/18	277.92	
	003346 SAN LORENZO	115030	12/03/18	32.54	
	000135 SAN LORENZO VALLEY WATER	115031	12/03/18	30.24	
	000128 SCARBOROUGH LUMBER	115032	12/03/18	681.97	
	003395 SILICON VALLEY MONTEREY	115033	12/03/18	628.00	
	000405 SILVERSTEIN/THOMAS	115034	12/03/18	1,005.10	
	003674 SLOAN SAKAI YEUNG & WONG	115035	12/03/18	65.00	
	002053 STEPFORD	115036	12/03/18	5,467.50	
	003699 THOMAS/PHILIP	115037	12/03/18	20.00	
	003548 TORO PETROLEUM CORP	115038	12/03/18	2,770.79	
	003590 VARGAS ACADEMY OF GYMNAS	115039	12/03/18	1,103.90	
	.15313 WASTEWATER TECHNOLOGY TR	115040	12/03/18	850.00	
	003722 ZERO CITY	115041	12/03/18	2,801.25	
	GENERAL CHECKING ACCOUNT			76,825.30	***

SCOTTS VALLEY ACCOUNTS PAYABLE
CITY OF SCOTTS VALLEY
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BANK	VENDOR	CHECK#	DATE	AMOUNT
REPORT TOTALS:				76,825.30

RECORDS PRINTED - 000119

SCOTTS VALLEY ACCOUNTS PAYABLE
CITY OF SCOTTS VALLEY
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FUND RECAP:

FUND	DESCRIPTION	DISBURSEMENTS
----	-----	
001	GENERAL	36,714.92
004	RECREATION	3,984.19
007	DRAINAGE CONSTRUCTION	6,202.50
010	WASTEWATER OPERATIONS	6,730.67
011	TERTIARY TREATMENT PLANT	3,246.09
019	AFFORDABLE HOUSING	1,974.00
023	SVRDA SUCCESSOR AGENCY	7,143.90
025	GENERAL TRUST	2,666.25
028	SENIOR CENTER	781.33
031	STP EXCHANGE PROJECTS	4,588.50
050	PINEWOOD EST LNDSCP MAINT DT	30.24
077	SKYPARK MAINT ASSESS DIST	2.92
112	DENTAL INS INTERNAL SERV	395.20
123	COMMUNITY FACILITY CENTER	2,364.59
TOTAL ALL FUNDS		76,825.30

BANK RECAP:

BANK	NAME	DISBURSEMENTS
----	-----	
BA	GENERAL CHECKING ACCOUNT	76,825.30
TOTAL ALL BANKS		76,825.30

AGENDA ITEM B
DATE: 12-19-2018

SCOTTS VALLEY ACCOUNTS PAYABLE
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Report Selection:

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DATA-JE-ID DATA COMMENT

W-12072018-444 A/P AS OF DEC 7 2018

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BA	GENERAL CHECKING ACCOUNT			
003497	ALVAREZ INDUSTRIES, INC	115042	12/07/18	4,126.00
000627	ALVAREZ/JOSE F.	115043	12/07/18	81.88
000563	APPI	115044	12/07/18	235.86
001670	AT &T	115045	12/07/18	3,680.48
000097	AT&T	115046	12/07/18	206.99
000614	BATTERIES PLUS	115047	12/07/18	4.77
001066	BEHAVIORAL HEALTH CARE I	115048	12/07/18	122.00
000107	BIRT/DUSTIN	115049	12/07/18	155.29
000018	BRINK'S TROPHY SHOPPE	115050	12/07/18	23.48
001566	BUSINESS WITH PLEASURE	115051	12/07/18	258.76
003715	CALCON SYSTEMS, INC	115052	12/07/18	2,652.00
000235	CIVIL CONSULTANTS GROUP	115053	12/07/18	6,193.00
000037	CRYSTAL SPRINGS WATER CO	115054	12/07/18	32.30
000037	CRYSTAL SPRINGS WATER CO	115055	12/07/18	70.80
001597	ENVIRONMENTAL INNOVATION	115056	12/07/18	6,666.54
000582	FERRARA/TRACY A.	115057	12/07/18	30.00
000051	FISHER SCIENTIFIC	115058	12/07/18	79.60
001856	HUB INTERNATIONAL	115059	12/07/18	258.92
003592	KAHN/JESSICA	115060	12/07/18	457.40
001660	KING/KATI	115061	12/07/18	234.98
001372	KURATOMI DDS/REED K	115062	12/07/18	245.50
001333	LARA/JESUS D	115063	12/07/18	103.55
003726	LE DDS/VU	115064	12/07/18	336.00
.15314	LESINAK/TERRI	115065	12/07/18	97.14
001673	LINCOLN FINANCIAL GROUP	115066	12/07/18	1,455.49
000078	LLOYD'S TIRE SERVICE INC	115067	12/07/18	584.33
003011	LOPEZ/PAUL	115068	12/07/18	193.50
001852	MCCAIN INC.	115069	12/07/18	4,010.49
003171	MICHALAK/GENE	115070	12/07/18	110.00
000083	MISSION UNIFORM SERVICE	115071	12/07/18	987.78
000939	NATIONAL COMTEL NETWORK	115072	12/07/18	15.51
000323	NBS GOVERNMENT FINANCE G	115073	12/07/18	1,477.05
001872	NORTH CENTRAL LABORATORI	115074	12/07/18	54.30
000723	PIED PIPER INC./THE	115075	12/07/18	137.00
003675	REDER DDS/SETH	115076	12/07/18	352.00
003567	ROBERTS/AARON	115077	12/07/18	404.25
001883	S.W.R.C.B.	115078	12/07/18	8,539.00
001883	S.W.R.C.B.	115079	12/07/18	2,286.00
001883	S.W.R.C.B.	115080	12/07/18	8,285.00
001544	SANTA CRUZ COUNTY CONFER	115081	12/07/18	4,271.45
000127	SANTA CRUZ SENTINEL	115082	12/07/18	489.07
000122	SANTA CRUZ/CITY OF	115083	12/07/18	7,884.60
000820	SANTA CRUZ/COUNTY OF	115084	12/07/18	59.29
003704	SCM PERFORMANCE	115085	12/07/18	860.71
.15315	SILVIA/DONNA	115086	12/07/18	45.08
001085	SYCAL ENGINEERING INC	115087	12/07/18	8.10
003548	TORO PETROLEUM CORP	115088	12/07/18	2,964.41
001560	TRITON CONSTRUCTION	115089	12/07/18	75.00

Check Register

BANK	VENDOR	CHECK#	DATE	AMOUNT	
BA	GENERAL CHECKING ACCOUNT				
001366	U.S. BANCORP OFFICE	115090	12/07/18	1,260.35	
000151	VISION SERVICE PLAN	115091	12/07/18	1,236.90	
001930	WEST MARINE PRO	115092	12/07/18	538.46	
000154	WINCHESTER AUTO STORES	115093	12/07/18	19.56	
001880	ZUMAR INDUSTRIES INC	115094	12/07/18	1,462.18	
	GENERAL CHECKING ACCOUNT			76,420.10	***

SCOTTS VALLEY ACCOUNTS PAYABLE
CITY OF SCOTTS VALLEY
12/07/2018 17:28:59
GL540R-V08.08 PAGE 3

Check Register

BANK	VENDOR	CHECK#	DATE	AMOUNT
REPORT TOTALS:				76,420.10

RECORDS PRINTED - 000128

GL540R

FUND RECAP:

FUND	DESCRIPTION	DISBURSEMENTS
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001	GENERAL	30,716.26
002	RECYCLING/ENVIRONMENTAL	10,995.33
004	RECREATION	1,255.13
010	WASTEWATER OPERATIONS	26,977.94
011	TERTIARY TREATMENT PLANT	4,539.71
012	WASTEWATER CAPITAL RESERVE	8.10
028	SENIOR CENTER	219.90
112	DENTAL INS INTERNAL SERV	1,584.40
123	COMMUNITY FACILITY CENTER	123.33
TOTAL ALL FUNDS		76,420.10

BANK RECAP:

BANK	NAME	DISBURSEMENTS
----	-----	
BA	GENERAL CHECKING ACCOUNT	76,420.10
TOTAL ALL BANKS		76,420.10

City of Scotts Valley STAFF REPORT

DATE: December 19, 2018

TO: Honorable Mayor and City Council

FROM: Laurie Grundy, Senior Accountant

APPROVED: Jenny Haruyama, City Manager

SUBJECT: **ACCEPT COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FISCAL YEAR ENDING JUNE 30, 2018 AND AUTHORIZE A GENERAL FUND EXPENDITURE APPROPRIATION OF \$167,837 FROM THE UNASSIGNED RESERVE IN FUND BALANCE**

SUMMARY OF ISSUE

Following the close of each fiscal year, the City's external auditors conduct an audit of the City's financial records and assist in the compilation of the Comprehensive Annual Financial Report (CAFR). The CAFR provides an independent review of the City's financial reporting processes and internal controls. The audit for the fiscal year ending June 30, 2018, was completed by Marcello and Company - Certified Public Accountants. Marcello and Company was selected as the City's independent auditor. This is the auditor's fifth and final year of the three-year contract, with an option to extend an additional two years.

Marcello and Company issued an unmodified ("clean") opinion on the CAFR which states that the City's financial statements are presented fairly, in all material respects. The results of the CAFR indicate that the City is in good financial health and maintains control over budgeted activities.

As of June 30, 2018, the City's government-wide net position totaled \$23.1 million, with overall assets trending higher than liabilities. Compared to the prior year, the City's net position reflected a decrease of \$9.0 million. This change was driven by increases mainly in personnel and pension costs and operating costs and a decrease in revenue. The City's General Fund Balance of \$4.0 million remains strong, of which \$3.9 million is unassigned and available for expenditure.

The City's financial statements provide information about the finances of the City in its entirety, as well as information about individual funds. The Management's Discussion and Analysis (MD&A) starts the financial section of the report and serves as an executive summary to the statements. The Letter of Transmittal, which is included in the introductory section, is designed to complement the MD&A. Both should be read together in order to understand the City's financial position.

Following the MD&A are the Government-Wide Financial Statements, which are designed to provide a broad overview of the City's finances similar to a private sector business. These statements show the June 30, 2017 fiscal year balances and overall results of operations for all City funds. The Statement of Activities identifies functions of the City that are principally supported by taxes and those that receive program revenues. Governmental activities are those that are principally supported by taxes and program revenues. The governmental activities of the City include general government; public safety, planning and building, public works, wastewater, and recreation services; and interest on long-term debt.

Following the Government-Wide Financial Statements are Fund Financial Statements for all major and non-major funds of the City. A major fund is one of material significance and is determined through prescribed calculations. The General Fund is always considered a major fund by definition. Non-major funds are all combined together for presentation. All of the fund-level statements are followed by the Notes to the Basic Financial Statements, which contain information on such topics as: Significant Accounting Policies, Cash and Investments, Capital Assets, Long-Term Debt, Retirements Benefits, and Other Post Employment Benefits (OPEB).

The last section of the CAFR, which is unaudited, contains schedules of statistical data about the City of Scotts Valley in five major categories: Financial Trends, Revenue Capacity, Debt Capacity, Demographic and Economic Information, and Operating Information. These schedules, generally covering a ten-year period, provide operating context for the financial data presented in the financial section of the CAFR.

As a part of the annual audit, the auditors are also required to report to management about internal controls and the City's compliance with federal grant regulations. For Fiscal Year ending June 30, 2018, there was no requirement for a Single Audit Report.

Management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the City of Scotts Valley's financial statements in conformance with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

Following Council's acceptance of the CAFR, it will be submitted to the Governmental Finance Officers Association (GFOA) for consideration as part of the Certificate for Excellence in Financial Reporting program. The GFOA is a nationally recognized nonprofit professional association serving finance professionals throughout the United States and Canada. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. The City has received the GFOA certification for over 21 years.

FISCAL IMPACT

The City is required to issue independent audited financial statements on an annual basis. The City Council is asked to receive and file the CAFR once presented by City staff. The cost of preparing the CAFR and the independent audit was budgeted as part of the FY 2018/19 operating budget. There is no fiscal impact as a result of accepting the attached report.

STAFF RECOMMENDATION

It is recommended that the City Council accept the CAFR for the fiscal year ending June 30, 2018 and authorize a General Fund expenditure appropriation of \$167,837 from the Unassigned Reserve in Fund Balance.

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COMPREHENSIVE ANNUAL FINANCIAL REPORT



**City of Scotts Valley
For Fiscal Year Ended June 30, 2018**

City of Scotts Valley California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2018



Prepared by the Scotts Valley Finance Department

**CITY OF SCOTTS VALLEY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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INTRODUCTORY SECTION

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CITY OF SCOTTS VALLEY

OFFICE OF THE CITY MANAGER

One Civic Center Drive □ Scotts Valley □ California □ 95066
Phone (831) 440-5600 □ Facsimile (831) 438-2793 □ www.scottsvally.org

October 25, 2018

Honorable Mayor,
Members of the City Council and
Residents of the City of Scotts Valley

SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT - JUNE 30, 2018

REPORT PURPOSE AND ORGANIZATION

The Comprehensive Annual Financial Report (CAFR) for the City of Scotts Valley for the fiscal year ended June 30, 2018 is hereby submitted. State law requires the accounts and fiscal affairs of all municipal entities be examined annually by an independent certified public accountant. The City's independent auditor, Marcello & Company, Certified Public Accountants, has audited the City's financial statements and issued an opinion that financial statements for fiscal year ended June 30, 2018, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). This opinion, along with the basic financial statements of the City, are hereby submitted as the CAFR for the City of Scotts Valley for the fiscal year ended June 30, 2108, and included in the financial section of this report in fulfillment of the State requirement.

The independent audit of the financial statements is also typically conducted in conjunction with the federally mandated Single Audit. The standards governing the Single Audit require the independent auditor report on items beyond fair presentation of the financial statements, including internal controls and compliance with legal requirement involving the administration of federal awards. A Single Audit Report on Federal Award Programs was not required or prepared in fiscal year 2018 because the City had less than \$750,000 in federal grant expenditures.

This report reflects a comprehensive overview of the City of Scotts Valley's finances as represented by city management. Management assumes full responsibility for completeness, accuracy of data, and fairness of presentation, including all footnotes and disclosures. Additionally, management believes the data presented is accurate in all material respects and is reflected in a manner that demonstrates the financial position and operational results of the City. The audit provides users with reasonable assurance that the information presented is free from material misstatements. As management, we assert that to the best of our knowledge, this financial report is complete and reliable in all material respects.

In accordance with the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA), and the standards adopted by the Governmental Accounting Standards Board, the accompanying report consists of three parts:

- I. Introductory Section – Letter of Transmittal, List of Principal Officials and Organization Chart, and Certificate of Achievement from the GFOA.
- II. Financial Section – Independent Auditors' Report, Government-wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements followed by Required Supplementary Information and combining statements of the Non-major Fund Financial Statements.
- III. Statistical Section – Presenting ten year historical trends of financial and non-financial information.

Accounting principles, generally accepted in the United States of America, require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement MD&A and should be read in conjunction with it. The City's MD&A follows the report of the independent auditors.

CITY OF SCOTTS VALLEY PROFILE

The City of Scotts Valley is a small community that encompasses an area of approximately 5 square miles with a population of approximately 12,195. Scotts Valley is located in Santa Cruz County and is six miles north of the City of Santa Cruz and 26 miles southwest of San Jose. The City operates under a council-manager form of municipal government and provides the following range of municipal services: police, parks, recreation, wastewater, streets and roads, public improvements, planning and zoning, construction inspection, and general administrative services. The City provides wastewater services and recreational programs, both of which are funded through user fees.

Form of Government

The City of Scotts Valley is a general law city incorporated on August 2, 1966. The City is subject to the framework and procedures established by State Law and operates under the Council-City Manager form of government. The Council is comprised of five council members that are elected directly by the citizens to four-year terms, and every year the council selects one member to serve as Mayor and Vice-Mayor. The Council has the authority to establish all laws and regulations with respect to municipal affairs, subject to the limitations of the City Municipal Code and State legislation.

The City Council appoints a City Manager to serve as the City's chief administrative officer. The City Manager provides direction, leadership and supervision to all City departments and ensures that all City Council policies are implemented in the day-to-day operations of the City.

City Services

The City provides: police protection; street and road improvements and maintenance; park and facilities improvements and maintenance; public improvements; building, planning, zoning and inspection; recreation; wastewater; and administrative and financial services for Scotts Valley. Independent special districts provide fire protection and water services.

The CAFR includes all financial activities of the City and the Successor Agency to the former Redevelopment Agency of the City of Scotts Valley; two separate legal entities. City Council members also serve as the governing board members of the Successor Agency and the City Manager serves as its Executive Director. Financial activities of the Successor Agency are also subject to an independent Oversight Board.

Financial data for all funds through which services are provided by the City have been included in this report based on the criteria adopted by the Governmental Accounting Standards Board (GASB), which is the authoritative body in establishing United States Generally Accepted Accounting Principles (GAAP) for local governments.

Internal Control Policy

City Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of controls should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control Policy

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Enterprise Funds, and Internal Service Funds are included in the annual appropriated budget. A Five-Year Financial Plan, or Capital Improvement Plan, is also adopted for the Capital Projects. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity within an individual fund. See Note 1 to the financial statements for further information on budgets and budgetary accounting.

The City's budgetary records are maintained on a modified accrual basis. Revenues are recorded when measurable and available and expenditures are recorded when goods or services are received and the liability incurred. The City produces an annual budget and a five-year financial plan which serves as the foundation for the City of Scotts Valley financial planning and control. Based on the City's financial management policies, the City is required to maintain a balanced operating budget. In accordance with the City's Municipal Code, the budget is adopted by resolution on or before June 30th for the ensuing fiscal year. The City Council may appropriate, amend, or transfer funds by an affirmative vote at any regular or special Council meeting.

As demonstrated by the statements and schedules included in the Financial Section of this report, the City continues to meet its responsibility for sound financial management.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the environment in which the City operates.

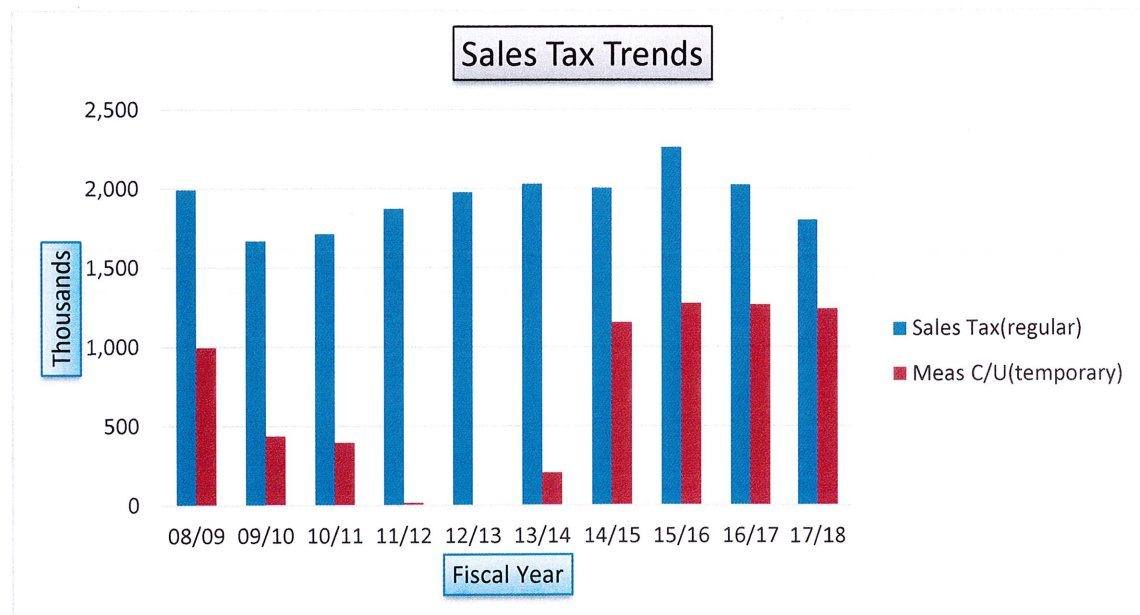
Local Economy

The three major sources of General Fund revenue include sales tax, property tax and transient occupancy tax. These three revenues account for approximately 56.1% of all General Fund Revenues.

Sales Tax

Sales tax is the City's largest source of revenue, accounting for 27.6% of the General Fund Revenues. The City general fund sales tax consists of 1% Bradley Burns, a portion of the Scotts Valley District Tax (Measure D) and a 0.50% Scotts Valley Temporary District Tax (Measure U) that became effective in the last quarter of fiscal year 2013/14. A temporary district tax of 0.25% (Measure C) ended in the first quarter of fiscal year 2010/11.

Sales tax receipts are volatile and reflect the current local, state, and national economic condition. Sales tax collections for the City of Scotts Valley have increased moderately since the recessionary period in 2009/10. Additionally, the City relies heavily on taxes from fuel sales. In FY 2015/16, the City's sales tax jumped due to an increase in fuel prices. Consequently, when fuel prices decrease, so does sales tax revenue as reflected in FY 2016/17 and FY 2017/18.



Property Tax

Scotts Valley's second major source of revenue is property tax, accounting for 15.2% of the General Fund Revenues. In fiscal year 2017/18, the General Fund received \$943,882 in base property tax receipts, prior to inclusion of Documentary Transfer Tax and Residual RDA distributions. This base amount was \$40,649 higher than the prior year.

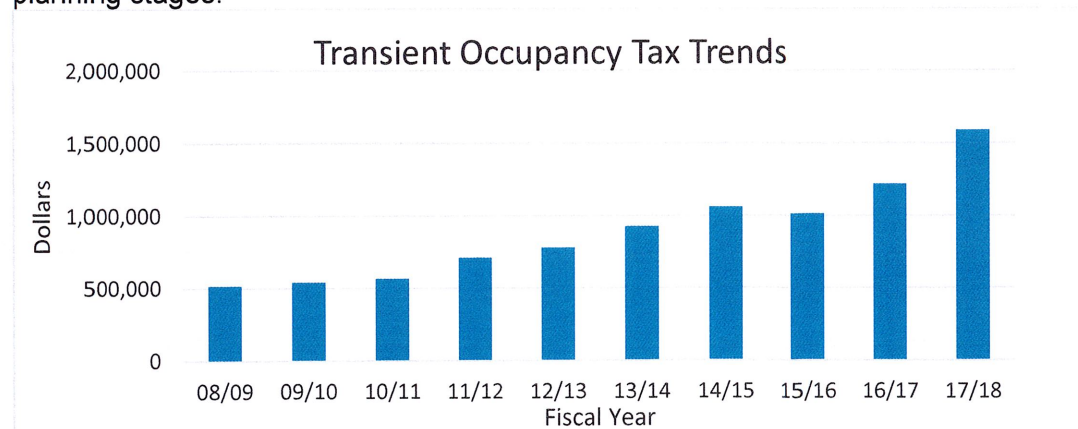
Due to the dissolution of the Scotts Valley Redevelopment Agency (RDA), the RDA's tax increment revenues are distributed to the Successor Agency Redevelopment Property Tax Trust Fund (RPTTF) in amounts that are only sufficient to fund obligations approved by the independent Oversight Board.

The City's property tax revenues tend to not be as economically sensitive as sales tax revenues. The following chart includes Property Tax Revenue. Based on the historical data, property tax revenues have remained relatively consistent, due to appreciating property values. It is anticipated this trend will continue into the next fiscal year.



Transient Occupancy Tax

Transient occupancy tax (TOT) represents approximately 14.4% of General Fund revenues. According to the table on the following page, since fiscal year 2008/09, TOT revenues have continued to rise due to increased economic performance. The slight decrease in fiscal year 2015/16 was attributable to the top hotel performing major renovations reducing the amount of available rooms. In the current fiscal year, the TOT revenues increased due to the addition of an educational and conference center. In future fiscal years, the TOT revenues are expected to increase with the voter approved 1% increase effective in January of 2019, a 128-room hotel currently in construction and another 120-room hotel in the planning stages.



MAJOR INITIATIVES

During fiscal year 2017/18, the City accomplished the following:

- Kicked off the General Plan update, a multi-year process
- Engaged the Planning Commission in collective training via the League of California Cities
- Selected developers to design and build the Town Center
- Entitled the first property at the Town Center
- Developed the Glenwood Open Space Trail Plan
- Opened the Glenwood Open Space Preserve (west side)
- Completed the Aviza Environmental Impact Report
- Established the City's first Art Walk
- Updated the City's website and implemented social media and e-communication tools
- Developed a short and long-term Fiscal Sustainability Plan to guide financial decision making
- Conducted a city-wide fee study and improved cost recovery levels from 62% to 84%
- Entered into an agreement with the City of Capitola for shared Building Official services
- Implemented an Operator-in-Training (OIT) position at the Waste Water Plant
- Introduced IPAD technology to assist and monitor waste water plant operations
- Secured \$1 million in grant funding for transportation related projects
- Secured a \$7,500 grant for ergonomic expenses
- Completed Mt. Hermon Road intersection and gateway median beautification
- Installed a new gazebo at Skypark
- Installed a new recycled water service for the Skypark soccer fields
- Completed ADA bathroom improvements at Siltanen Park and Senior Center
- Completed Senior Center and Community Center remodel improvements

ECONOMIC FACTORS

The City of Scotts Valley is located in Santa Cruz County, approximately 75 miles south of San Francisco. The average and median prices of single-family homes increased for the seventh straight year, another reflection of the local economy. The 2018 average price is approximately 9.3% above the 2017 prior year level and 8.9% above for the median price. Property values do not have as much an impact on the City's property tax revenue as other cities in Santa Cruz County because the City is a low property tax city. The City receives approximately 6.5% of the assessed property taxes.

Based on information obtained from the Santa Cruz County Association of Realtors, the following is a table of the average and median sale prices of houses sold in Santa Cruz County as of June for each of the last five fiscal years.

Single-family Homes				
June 30,	Average Price	Increase (Decrease) Over(Under) Prior Year	Median Price	Increase (Decrease) Over(Under) Prior Year
2014	763,717	14.4%	699,500	19.6%
2015	800,980	4.9%	725,000	3.6%
2016	905,800	13.1%	800,000	10.3%
2017	937,662	3.5%	851,500	6.4%
2018	1,024,645	9.3%	927,500	8.9%

Based on information obtained from the Employment Development Department (EDD), the unemployment rates for the City of Scotts Valley, the County of Santa Cruz, and the State of California as of June for the last five fiscal years are shown as follows.

Unemployment Rate			
June 30,	Scotts Valley	Santa Cruz County	California
2014	3.2%	6.8%	7.3%
2015	5.2%	6.2%	6.3%
2016	5.6%	6.3%	5.7%
2017	4.8%	5.3%	4.9%
2018	3.7%	4.5%	4.5%

OTHER INFORMATION

Independent Audit: The Government Code requires an annual audit by independent certified public accountants selected by the City Council. The City has complied with this requirement. The auditors' unqualified opinion has been included in the financial section of this report. The City is also required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, unless exempt. The City did not meet the minimum threshold of federal funding to require a Single Audit for 2017/18.

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Scotts Valley for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standard for preparation of state and local government financial reports.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report (CAFR) continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

I want to extend my appreciation to Laurie Grundy, Senior Accountant, and the Finance Department for helping prepare this report. This would not have been accomplished without their initiative and commitment.

In closing, I would like to recognize the leadership and support of the City Council which was instrumental to the preparation of this report.

Respectfully submitted,



Jenny Haruyama
City Manager



CITY OF SCOTTS VALLEY
PRINCIPAL CITY OFFICIALS
JUNE 30, 2018

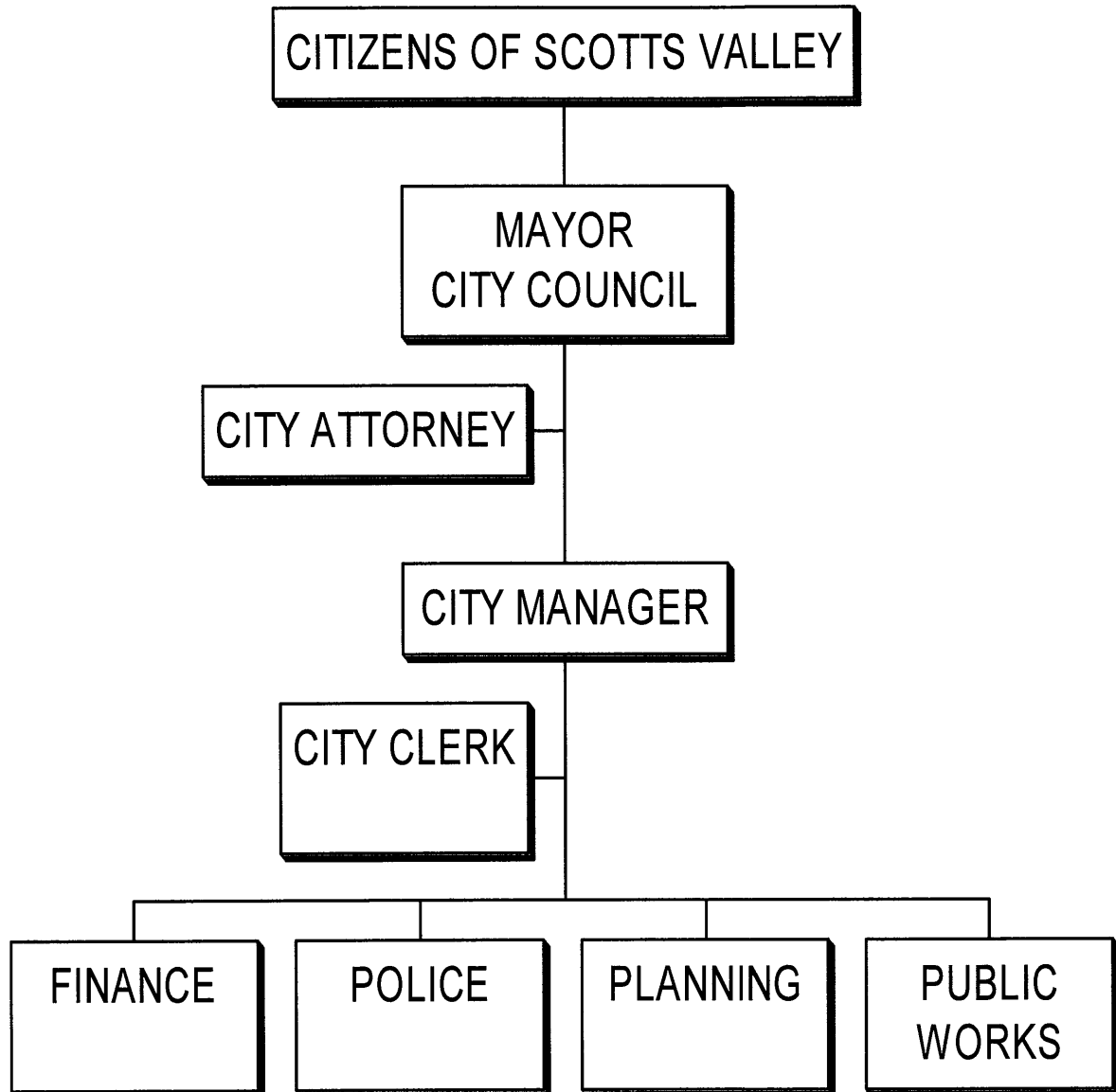
CITY COUNCIL MEMBERS

Jim Reed	Mayor
Jack Dilles	Vice Mayor
Stephany Aguilar	Councilmember
Donna Lind	Councilmember
Randy Johnson	Councilmember

CHIEF ADMINISTRATIVE OFFICIALS

Jenny Haruyama	City Manager
Kirsten Powell	City Attorney
Tracy Ferrara	City Clerk
Steve Walpole, Jr.	Chief of Police
Stephen Hammack	Interim Director of Public Works
Taylor Bateman	Interim Community Development Director

CITY OF SCOTTS VALLEY ORGANIZATION CHART





Government Finance Officers Association

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

Presented to

**City of Scotts Valley
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO



FINANCIAL SECTION

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MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Post Office Box 60127 / Sacramento, California 95860

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
Members of the City Council
City of Scotts Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scotts Valley, California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based upon our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Honorable Mayor
Members of the City Council
City of Scotts Valley, California

Opinion

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 of Scotts Valley, as of June 30, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules and schedules of funding progress, other postemployment benefits plan schedule and funding progress, and the respective budgetary comparison information of the general and major funds as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Marcello & Company

Certified Public Accountants
Sacramento, California
October 25, 2018



**City of Scotts Valley
Finance Department
Scotts Valley, California**

(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Scotts Valley, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with the accompanying letter of transmittal and the basic financial statements.

FINANCIAL HIGHLIGHTS

The City's net position exceeded liabilities as of June 30, 2018 by \$23,141,455. The current year change in net position was a decrease of \$9,069,428. Of the total net position, \$24,579,818 was invested in capital assets (net of related debt) and \$6,479,194 had restrictions on their use leaving a negative \$17,334,416 as unrestricted. The current decrease in City net position is a combination of the governmental activities decreasing \$6,463,471 and the business-type activities decreasing \$2,605,957. A decrease in net position adjustment of \$1 million was the result of redesignated Successor Agency debt as City debt, see Note 16.

As of June 30, 2018, the City's governmental funds (General Fund, special revenue funds, debt service funds, and capital project funds) had a combined fund balance of \$10,733,787, an increase of \$274,940 from the previous year. This is a combination of a decrease in the General Fund of \$167,837, a decrease of \$299,557 in major funds, and an increase in the non-major funds of \$742,334. Of the total City governmental fund balance, \$5,718,798 was restricted, \$1,107,190 was assigned, and \$3,907,799 was unassigned.

The voters in Scotts Valley approved a half-cent sales tax measure on the November 2013 ballot. The sales tax went into effect on April 1, 2014, and will continue for eight years. Fiscal year ended June 30, 2018 was the fourth full year for this additional sales tax. The City recorded \$1,239,352 for the fiscal year, a decrease of \$26,373 over the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents a combining statement for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

- The governmental funds statements tell how general government services such as public safety were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer both short-term and long-term financial information about the activities the government operates like businesses, such as the sewer system and recreation.
- Fiduciary fund statements provide information about the financial relationships (such as special assessment bond funds) in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed information. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, the City included a section with combining statements that provide details about the City's non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

Figure 1 below summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and content of each of the statements.

Figure 1
Major Features of the City's Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for another entities resources
Required financial statements	Statement of net position Statement of activities	Balance sheet, Statement of revenue, expenditures, and changes in fund balances	Statement of net position; Statement of revenues, expenses, and changes in net position; Statement of cash flows	Statement of fiduciary net position; Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, both short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-wide Statement

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position (the difference between the City's assets and liabilities) is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the City are divided into two categories:

- **Government activities:** Most of the City's basic services are included here, such as the police, public works, planning, building, park/street maintenance, and general administration. Various taxes, franchise fees, service charges, and investment earnings finance most of these activities.
- **Business-type activities:** The City charges fees to customers to help cover the cost of certain services it provides. The City's wastewater system and recreation programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The City Council establishes other funds to control and manage money for particular purposes such as capital project grant funds or to show that it is properly using certain restricted taxes such as gas tax revenues.

The City has three types of funds:

- **Government funds:** Most of the City's basic services are included in government funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, there is additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary funds:** Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-term and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. Internal service funds (the other kind of proprietary fund) report activities that provide supplies and services for the City's other programs and activities, such as the City's Dental Insurance Program.
- **Fiduciary funds:** The City is the trustee for some bondholders and fiduciary for others of the City's limited obligation improvement bonds associated with various special

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

assessment districts within the City. The City is also responsible for other assets that, because of a trust arrangement, can be used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to the Financial Statements

The Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 34-65 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the City of Scotts Valley budgetary information, pension plan information and schedules, and post-employment benefits schedule of funding progress.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following analysis pertains to the government-wide statements as described above in the overview of the financial statements.

Net Position: A condensed presentation of the government-wide net position shown below totals \$23,141,455 as of June 30, 2018. This is a decrease of \$9,069,428, or 27.3%, from the previous year. It is a combination of an increase in Total Liabilities and Deferred Inflows of Resources of \$12,732,999 offset by an increase in Total Assets and Deferred Outflows of Resources of \$2,236,879. The entire Statement of Net Position can be seen on Page 18.

City of Scotts Valley Net Position (in thousands of dollars)						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 19,521	\$ 18,457	\$ 4,190	\$ 4,119	\$ 23,711	\$ 22,576
Capital assets, net	30,866	30,417	11,732	12,161	42,598	42,578
Total assets	50,387	48,874	15,922	16,280	66,309	65,154
Deferred outflows of resources	3,865	2,734	1,335	957	5,200	3,691
Total assets and deferred outflows of resources	54,252	51,608	17,257	17,237	71,509	68,845
Long-term debt outstanding	33,655	25,083	7,154	4,722	40,809	29,805
Other liabilities	4,817	3,705	346	245	5,163	3,950
Total liabilities	38,472	28,788	7,500	4,967	45,972	33,755
Deferred inflows of resources	2,055	1,632	340	247	2,395	1,879
Total liabilities and deferred inflows of resources	40,527	30,420	7,840	5,214	48,367	35,634
Net position:						
Net investment in capital assets	24,579	30,418	11,732	12,161	36,311	42,579
Restricted	6,479	6,407	2,279	2,170	8,758	8,577
Unrestricted	(17,334)	(15,637)	(4,594)	(2,308)	(21,928)	(17,945)
Total net position	\$ 13,724	\$ 21,188	\$ 9,417	\$ 12,023	\$ 23,141	\$ 33,211

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

The largest portion of the City's total net position, \$23.1 million, is reflected in its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to its residents. Consequently, these assets are not available for future spending.

Although the City of Scotts Valley's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used. An additional portion of the City's total net position, \$8.7 million, represents resources that were subject to external restrictions on how they may be used. The remaining negative \$21.9 million of the City's total net position is "unrestricted" and may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted portion of fund balance is negative primarily due to the City's \$17.1 net pension liability, and \$14.1 net OPEB liability.

Changes in Net Position: The change in government-wide net position went from a decrease of \$3,755,399 in fiscal year 2017 to a decrease of \$9,069,428 in fiscal year 2018. This is a result of total revenues decreasing by \$264,896, or 1.48%, and total expenses increasing by \$5,054,105, or 23.72%. A further analysis is shown below.

	(in thousands of dollars)	
	2018	2017
Program revenues	\$ 7,029	\$ 6,192
General revenues	10,269	11,365
Governmental expenses	(20,062)	(15,782)
Business-type expenses	(6,305)	(5,530)
Net increase (decrease)	<u>\$ (9,069)</u>	<u>\$ (3,755)</u>

Revenues: Program revenues for governmental activities increased \$131,565, or 4.2%. This is made up of an increase in capital grants and contributions of \$958,774 and an increase in operating grants and contributions of \$192,475 and offset by a decrease in charges for services of \$1,019,684. Capital grants and contributions increased mainly in Public Works (\$922,809). The increase was attributed to receipt of grant funds on a few large projects.

Program revenues for business-type activities increased \$705,309, or 23.1%. This is made up of an increase in charges for services of \$444,608 and in capital grants and contributions of \$260,701. Charges for services increased in both Wastewater (\$275,002) and Recreation (\$169,606). Wastewater charges for services increased due the implementation of a fee increase and due to the occupancy of a few large commercial spaces and new residential developments. Charges for services in recreation programs increased due to a stronger marketing outreach and a rebound in the economy. The increase in grants and contributions was attributed to Wastewater.

Expenses: Governmental activities expense increased by \$4,279,605. The largest increase was in Public Safety (\$4,116,144) mainly due to increased pension costs. Increases in General Government (\$370,050), and Public Works (\$166,102) were also the result of increased pension costs. In the Planning and Building departments expenses decreased (\$338,322) due to the reduced need for outside contractors to fill the vacant Building Inspector position.

Business-type activities increased \$774,500. The increase mainly relates to adjustments in salaries, benefits, retirement expense and operating costs in Wastewater (\$416,687) and Recreation (\$357,813).

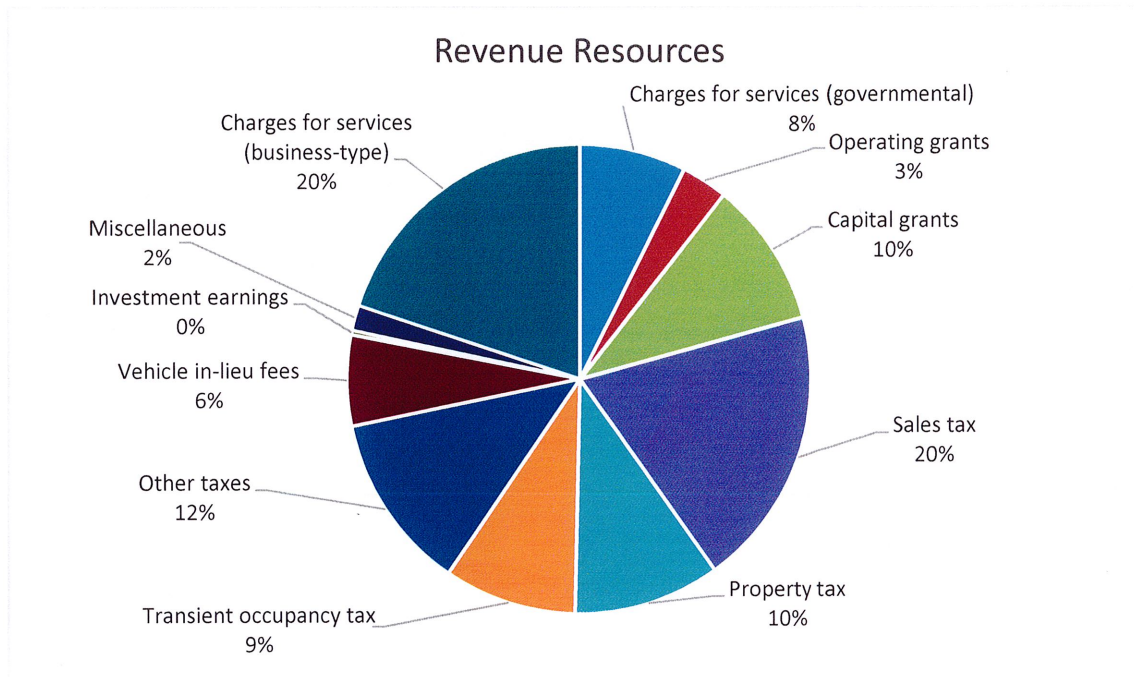
FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Statement of Activities/Change in Net Position: 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 seen on Page 19.

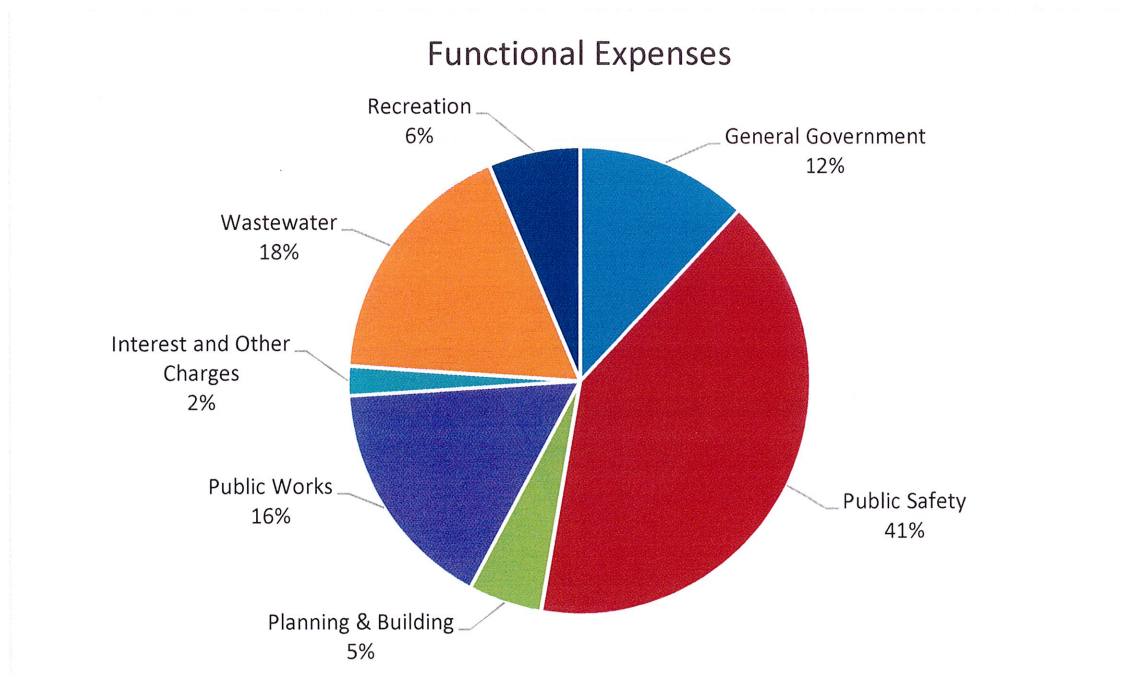
City of Scotts Valley Statement of Activities Change in Net Position (in thousands of dollars)						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	\$ 1,281	\$ 2,301	\$ 3,443	\$ 2,999	\$ 4,724	\$ 5,300
Operating grants	555	363	-	-	555	363
Capital grants	1,431	472	319	58	1,750	530
General revenues:						
Sales tax	3,347	3,289	-	-	3,347	3,289
Property tax	1,762	1,758	-	-	1,762	1,758
Other taxes	3,706	3,399	-	-	3,706	3,399
Fees	1,082	1,020	-	-	1,082	1,020
Investment earnings	52	29	18	13	70	42
Miscellaneous	302	1,110	-	-	302	1,110
Total revenues	13,518	13,741	3,780	3,070	17,298	16,811
Expenses:						
General Government	3,172	2,802	-	-	3,172	2,802
Public Safety	10,726	6,610	-	-	10,726	6,610
Planning & Building	1,352	1,690	-	-	1,352	1,690
Public Works	4,271	4,105	-	-	4,271	4,105
Interest on Debt	541	576	-	-	541	576
Wastewater	-	-	4,626	4,209	4,626	4,209
Recreation	-	-	1,679	1,321	1,679	1,321
Total expenses	20,062	15,783	6,305	5,530	26,367	21,313
Excess of (Deficiency)	(6,544)	(2,042)	(2,525)	(2,460)	(9,069)	(4,502)
Sale of Real Property	-	747	-	-	-	747
Transfers	81	(99)	(81)	99	-	-
Change in net position	\$ (6,463)	\$ (1,394)	\$ (2,606)	\$ (2,361)	\$ (9,069)	\$ (3,755)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Revenue Chart: As shown in the Statement of Activities, revenues for fiscal year 2017/18 totaled \$17.3 million. The following graph includes program and general revenues and shows the percentage of total governmental and business-type revenues by source:



Expense Chart: As shown in the Statement of Activities, expenses for fiscal year 2017/18 totaled \$26.4 million. The following graph includes expenses and shows the percentage of total governmental and business-type activity expenses by function:



FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

Net Cost of Services: The following table presents 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 burden that was placed on the City's taxpayers by each of these functions.

For governmental activities, the total cost of \$20,062,118 was offset by charges for services (\$1,281,220), operating grants/contributions (\$555,122), and capital grants/contributions (\$1,430,535), bringing the net cost of services to \$16,795,241. This is an increase in net cost of \$4,148,040 from the prior fiscal year.

For business-type activities, the total cost of \$6,304,854 were offset by charges for services (\$3,443,087) and capital grants/contributions (\$318,981), bringing the net cost of services to \$2,542,786. This is an increase in net cost of \$69,191 from the prior fiscal year.

City of Scotts Valley Net Cost of Government and Business-type Activities

	Total Cost of Services	Program Revenues	Net Cost of Services
General government	\$ 3,171,897	\$ 184,854	\$ 2,987,043
Public safety	10,725,905	316,249	10,409,656
Planning and building	1,352,185	918,634	433,551
Public works	4,270,705	1,847,140	2,423,565
Interest on long term debt	541,426	-	541,426
Total government	<u>\$ 20,062,118</u>	<u>\$ 3,266,877</u>	<u>\$ 16,795,241</u>
Wastewater	4,625,969	2,582,186	2,043,783
Recreation	1,678,885	1,179,882	499,003
Total business-type	<u>\$ 6,304,854</u>	<u>\$ 3,762,068</u>	<u>\$ 2,542,786</u>

A description of each program is listed below:

- General Government expenses comprise approximately 12% of all expenses. This includes City Council, City Manager, City Clerk, City Attorney, Finance, Administrative Services, and Risk Management. These programs are offset by administrative support fees and grants.
- Public Safety expenses comprise 41% of all expenses. Revenues from fines, citations, grants, and animal services partially offset the cost of this program.
- Planning and Building expenses comprise approximately 5% of all expenses. Various building and planning fees, along with grant revenues, assist in funding these program costs.
- Public Works expenses comprise 16% of all expenses. This includes street, facility, park and fleet maintenance. Costs are partially offset by taxes and various fees.
- Interest on long-term debt comprises less than 2% of all expenses. The interest expense is used to pay long-term debt obligations.
- Wastewater expenses comprises 18% of all expenses. Sewer service fees and charges to customers help to offset expenses.
- Recreation expenses comprise 6% of all expenses. These programs are primarily funded through recreational sports fees and the general fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The following analysis pertains to the fund financial statements (pages 22-25) in the overview of the financial statements.

There are no restrictions, commitments, or other limitations that would significantly affect the availability of fund resources for the future.

To provide an overview of the City's funds, below is a table showing the increases and (decreases) to total assets, liabilities, revenues, and expenditures of the City fund types from fiscal year 2017 to 2018. The total revenues and expenditures do not include any "other financing sources (uses)."

	Increase (Decrease) from Prior Year			
	Assets	Liabilities	Revenues	Expenditures
General Fund	\$ (4,338)	\$ 163,499	\$ (1,510,430)	\$ 266,539
Special Rev Funds	944,456	688,634	555,603	432,080
Debt Service Funds	8,733	-	3,960	1,879
Capital Project Funds	272,570	94,348	803,086	337,434
Totals	<u>\$ 1,221,421</u>	<u>\$ 946,481</u>	<u>\$ (147,781)</u>	<u>\$ 1,037,932</u>

The largest increase in assets of City funds, other than the General Fund, were assets in the special revenue funds of \$983,211. The increase is related to the new special revenue sources including the Transportation-Measure D fund and the Lennar fund. The largest increase in the liabilities is related to the Special Revenue Fund with an increase in the deposits account from the Lennar fund of \$725,745 designated to be spent on City parks and recreation improvements.

The largest increase were the revenues in the capital project funds of \$803,086, related to increased revenue from intergovernmental grants and restricted impact fees from large construction projects received in the current year. The decrease in general fund revenues is mainly attributed to the sale of real estate that occurred in the prior year and legal cost reimbursements from the Scotts Valley Successor Agency fiduciary fund in the prior year. The increases in expenditures (\$432,080) in the special revenue funds and (\$337,434) in the capital project funds relates to the city infrastructure improvement projects being completed, which included the Mt. Hermon Road/Scotts Valley Drive intersection.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund is the main operating fund of the City. Its revenues are primarily derived from taxes and charges for services, which are used to pay for the traditional services provided by local government, public safety, parks, community development (building and planning), and public works.

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

Revenues:

SUMMARY OF GENERAL FUND REVENUES BUDGET AND ACTUAL Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	\$ 8,333,700	\$ 8,683,700	\$ 8,504,198	\$ (179,502)
Franchise fees	982,000	982,000	986,783	4,783
Charges for services	1,104,850	1,104,850	754,162	(350,688)
Fines and forfeitures	37,650	37,650	35,013	(2,637)
Intergovernmental	9,500	9,500	73,124	63,624
Interest income	111,100	11,100	35,011	23,911
Other income	365,500	365,500	474,194	108,694
Total revenues	<u>10,944,300</u>	<u>11,194,300</u>	<u>10,862,485</u>	<u>(331,815)</u>
Transfers in	260,000	260,000	242,848	(17,152)
Total Revenues	<u>\$ 11,204,300</u>	<u>\$ 11,454,300</u>	<u>\$ 11,105,333</u>	<u>\$ (348,967)</u>

The final fiscal year 2018 General Fund revenue budget reflects amendments that were approved by the City Council during the year. The most significant amendments included increases property taxes, sales tax, and transient occupancy taxes.

Actual revenues were below final budgeted amounts by \$331,815. Increases in transient occupancy tax (\$251,106), property tax revenues (\$108,071) and motor vehicles fees (\$32,327) were higher than anticipated, however decreases in sales tax revenue (\$492,973), business license fees and impact fees were lower than expected. Charges for services revenue was lower (\$361,050) due to a decrease in construction permits and fees. Miscellaneous revenue was higher (\$121,978) due to unanticipated legal fee and cost reimbursements.

Expenses:

SUMMARY OF GENERAL FUND EXPENDITURES BUDGET AND ACTUAL Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Expenditures:				
General government	\$ 2,813,291	\$ 2,863,591	\$ 2,661,042	\$ (202,549)
Public Safety	5,165,164	5,310,064	5,205,010	(105,054)
Planning and building	1,284,965	1,284,965	1,019,926	(265,039)
Public Works	1,853,327	1,853,327	1,903,254	49,927
Total expenditures	<u>11,116,747</u>	<u>11,311,947</u>	<u>10,789,232</u>	<u>(522,715)</u>
Transfers out	660,715	660,715	483,938	(176,777)
Total expenditures	<u>\$ 11,777,462</u>	<u>\$ 11,972,662</u>	<u>\$ 11,273,170</u>	<u>\$ (699,492)</u>

GENERAL FUND BUDGETARY HIGHLIGHTS (concluded)

The amended fiscal year 2018 General Fund expenditure budget reflects amendments approved by the City Council during the year. The most significant amendments included increases to public safety and general government.

Expenses, prior to transfers, were \$522,715 below the final adopted budget. The largest departments that were lower than budgeted were planning and building (\$265,039), general government (\$202,549) and public safety (\$105,054).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: A recap of the City's capital assets, net of accumulated depreciation, is shown in the table below. The City-wide increase (net of depreciation) is \$18,847, or .04%. The governmental activities had capital assets additions of \$1,780,166. Current year depreciation was \$1,388,567. Business-type activities brought capital assets to a net decrease of \$359,322. The business-type activities had capital asset additions of \$68,190 with current year depreciation expense of \$788,390.

City of Scotts Valley Capital Assets, Net of Depreciation (in thousands of dollars)						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 7,012	\$ 7,012	\$ 529	\$ 429	\$ 7,541	\$ 7,441
Buildings & Improvements	2,657	2,528	1,384	1,513	4,041	4,041
Equipment	546	633	1,135	1,005	1,681	1,638
Infrastructure	20,123	19,723	8,622	9,149	28,745	28,872
Outfall Agreement	-	-	62	65	62	65
Construction in Progress	527	521	-	-	527	521
TOTAL	\$ 30,865	\$ 30,417	\$ 11,732	\$ 12,161	\$ 42,597	\$ 42,578

More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Long-term Debt: A recap of the City's long-term debt is shown below. Total long-term debt increased \$11,004,520, or 36.9%. The main increase during the year was the net pension liability from the GASB (Governmental Accounting Standards Board) Statement No. 68 for governmental activities (\$190,858) and for business activities (\$66,710). This is an actuarially determined amount prepared by the California Public Employees Retirement System. The net OPEB obligation is also an actuarially determined amount for Other Post-Employment Benefits in accordance with GASB Statement No. 75. The OPEB obligation increased for governmental activities (\$8,354,687) and business activities (\$2,518,397). More detailed information about the City's long-term debt is presented in Note 5 to the financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

City of Scotts Valley Outstanding Debt (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Certificates of Participation	\$ 6,191	\$ 5,450	\$ -	\$ -	\$ 6,191	\$ 5,450
Pension Obligation	2,675	3,010	-	-	2,675	3,010
Installment Note	95	100	-	-	95	100
Accrued Comp Absences	592	584	125	145	717	729
Net OPEB Obligation	10,839	2,485	3,238	719	14,077	3,204
Net Pension Liability	13,263	13,454	3,791	3,858	17,054	17,312
TOTAL	<u>\$ 33,655</u>	<u>\$ 25,083</u>	<u>\$ 7,154</u>	<u>\$ 4,722</u>	<u>\$ 40,809</u>	<u>\$ 29,805</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economy

The City of Scotts Valley's economy has shown continued improvements, similar to other cities throughout the state. The General Fund, the City's primary operating fund from which the traditional services associated with local government are provided (police, community development, engineering, recreation, etc.) is particularly affected by economic downturns. Key revenues, such as sales tax, transient occupancy tax, business license fees, and building permits realized significant declines during previous years. Despite these declines, the City endeavored to keep General Fund revenues and expenditures in balance through a combination of cuts to spending, labor concessions, and one-time solutions that included the modest use of reserves.

As the economy has improved over the last several years, the city has improved its financial position. However, additional fiscal concerns are on the near horizon. The City expects significant increases in pension costs to phase in over the next several fiscal years, based on information from the California Public Employee's Retirement System, which is anticipated to drastically impact the City's financial forecast.

The current economic outlook is more favorable than in recent years; but the City continues to take a conservative approach to future projections.

Budget Outlook

Scotts Valley prides itself on the outstanding quality of services it provides to the community, and has taken all efforts to preserve services during these economically challenging times. Over the course of past several years, positions in the General Fund have been eliminated. This was accomplished by eliminating positions vacated through regular turnover or retirement. On the revenue side, there now continues to be slow but steady growth in the City of Scotts Valley economy.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (concluded)

Despite the improving economy and efforts to reduce costs, the City's financial forecast still showed operating deficits when factoring in necessary funding for rising pension costs. Exacerbating this issue was the dissolution of the Redevelopment Agency, which eliminated significant administrative reimbursements to the General Fund. Understanding that further meaningful expenditure cuts would radically alter the ability of the City to deliver the services valued by the community. The City Council turned to its voters to consider raising two local taxes. First, the voters in Scotts Valley approved a half-cent sales tax measure on the November 2013 ballot. The sales tax went into effect on April 1, 2014, and will continue for eight years. Secondly, a 1% increase (from 10% to 11%) was taken to the voters and approved on the November 2018 ballot. The increase will be effective in January 2019.

The additional revenues from these measures should allow the City to balance revenues and expenditures going forward for the foreseeable future. Future budgets will continue to emphasize economic development to grow our local economy in order to fund the City's needs in future years.

Another significant change to the state and local financial landscape is the recently enacted Public Employees' Pension Reform Act ("PEPRA") of 2013, led by the Governor and overwhelmingly supported by the legislature. The City had already been proactive in pension reform and implemented many provisions that were included in PEPRA. Employees currently either contribute their full pension costs, or will do so by the end of their current Memorandum of Understanding. New employees are subject to a two tier plan. While PEPRA has no immediate impact to current pension costs, the law will slowly reduce pension costs of virtually all public employers over time as new employees hired after December 31, 2012 will be subject to a more moderate retirement plan. In the meantime, like all public agencies, the City of Scotts Valley still has an underfunded pension plan and OPEB plan for existing employees to address.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the residents, taxpayers, customers, investors, and creditors of Scotts Valley 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 information, contact the City of Scotts Valley Finance Department, 1 Civic Center Drive, Scotts Valley, CA 95066.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF SCOTTS VALLEY
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS

Current Assets:	
Cash and Investments (Note 2)	
Receivables (Note 3)	
Total Current Assets	
Non-current Assets:	
Advances to Redevelopment Successor Agency (Note 3)	
Long-term Loans Receivable (Note 3)	
Restricted Cash with Fiscal Agent	
Capital Assets (Note 4):	
Capital Assets not being depreciated	
Capital Assets, net of depreciation	
Total Non-current Assets	
Total Assets	
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Pensions Outflows (Note 7)	
Deferred OPEB Outflows (Note 8)	
Total Deferred Outflows of Resources	
Total Assets and Deferred Outflows of Resources	

	Governmental Activities	Primary Government Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Investments (Note 2)	\$ 9,488,943	\$ 2,137,834	\$ 11,626,777
Receivables (Note 3)	1,515,792	451,335	1,967,127
Total Current Assets	11,004,735	2,589,169	13,593,904
Non-current Assets:			
Advances to Redevelopment Successor Agency (Note 3)	5,041,886	1,600,000	6,641,886
Long-term Loans Receivable (Note 3)	3,374,636	-	3,374,636
Restricted Cash with Fiscal Agent	100,487	-	100,487
Capital Assets (Note 4):			
Capital Assets not being depreciated	7,539,533	529,416	8,068,949
Capital Assets, net of depreciation	23,325,873	11,202,955	34,528,828
Total Non-current Assets	39,382,415	13,332,371	52,714,786
Total Assets	50,387,150	15,921,540	66,308,690
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Pensions Outflows (Note 7)	3,536,286	1,237,260	4,773,546
Deferred OPEB Outflows (Note 8)	328,551	98,139	426,690
Total Deferred Outflows of Resources	3,864,837	1,335,399	5,200,236
Total Assets and Deferred Outflows of Resources	54,251,987	17,256,939	71,508,926
LIABILITIES			
Current Liabilities:			
Accounts Payable	620,784	113,530	734,314
Accrued Liabilities	193,119	56,316	249,435
Deposits	725,745	-	725,745
Unearned Revenues	-	176,566	176,566
Current portion of long-term obligations (Note 5)	1,150,239	97,051	1,247,290
Total Current Liabilities	2,689,887	443,463	3,133,350
Non-current Liabilities:			
Non-current portion of long-term obligations (Note 5)	32,505,207	7,056,982	39,562,189
Accrued Interest	3,277,394	-	3,277,394
Total Non-current Liabilities	35,782,601	7,056,982	42,839,583
Total Liabilities	38,472,488	7,500,445	45,972,933
DEFERRED INFLOWS OF RESOURCES:			
Deferred Pensions Inflows (Note 7)	967,691	227,913	1,195,604
Deferred OPEB Inflows (Note 8)	1,087,212	111,724	1,198,936
Total Deferred Liabilities	2,054,903	339,637	2,394,540
Total Liabilities and Deferred Inflows of Resources	40,527,391	7,840,082	48,367,473
NET POSITION			
Net Investment in Capital Assets	24,579,818	11,732,371	36,312,189
Restricted:			
Capital Projects	2,295,925	2,279,246	4,575,171
Debt Service	1,059,571	-	1,059,571
Community Development Projects	2,128,800	-	2,128,800
Other Purposes	994,898	-	994,898
Unrestricted	(17,334,416)	(4,594,758)	(21,929,174)
Total Net Position	\$ 13,724,596	\$ 9,416,859	\$ 23,141,455

The accompanying notes to the financial statements are an integral part of this financial statement.

**CITY OF SCOTTS VALLEY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Total
Primary Government:						
Governmental Activities:						
General Government	\$ 3,171,897	\$ 156,773	\$ -	\$ 28,081	\$ 184,854	\$ (2,987,043)
Public Safety	10,725,905	33,428	217,215	65,606	316,249	(10,409,656)
Planning & Building	1,352,185	808,419	6	110,209	918,634	(433,551)
Public Works	4,270,705	282,600	337,901	1,226,639	1,847,140	(2,423,565)
Interest	541,426	-	-	-	-	(541,426)
Total Governmental Activities	20,062,118	1,281,220	555,122	1,430,535	3,266,877	(16,795,241)
Business-Type Activities:						
Wastewater	4,625,969	2,263,205	-	318,981	2,582,186	\$ (2,043,783)
Recreation Programs	1,678,885	1,179,882	-	-	1,179,882	(499,003)
Total Business-type Activities	6,304,854	3,443,087	-	318,981	3,762,068	(2,542,786)
Total Primary Government	\$ 26,366,972	\$ 4,724,307	\$ 555,122	\$ 1,749,516	\$ 7,028,945	(19,338,027)
General Revenues:						
Taxes:						
		Sales Tax				3,346,995
		Property Tax				1,761,638
		Franchise Taxes				986,783
		Transient Occupancy Tax				1,588,106
		Utility Users Tax				740,358
		Other Taxes				390,028
		Vehicle In-Lieu Fee				1,082,327
		Investment Earnings				18,117
		Miscellaneous Revenues				301,942
		Interfund Transfers In (Out)				(81,288)
		Total General Revenues and Transfers				10,331,770
		Change in Net Position				(6,463,471)
		Net Position - Beginning				(2,605,957)
		Net Position Adjustment (Note 16)				12,022,816
		Net Position, End of Year				\$ 9,416,859

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FUND FINANCIAL STATEMENTS

**CITY OF SCOTTS VALLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Successor Housing Agency	General Facility	Traffic Impact Mitigation	General Capital Improvements	Other Governmental Funds	Total
ASSETS							
Cash and investments	\$ 3,063,158	\$ 535,859	\$ 88,198	\$ 272,907	\$ 662,120	\$ 4,832,999	\$ 9,455,241
Receivables:							
Due from other governments	1,295,296	-	-	-	-	184,878	1,480,174
Other	882	-	-	-	15,023	19,713	35,618
Due from other funds	1,171	-	-	-	-	-	1,171
Advances due from other funds	139,532	-	-	-	-	-	139,532
Notes receivable	-	650,000	-	-	-	550,000	1,200,000
Restricted cash with fiscal agent	100,487	-	-	-	-	-	100,487
Total assets	\$ 4,600,526	\$ 1,185,859	\$ 88,198	\$ 272,907	\$ 677,143	\$ 5,587,590	\$ 12,412,223
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 345,322	\$ -	\$ -	\$ 3,339	\$ 247,981	\$ 22,227	\$ 618,869
Accrued liabilities	191,801	-	-	-	-	1,318	193,119
Deposits	-	-	-	-	-	725,745	725,745
Due to other funds	-	-	-	-	-	1,171	1,171
Advances due to other funds	-	-	139,532	-	-	-	139,532
Total liabilities	537,123	-	139,532	3,339	247,981	750,461	1,678,436
Fund Balances:							
Restricted	100,487	1,185,859	-	269,568	429,162	3,733,722	5,718,798
Assigned	-	-	-	-	-	1,107,190	1,107,190
Unassigned (deficit)	3,962,916	-	(51,334)	-	-	(3,783)	3,907,799
Total fund balances (deficit)	4,063,403	1,185,859	(51,334)	269,568	429,162	4,837,129	10,733,787
Total liabilities and fund balances (deficit)	\$ 4,600,526	\$ 1,185,859	\$ 88,198	\$ 272,907	\$ 677,143	\$ 5,587,590	\$ 12,412,223

CITY OF SCOTTS VALLEY
RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2017

TOTAL FUND BALANCES - total governmental funds (Page 22) \$ 10,733,787

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Long-term loans receivable are not current financial resources and, therefore, are offset in the Governmental Funds Balance Sheet by a corresponding amount of deferred revenue under liabilities.

7,216,522

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.

30,865,406

Deferred outflows of resources reported on the Government-wide Statement of Net Position

Deferred Pensions outflows
Deferred OPEB outflows

3,536,286
328,551

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.

(3,277,394)

An Internal Service Fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of this Internal Service Fund are included in governmental activities in the Government-wide Statement of Net Position.

31,787

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.

1997 Certificates of Participation (1,250,588)
2003 Certificates of Participation (885,000)
2013 Certificates of Participation (4,055,000)
Installment notes (95,000)
Pension obligation bonds (2,675,000)
Compensated absences (592,556)
Net OPEB obligation (10,839,189)
Net pension liability (13,263,113)

Deferred inflows of resources reported on the Government-wide Statement of Net Position
Deferred pension inflows (967,691)
Deferred OPEB inflows (1,087,212)

Net position of Governmental Activities (Page 18)

\$ 13,724,596

**CITY OF SCOTTS VALLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	General Fund	Successor Housing Agency	General Facility	Traffic Impact Mitigation	General Capital Improvements	Other Governmental Funds	Total
Revenues:							
Taxes and assessments	\$ 9,490,981	\$ -	\$ -	\$ -	\$ -	\$ 823,547	\$ 10,314,528
Intergovernmental revenues	73,124	-	-	-	462,247	268,600	803,971
Fees and services	754,162	36,985	27,265	55,896	184,949	519,317	1,578,574
Fines and forfeitures	35,013	-	-	-	-	-	35,013
Contributions from non-government	-	-	-	-	-	167,840	167,840
Facility/building rental	-	32,760	-	-	-	-	32,760
Interest income	35,011	5,303	816	8,570	2,527	41,739	93,966
Miscellaneous revenues	474,194	10,801	-	492	155,817	7,828	649,132
Total revenues	10,862,485	85,849	28,081	64,958	805,540	1,828,871	13,675,784
Expenditures:							
Current:							
General government	2,133,973	-	116	-	-	-	2,134,089
Public safety	5,201,537	-	-	-	-	16,237	5,217,774
Planning and building	1,019,883	29,078	-	-	-	40,815	1,089,776
Public works	1,888,333	-	-	31,911	14,497	372,694	2,307,435
Capital outlay	19,648	-	-	-	1,283,635	454,105	1,757,388
Debt service:							
Principal	265,000	-	-	-	-	335,000	600,000
Interest and finance charges	260,858	-	-	-	-	114,812	375,670
Total expenditures	10,789,232	29,078	116	31,911	1,298,132	1,333,663	13,482,132
REVENUES OVER (UNDER) EXPENDITURES	73,253	56,771	27,965	33,047	(492,592)	495,208	193,652
OTHER FINANCING SOURCES (USES):							
Transfers in	242,848	-	-	-	670,814	528,476	1,442,138
Transfers out	(483,938)	-	-	(595,562)	-	(281,350)	(1,360,850)
Total other financing sources (uses)	(241,090)	-	-	(595,562)	670,814	247,126	81,288
CHANGES IN FUND BALANCES	(167,837)	56,771	27,965	(562,515)	178,222	742,334	274,940
FUND BALANCES:							
Beginning of year	4,231,240	1,129,088	(79,299)	832,083	250,940	4,094,795	10,458,847
End of year	\$ 4,063,403	\$ 1,185,859	\$ (51,334)	\$ 269,568	\$ 429,162	\$ 4,837,129	\$ 10,733,787

CITY OF SCOTTS VALLEY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

CHANGES IN FUND BALANCES - total governmental funds (Page 24)

\$ 274,940

Amounts reported for governmental activities in the statement of activities are different because:

Repayment of long-term loans receivable is reported as income in governmental funds, but the repayment reduces long-term assets in the Statement of Net Assets.

Repayment of long-term loans receivable

(158,425)

Acquisition of capital assets was reported as expenditures in the governmental funds. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense.

1,836,482

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds.

(1,388,567)

An internal service fund is used by management to charge the costs of dental insurance to individuals funds. The net expense of this internal service fund is reported with governmental activities.

2,002

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

600,000

Long-term compensated absences expense was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, the increase in long-term compensated absences was not reported as an expenditure in the governmental funds.

(8,708)

Accrual of 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. Therefore, the increase in accrued interest on long-term debt was not reported as an expenditure in the governmental funds.

(165,756)

Other postemployment benefits (OPEB) and pension expenses were reported in the Government-Wide Statement of Activities, but did not require the use of current financial resources. Therefore, the increase or decrease in other postemployment benefits liability and net pension liabilities were not reported as an expenditure or (credit) in governmental funds.

Deferred pension outflows

Deferred OPEB outflows

Net pension liability

Net OPEB liability

Deferred pension inflows

Deferred OPEB inflows

802,238
328,551
190,858
(8,354,687)
664,813
(1,087,212)

Change in net position of governmental activities (Page 19)

\$ (6,463,471)

**CITY OF SCOTTS VALLEY
STATEMENT OF NET POSITION - BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUNDS
JUNE 30, 2018**

	Business-type Activities			Governmental
	Recreation Fund	Enterprise Funds Wastewater Fund	Total	Activities - Internal Fund
ASSETS				
CURRENT ASSETS:				
Cash and investments	\$ 80,803	\$ 2,057,031	\$ 2,137,834	\$ 33,702
Receivables:				
Sewer fees	-	158,530	158,530	-
Other	162,675	130,130	292,805	-
Advances to Successor Agency	-	1,600,000	1,600,000	-
Total current assets	243,478	3,945,691	4,189,169	33,702
CAPITAL ASSETS (Note 4):				
Land and construction in progress	-	529,416	529,416	-
Other capital assets, net of depreciation	1,500	11,201,455	11,202,955	-
Total capital assets	1,500	11,730,871	11,732,371	-
Total assets	244,978	15,676,562	15,921,540	33,702
DEFERRED OUTFLOW OF RESOURCES:				
Deferred pension related amounts	353,030	884,230	1,237,260	-
Deferred OPEB related amounts	29,868	68,271	98,139	-
Total deferred outflows of resources	382,898	952,501	1,335,399	-
Total assets and deferred outflows of resources	627,876	16,629,063	17,256,939	33,702
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	14,155	99,375	113,530	1,915
Accrued liabilities	33,770	22,545	56,315	-
Compensated absences	55,017	69,788	124,805	-
Unearned revenues	176,566	-	176,566	-
Total current liabilities	279,508	191,708	471,216	1,915
NONCURRENT LIABILITIES:				
Net pension liability	1,036,343	2,252,299	3,288,642	-
Net OPEB obligation	985,381	2,755,205	3,740,586	-
Total Non-current liabilities	2,021,724	5,007,504	7,029,228	-
Total liabilities	2,301,232	5,199,212	7,500,444	1,915
DEFERRED INFLOWS OF RESOURCES				
Deferred pensions related amounts	1,998	225,915	227,913	-
Deferred OPEB related amounts	98,837	12,887	111,724	-
Total deferred inflows of resources	100,835	238,802	339,637	-
Total liabilities and deferred inflows of resources	2,402,067	5,438,014	7,840,081	1,915
NET POSITION				
Net Investment in Capital Assets	1,500	11,730,871	11,732,371	-
Restricted - Capital Improvements	-	2,279,246	2,279,246	-
Unrestricted	(1,775,691)	(2,819,067)	(4,594,758)	31,787
Total net position	\$ (1,774,191)	\$ 11,191,050	\$ 9,416,859	\$ 31,787

**CITY OF SCOTTS VALLEY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Business-type Activities			Governmental
	Enterprise Funds			Activities -
	Recreation Fund	Wastewater Fund	Total	Internal Services Fund
OPERATING REVENUES:				
Fees and services	\$ 1,179,882	\$ 2,263,205	\$ 3,443,087	\$ 64,748
Total operating revenues	<u>1,179,882</u>	<u>2,263,205</u>	<u>3,443,087</u>	<u>64,748</u>
OPERATING EXPENSES:				
Salaries	615,299	496,609	1,111,908	-
Taxes and benefits	805,439	2,051,966	2,857,405	-
Maintenance and operations	98,304	654,284	752,588	61
Advertising	8,459	-	8,459	-
Professional and contractual services	130,771	78,107	208,878	-
Utilities and communications	13,994	406,051	420,045	-
Insurance and bonds	5,619	151,562	157,181	63,112
Depreciation	1,000	787,390	788,390	-
Total operating expenses	<u>1,678,885</u>	<u>4,625,969</u>	<u>6,304,854</u>	<u>63,173</u>
OPERATING INCOME (LOSS)	<u>(499,003)</u>	<u>(2,362,764)</u>	<u>(2,861,767)</u>	<u>1,575</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	129	17,988	18,117	427
Total nonoperating revenues (expenses)	<u>129</u>	<u>17,988</u>	<u>18,117</u>	<u>427</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(498,874)</u>	<u>(2,344,776)</u>	<u>(2,843,650)</u>	<u>2,002</u>
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	-	318,981	318,981	-
Transfers in	-	221,227	221,227	-
Transfers out	(30,354)	(272,161)	(302,515)	-
Total contributions and transfers	<u>(30,354)</u>	<u>268,047</u>	<u>237,693</u>	<u>-</u>
CHANGES IN NET POSITIONS	<u>(529,228)</u>	<u>(2,076,729)</u>	<u>(2,605,957)</u>	<u>2,002</u>
NET POSITION:				
Beginning of year	(1,244,963)	13,267,779	12,022,816	29,785
End of year	<u>\$ (1,774,191)</u>	<u>\$ 11,191,050</u>	<u>\$ 9,416,859</u>	<u>\$ 31,787</u>

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**CITY OF SCOTTS VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

	Business-type Activities Enterprise Funds			Governmental Activities - Internal Fund
	Recreation Fund	Wastewater Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,233,123	\$ 2,144,198	\$ 3,377,321	\$ 64,748
Cash payments for goods and services	(1,057,838)	(3,281,428)	(4,339,266)	(63,214)
Cash payments to employees	(64,477)	1,089,697	1,025,220	-
Net cash provided by (used in) operating activities	110,808	(47,533)	63,275	1,534
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	221,227	221,227	-
Transfers out	(30,354)	(272,161)	(302,515)	-
Net cash provided by (used in) noncapital financing activities	(30,354)	(50,934)	(81,288)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Receipts of connection and standby fees	-	318,981	318,981	-
Acquisition of capital assets	-	(359,322)	(359,322)	-
Net cash provided by (used in) capital and related financing activities	-	(40,341)	(40,341)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	129	17,988	18,117	427
Net cash provided by (used in) investing activities	129	17,988	18,117	427
Net increase (decrease) in cash and cash equivalents	80,583	(120,820)	(40,237)	1,961
CASH AND CASH EQUIVALENTS:				
Beginning of year	220	2,177,851	2,178,071	31,741
End of year	\$ 80,803	\$ 2,057,031	\$ 2,137,834	\$ 33,702
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:				
Cash and investments	\$ 80,803	\$ 2,057,031	\$ 2,137,834	\$ 33,702

(Continued)

**CITY OF SCOTTS VALLEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:**

Operating income (loss):

Adjustments to reconcile operating income (loss) to
net cash (used in) operating activities:

Depreciation and amortization

Changes in assets:

(Increase) Decrease in accounts receivable

(Increase) decrease in deferred outflows of resources

Changes in liabilities:

Increase (decrease) in accounts payable

Increase (decrease) in accrued liabilities/comp absences

Increase (decrease) in net OPEB obligation

Increase (decrease) in net pension liability

Increase (decrease) in unearned revenues

Increase (decrease) in deferred inflows of resources

Total adjustments

Net cash provided by (used in) operating activities

	Business-type Activities			Governmental Activities - Internal Fund
	Recreation Fund	Wastewater Fund	Total	
	\$ (499,003)	\$ (2,362,764)	\$ (2,861,767)	\$ 1,575
	1,000	787,390	788,390	-
	8,337	(119,007)	(110,670)	-
	(109,984)	(268,560)	(378,544)	-
	4,748	60,542	65,290	(41)
	4,291	(32,687)	(28,396)	-
	(70,022)	(47,650)	(117,672)	-
	694,092	1,875,267	2,569,359	-
	44,904	-	44,904	-
	32,445	59,936	92,381	-
	609,811	2,315,231	2,925,042	(41)
	\$ 110,808	\$ (47,533)	\$ 63,275	\$ 1,534

(Concluded)

**CITY OF SCOTTS VALLEY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018**

	Successor Agency Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Investments Held for Others, restricted	\$ 1,434,505	\$ 727,120
Cash and Investments Held in accordance with Bond Indentures, restricted	8,516	351,925
Investments Held in accordance with Bond Indentures, restricted	9,906,579	-
Depreciable Capital Assets, Net (Note 12)	11,095,582	-
Total Assets	\$ 22,445,182	\$ 1,079,045
LIABILITIES		
Deposits	\$ -	\$ 266,048
Accrued Interest Payable	236,413	-
Advances From Other Funds	-	461,072
Bond Reserve Payable	-	351,925
Long-term Debt: (Note 12)		
Due in one year	530,000	-
Due in more than one year	27,554,190	-
Total Liabilities	28,320,603	\$ 1,079,045
NET POSITION	\$ (5,875,421)	

**CITY OF SCOTTS VALLEY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018**

ADDITIONS		Successor Agency Private Purpose Trust Fund
Redevelopment Property Tax Trust Fund	\$ 2,059,840	
Total Additions	<u>2,059,840</u>	
DEDUCTIONS		
Administrative Expenses	\$ 151,258	
Enforceable Obligations of Former Redevelopment Agency	1,318,668	
Depreciation	187,511	
Interest Expense	<u>448,987</u>	
Total Deductions	<u>2,106,424</u>	
Excess of Additions over(under) Deductions	<u>(46,584)</u>	
Other Financing Sources (Uses):		
Loss on Disposition of Asset	<u>(1,892,539)</u>	
Change in Current Net Position	<u>(1,939,123)</u>	
Net Position - Beginning	(4,936,298)	
Adjustment to Fund Balance	<u>1,000,000</u>	
	<u>(3,936,298)</u>	
Net Position - End of Year	<u>\$ (5,875,421)</u>	

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***NOTES TO
FINANCIAL
STATEMENTS***

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the City as follows:

- Note 1 – Description of Funds and Significant Accounting Policies
- A. Description of the Reporting Entity
 - B. Basis of Accounting and Measurement Focus
 - C. Cash and Investments
 - D. Cash and Cash Equivalents
 - E. Capital Assets
 - F. Unbilled Receivables
 - G. Encumbrances
 - H. Compensated Absences
 - I. Pension Plan
 - J. Other Postemployment Benefits (“OPEB”)
 - K. Employee Leave Benefits
 - L. Property Tax Levy, Collection, and Maximum Rates
 - M. Transactions between Funds
 - N. Governmental Fund Balances
 - O. Net Position
 - P. Budgets and Budgetary Accounting Process
 - Q. Use of Estimates

Note 2 – Cash and Investments

Note 3 – Receivables

Note 4 – Capital Assets

Note 5 – Long-Term Debt and Obligations

Note 6 – Interfund Transactions

Note 7 – Pension Plan

Note 8 – Other Postemployment Benefits (“OPEB”)

Note 9 – Fund Balances – Governmental Funds

Note 10 – Deficit Fund Balances

Note 11 – Commitments and Contingencies

Note 12 – Successor Agency Trust of Former Redevelopment Agency

Note 13 – Assessment District Bond Obligations

Note 14 – Risk Management

Note 15 – Joint Powers Authority

Note 16 – Net Position Adjustment

Note 17 – Future Accounting Pronouncements

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The City of Scotts Valley (City) operates under the Council-Manager form of government and provides the following services: public safety (police), parks and recreation, public works, streets, planning, and general administrative services. The City also provides environmental health services through its wastewater fund and provides recreation programs through its recreation fund, which are intended to be funded from user fees.

For financial reporting purposes, the financial statements of the City of Scotts Valley include all organizations that the City, as the primary government, is financially accountable for. This financial accountability is defined as the authority of the primary government to appoint a voting majority of an organization's governing body, where the primary government is able to impose its will on that organization; or where there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

As a result, the Scotts Valley Public Financing Authority is considered a component unit of the financial reporting entity and has been included in the financial statements by blending its financial data with financial data of the City as though this organization is part of the City. The blended component unit, which is discussed below, is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

The Scotts Valley Public Financing Authority (the "Authority") was established in April 1989 by the City to facilitate financing for the City. Although the Authority is a separate legal entity from the City, it is reported as if it were part of the primary government because the members of the City Council also serve as the Authority's governing board and because the Authority's sole purpose is to be a financing entity for the City. The Authority does not issue separate financial statements.

B. Basis of 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 with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements

The Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities. 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 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. There are revenues specifically identifiable and clearly associated with a particular program or function. These types of transactions are reported as program revenues for the City and are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards 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, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include 1) a Balance Sheet, and 2) a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the Government-wide financial statements.

The City of Scotts Valley reports the following major governmental funds:

The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Successor Housing Agency Fund is used to account for the affordable housing funds of the former Scotts Valley Redevelopment Agency.

The General Facilities Fund is used to account for the impact fees imposed on new development to mitigate impacts on the City's general facilities (i.e. City Hall, Corporate Yard, etc.).

The Traffic Mitigation Fund is used to account for the impact fees imposed on new development to mitigate impacts on the City's streets.

The General Capital Improvements Fund is used to account for the City's major capital projects.

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 Revenue, Expenditures and Changes in Fund Balance present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenue is recorded when received in cash, except that revenue subject to accrual (generally 90 days after fiscal year-end) is recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Funds Financial Statements

Proprietary Funds Financial Statements include: a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing an internal service fund is also presented in these statements. However, internal service balances and activities have been combined with the governmental and business-type activities in the Government-wide financial statements.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds are accounted for using the *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenue, Expenses and Changes in Net Position present increases (revenue) 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 of which the liability is incurred.

Operating revenue in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Funds Financial Statements

Fiduciary Funds Financial Statements include a Statement of Net Position. The City's fiduciary funds represent agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on the accrual basis of accounting.

Additionally, the City reports the following funds:

The City maintains one private purpose trust fund to account for activities of the Successor Agency to the former Redevelopment Agency.

Three agency funds account for: 1) receipt of special taxes and assessments used to pay municipal and interest on two assessment district bonds with no direct City liability, and 2) receipt and disbursement of monies held in general trust.

Reconciliation of the Funds financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach of the GASB Statement No. 34 reporting model.

C. Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for nonparticipating certificates of deposit and investment contracts that would be reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates.

Changes in fair market value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair market value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools idle cash from all funds in order to increase income earned through its investment program. Investment income from pooled investments is allocated to funds on a quarterly basis based on the cash balance in each fund.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Proprietary Funds' "deposits" in the City-wide cash management pool are, in substance, demand deposits and are considered cash equivalents for purposes of the statement of cash flows.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Included in capital assets are land, buildings, improvements, equipment, and infrastructure. City policy has set the capitalization threshold for reporting capital assets at \$10,000. Donated assets are recorded at estimated fair value at the date of donation.

The City depreciates capital assets over their estimated useful lives. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of the capital asset. Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

Equipment – 5 to 10 years
Furniture and Fixtures – 5 to 10 years
Software – 5 to 7 years
Buildings and Improvements – 40 years
Infrastructure – 20 to 75 years

Major capital outlay for capital assets and improvements are capitalized when projects are constructed and completed.

Capital assets may be acquired using federal and state grants and contributions or grants from other governments and accounted for as revenue at the time they are contributed.

F. Unbilled Receivables

The City bills wastewater service fees every two months. Whenever the fiscal year ending date does not coincide with a billing month, the City accrues unbilled wastewater service fees.

G. Encumbrances

Encumbrance accounting is employed by the City in all of its governmental funds. In doing so, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation.

H. Compensated Absences

A long-term liability of accumulated vacation and sick leave has been recorded in the Government-wide Financial Statements. In the Fund Financial Statements, this liability is only recorded in the Enterprise Funds.

I. Pension Plan

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

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Pension Plan (concluded)

The following timeframes are used for pension reporting:

<u>CalPERS</u>	
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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 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.

J. Other Postemployment Benefits ("OPEB")

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, of the City's OPEB Plan ("OPEB Plan") have been determined on the same basis as they are reported by the Plan (Note 7). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

The following timeframes are used for OPEB reporting:

For the Year Ended	June 30, 2018
Valuation Date	July 1, 2018 *
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

* update procedures were used to roll back the Total OPEB Liability from the valuation date (June 30, 2018) to Measurement Date (June 30, 2017)

K. Employee Leave Benefits

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

A liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

A proprietary fund liability is accrued for all leave benefits relating to the operations of the Proprietary funds. A current liability is accrued in the governmental funds for material leave benefits

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Employee Leave Benefits (concluded)

due on demand to governmental fund employees that have terminated prior to fiscal year end. All other amounts are recorded in the government-wide financial statements. These non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

The City's employees earn vacation leave (vary depending on years of service) based on days employed. Upon retirement or termination, payment of accumulated vacation may not exceed that which can be accumulated within stated limits. Unused sick leave, based on days employed, may be accumulated up to certain limits. Upon retirement or termination, employees will be paid within the maximum hours of sick pay allowed.

L. Property Tax Levy, Collection, and Maximum Rates

The State of California Constitution Article XIII A (Proposition 13) provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100 percent of fair value as defined by Article XIII A and may be increased by no more than two percent per year, cumulatively, unless the property is sold, improved, or transferred. The State Legislature determines the method of distribution of receipts from a one-percent tax levy among the counties, cities, school districts, and other districts.

Santa Cruz County assesses properties, and bills for and collects property taxes as follows:

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

Property taxes are recognized in the fiscal year for which taxes have been levied and collected within sixty days of the fiscal year end. Beginning in fiscal year 1993-94 under the Alternative Method of Tax Assessment and Collections (Teeter Plan), Santa Cruz County began providing the City 100% of the property tax whether or not the property owners actually paid their tax bills.

M. Transactions between Funds

In the Fund Financial Statements, the City records numerous transactions between funds, including expenditures and transfers of resources, to provide services and to construct assets. All interfund transactions, except loans or advances, interfund services provided and used, and reimbursements, are treated as transfers. Interfund services provided and used include internal service fund charges for services to City departments. In those interfund transactions where one fund pays expenditures or expenses of another fund, a transfer of funds is treated as a credit against the fund that originally paid for the expenditure or expense, and is charged to expenditures or expenses in the appropriate fund.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Governmental Fund Balances

The City has adopted GASB Statement 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the City Council may assign amounts for specific purposes by majority vote at a duly noticed Council meeting.

Unassigned – all amounts not included in other spendable classifications. The General Fund is the only fund that reports a positive unassigned fund balance amount. If expenditures exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When an expenditure is incurred for which both restricted and unrestricted (committed, assigned, or unassigned) are available, it is the City's policy to consider restricted amounts first, then unrestricted resources. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance appropriations could be used, it is the City's Policy that committed amounts would be used first, followed by assigned, and then unassigned fund balance classifications.

O. Net Position

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets (including reported intangible assets) net of accumulated depreciation/amortization and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets (net of unspent debt proceed) and related deferred outflows and inflows of resources.
- *Restricted* – This component of net position consists of restricted assets plus deferred outflows of resources, and reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted* – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. DESCRIPTION OF FUNDS AND SIGNIFICANT ACCOUNTING POLICIES (concluded)

P. Budgets and Budgetary Accounting Process

- a. The City Manager submits a proposed budget to the City Council
- b. Public meetings are conducted to obtain feedback
- c. The City Council considers and adopts the operating and capital improvement budgets

Once the budgets are adopted, legal budgetary control is established by requiring the following transactions be approved by the City Council:

- a. Transfers between funds
- b. Any budget amendment that would increase a fund's total appropriations
- c. Any budget amendment that would increase a fund's total appropriation of operating expenditures

Management may approve transfers of all other line-item appropriations within a fund without the approval of the City Council.

Supplemental budgetary appropriations were required during the fiscal year.

Unencumbered appropriations lapse at fiscal year end. Encumbered appropriations at fiscal year-end may be reappropriated in the following fiscal year.

Formal budgetary control is integrated into the City's general ledger as a management control device during the fiscal year.

All of the City's governmental type funds have legally adopted budgets, prepared on a basis consistent with the accounting for these funds.

Q. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles 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 expenses. Actual results could differ from these estimates and assumptions.

2. CASH AND INVESTMENTS

The City follows the practice of pooling cash and investments of all funds except for restricted funds required to be held by outside custodians, fiscal agents or trustees under the provisions of bond indentures. Cash and investments are summarized below as of June 30, 2018.

Pooled Deposits	\$ 1,404,879
Pooled Investments:	
California Local Agency Investment Fund (LAIF)	9,539,215
Money Market	2,844,308
Subtotal	<u>13,788,402</u>
Investments with Fiscal Agents and Trustees	460,928
Total cash and investments	<u>\$ 14,249,330</u>

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

2. CASH AND INVESTMENTS (continued)

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

	<u>Government-Wide Financial Statement</u>		<u>Fiduciary Funds</u>	<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
Cash and investments	\$ 9,493,996	\$ 2,171,536	\$ 2,122,870	\$ 13,788,402
Cash and investments with fiscal agents	100,487	-	360,441	\$ 460,928
Total	<u>\$ 9,594,483</u>	<u>\$ 2,171,536</u>	<u>\$ 2,483,311</u>	<u>\$ 14,249,330</u>

Pooled Deposits

At June 30, 2018, the difference between the carrying amount of the City's book balance of \$1,402,959 and the corresponding bank balance of \$1,395,856 was due to outstanding checks and deposits in transit. Of the bank balance, \$250,000 was insured by federal depository insurance and \$1,152,959 was collateralized 110% in accordance with the California Government Code with securities held by the pledging financial institution in the City's name.

Investments

Under provisions of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may make deposits into and invest in the following:

Securities of the U.S. Government, or its agencies	Bankers Acceptances
Negotiable Certificates of Deposit	Commercial Paper
Passbook Savings Account Demand Deposits	Corporate Medium Term Notes
Local Agency Investment Fund(State Pool)Demand Deposits	Money Market Funds

At no time during the fiscal year did the City borrow funds through the use of reverse-repurchase agreements. Reverse-repurchase agreement investments are not allowed under the City's investment policy.

Investment in State Investment Pool

The City is a participant in Local Agency Investment Fund ("LAIF") which is regulated by California Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2018 included a portion of pool funds invested in Structured Notes and Asset-Backed Securities. As of June 30, 2018, LAIF had approximately \$88.8 billion in investments.

Structured Notes are 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, the bulk of which are mortgage-backed securities, 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 (such as Collateralized Mortgage Obligations) or credit card receivables.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

2. CASH AND INVESTMENTS (concluded)

As of June 30, 2018, the City had \$9,539,215 invested in LAIF. LAIF determines fair value on its investment 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 investment in LAIF is reported at net asset value. The credit quality rating of LAIF is unrated as of June 30, 2018.

Investment Risks

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from interest rates, the City's investment policy limits investments to a maximum maturity of five years. At June 30, 2018, investment maturities (other than investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements) were as follows:

	Less Than 1 Year	1 Year	1-2 Years	2-3 Years
LAIF	\$ 9,539,215	\$ -	\$ -	\$ -
Money Market	2,844,308	-	-	-
Total	<u>\$ 12,383,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	Rating as of Fiscal Year End					Not Rated
			AAA	AA+	AA	AA-	A	
State investment pool	\$ 9,539,215	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$9,539,215
Money market	2,844,308	A	-	-	2,844,308	-	-	-
Total	<u>\$ 12,383,523</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$2,844,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$9,539,215</u>

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

3. RECEIVABLES

A. Governmental Activities:

Receivables-

Accounts and grant receivables, as reported on the Statement of Net Position, are comprised of the following:

<u>Current Receivables:</u>	
Sales tax	\$ 558,926
Transit occupancy tax	440,738
Utilities user/franchise fee	152,319
Property tax	82,214
Other miscellaneous	281,595
Total Current Receivables	<u>\$ 1,515,792</u>

Advances to Redevelopment Successor Agency

Advances to Redevelopment Successor Agency consist of loans from the City's General Fund (\$3,332,365) and the former Redevelopment Agency Affordable Housing Fund, now the Successor Housing Agency (\$1,709,521). The advance from the General Fund was for start-up expenses, initial formation of the Redevelopment Agency, and improvement projects. The advance from the former Affordable Housing Fund was for the payment to the State for the Educational Revenue Augmentation Fund (ERAF) and Supplemental Educational Revenue Augmentation Fund (SERAF). The advance will be repaid with tax increment revenues allocated to the Successor Agency Private Purpose Trust Fund.

\$5,041,886

Long-term Loans Receivable:

Due from a California Limited Partnership with simple interest at 3%, all due and payable by November 22, 2026. Funds were loaned to facilitate the construction of 46 affordable housing units. This receivable is recorded in the Successor Housing Agency Fund. The loan is secured by a deed of trust on the housing units.

\$1,119,391

Due from eight parties together with contingent interest calculated as an amount equal to 10% of appreciation of the residential properties purchased by the various parties, all due and payable: upon sale or transfer, upon default, upon cash-out refinancing of the superior "first" or "second" loan, or upon the date the "first" note becomes due and payable. Funds were loaned to facilitate the purchase of affordable housing through the Agency's "silent second" loan program. This receivable is recorded in the Successor Housing Agency Fund. The loans are secured by deeds of trust on the respective properties.

355,245

Due from a California Limited Partnership with interest at the "applicable federal rate" as of the date of the Note, all due and payable by September 15, 2054. Funds were loaned under the HOME Investment Partnerships Program to facilitate the construction of residential units that are occupied by and affordable to Very-Low Income Persons for the term of the loan. The loan is administered by the City as set forth by federal regulations dated April 30, 1999 between the City and the State of California, by and through the Department of Housing and Community Development. The loan is secured by a deed of trust on the housing units.

400,000

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

3. RECEIVABLES (concluded)

Due from a California Non-profit Public Benefit Corporation with simple interest at the Local Agency Investment Fund (LAIF) rate, due and payable at maturity. Loan matures and is fully due and payable five years from the date the third unit on the Property is issued a certificate of occupancy or no later than 10 years from the date of the Promissory Note. Funds were loaned to facilitate the construction of three Assisted Units, in accordance with

Agency requirements related to Low and Moderate Income Housing Trust Funds. This receivable is recorded in the Successor Housing Agency Fund. The loan is secured by a deed of trust on the real property.

300,000

Due from a California Limited Liability Company with simple interest at 3.25% per annum, due and payable under a repayment agreement terms. Funds were loaned with the Community Development Block Grant funds. The loan is secured by a deed of trust on commercial property.

550,000

Due from a California Limited Liability Company with simple interest at 3.25% per annum on the outstanding balance with quarterly installments until paid, on or before September 1, 2027 or upon the sale of secured property. The loan was a result of the sale of City property and is secured by a deed of trust.

650,000

Total Long-term Loans Receivable

\$3,374,636

B. Business-type Activities:

Receivables-

Current Receivables:

Sewer service customers	\$ 158,529
Recreation customers	162,676
Other	130,130
Total Current Receivables	<u>\$ 451,335</u>

Advances to Redevelopment Successor Agency:

Advance to Redevelopment Successor Agency is from the City's Wastewater Fund to the former Redevelopment Agency for the purchase of property. The advance will be repaid with tax increment revenues allocated to the Successor Agency Private Purpose Trust Fund.

\$1,600,000

CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

4. CAPITAL ASSETS

Summary of changes in capital assets for governmental and business-type activities for the year ended June 30, 2018 are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 7,011,920	\$ -	\$ -	\$ 7,011,920
Construction in progress	521,063	1,296,390	1,289,840	527,613
Total capital assets not being depreciated	7,532,983	1,296,390	1,289,840	7,539,533
<u>Capital assets being depreciated:</u>				
Buildings and improvements	5,624,585	278,391	-	5,902,976
Machinery and equipment	3,268,061	128,343	56,316	3,340,088
Infrastructure	40,080,196	1,423,198	-	41,503,394
Total capital assets being depreciated	48,972,842	1,829,932	56,316	50,746,458
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	3,096,468	149,904	-	3,246,372
Machinery and equipment	2,634,548	215,983	56,316	2,794,215
Infrastructure	20,357,318	1,022,680	-	21,379,998
Total accumulated depreciation	26,088,334	1,388,567	56,316	27,420,585
Total capital assets being depreciated, net	22,884,508	441,365	-	23,325,873
Governmental activities capital assets, net	\$30,417,491	\$ 1,737,755	\$ 1,289,840	\$30,865,406
Business-type Activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 429,416	\$ 100,000	\$ -	529,416
Construction in progress	-	-	-	-
Total capital assets not being depreciated	429,416	100,000	-	529,416
<u>Capital assets being depreciated:</u>				
Building and improvements	5,287,273	-	-	5,287,273
Machinery and equipment	6,335,585	259,322	-	6,594,907
Infrastructure	23,112,053	-	-	23,112,053
Outfall agreement	178,000	-	-	178,000
Total capital assets being depreciated	34,912,911	259,322	-	35,172,233
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	3,774,170	129,022	-	3,903,192
Machinery and equipment	5,330,850	129,385	-	5,460,235
Infrastructure	13,963,125	527,016	-	14,490,141
Outfall agreement	112,743	2,967	-	115,710
Total accumulated depreciation	23,180,888	788,390	-	23,969,278
Total capital assets being depreciated, net	11,732,023	(529,068)	-	11,202,955
Business-type activities capital assets, net	\$12,161,439	\$ (429,068)	\$ -	\$11,732,371

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. CAPITAL ASSETS (concluded)

Depreciation expense was charged to functions and programs of the City as follows:

Governmental Activities:

General government	\$ 37,693
Public safety	204,502
Planning & building	6,456
Public works	<u>1,139,916</u>
Total depreciation expense – government activities	<u>\$ 1,388,567</u>

Business-Type Activities:

Wastewater	\$ 787,390
Recreation	<u>1,000</u>
Total depreciation expense – business-type activities	<u>\$ 788,390</u>

5. LONG-TERM DEBT AND BOND OBLIGATIONS

The following is a summary of long-term debt and obligation transactions for the fiscal year ended June 30, 2018:

GOVERNMENTAL ACTIVITIES					
	Balance at July 1, 2017	Additions	Reductions	Balance at June 30, 2018	Due Within One Year
Certificates of Participations	\$ 5,450,588	\$ 1,000,000	\$ 260,000	\$ 6,190,588	\$ 280,000
Pension Obligation Bonds	3,010,000	-	335,000	2,675,000	340,000
Installment Note	100,000	-	5,000	95,000	10,000
Accrued Compensated Absences	583,848	438,262	429,554	592,556	355,239
Net OPEB Liability	2,484,502	8,618,088	263,401	10,839,189	165,000
Net Pension Liability	<u>13,453,971</u>	<u>-</u>	<u>190,858</u>	<u>13,263,113</u>	
Total	<u>\$ 25,082,909</u>	<u>\$ 10,056,350</u>	<u>\$ 1,483,813</u>	<u>\$ 33,655,446</u>	<u>\$ 1,150,239</u>

BUSINESS-TYPE ACTIVITIES					
	Balance at July 1, 2017	Additions	Reductions	Balance at June 30, 2018	Due Within One Year
Accrued Compensated Absences	\$ 144,509	\$ 83,305	\$ 103,009	\$ 124,805	\$ 69,051
Net OPEB Liability	719,283	2,545,745	27,348	3,237,680	28,000
Net Pension Liability	<u>3,858,258</u>	<u>-</u>	<u>66,710</u>	<u>3,791,548</u>	
Total	<u>\$ 4,722,050</u>	<u>\$ 2,629,050</u>	<u>\$ 197,067</u>	<u>\$ 7,154,033</u>	<u>\$ 97,051</u>

Debt service payments are generally provided from the following sources:

Certificates of Participation - General revenues recorded in the General Fund.

Pension Obligation Bonds - General revenues recorded in the General Fund.

Note Payable - General revenues recorded in the General Fund.

Accrued Compensated Absences - General revenues recorded in the General Fund and operating revenues recorded in the Proprietary Funds.

Net OPEB Obligation - General revenues recorded in the General Fund and operating revenues recorded in the Proprietary Funds.

Net Pension Liability – General revenues recorded in the General Fund and operating revenues recorded in the Proprietary Funds.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

5. LONG-TERM DEBT AND OBLIGATIONS (continued)

Certificates of Participation:

The City entered into lease and sub-lease agreements with the Scotts Valley Public Financing Authority, a Joint Powers Authority formed by the City of Scotts Valley to lease and lease-back certain public assets. The lease revenues are used as security for the issuance of Certificates of Participation (COP). The annual lease payments are equal to the total debt service payments on the Certificates. The leases have a purchase option for the Scotts Valley Public Financing Authority to acquire the public assets that are subordinated to a bargain purchase option in the City's sub-lease agreement. Since the City's financial activities of the Scotts Valley Public Financing Authority are included in the financial statements, economic substance is emphasized over legal form and the above leasing transactions are reported as City general obligation debts and recorded in the Government-wide Statement of Net Position under Governmental Activities.

The following Certificates of Participation were outstanding at June 30, 2018. Each are described and is followed with a payment schedule:

Original issue - \$4,940,588, 1997-1 Refunding Certificates of Participation
Original issue - \$1,000,000, 2003 Refunding Certificates of Participation
Original issue - \$4,605,000, 2013 Refunding Certificates of Participation

In 1997, the Scotts Valley Public Financing Authority issued \$4,940,588 of refunding COPs. The proceeds were used to refund a portion of the current interest bonds from the 1992 Refunding COP and Public Improvement bonds. The 1992 Refunding COP and PIB was issued to refinance former bonds from 1986 and 1990 which were issued to finance the City's City Hall project, the Scotts Valley Drive Reconstruction – Phase I, and repair the Granite Creek Bridge and sewer after the Loma Prieta Earthquake of 1989. The 1997 COP consisted of \$3,690,000 of current interest certificates ranging from 3.70% to 5.25% per annum, and \$1,250,588 of capital appreciation certificates ranging from 5.60% to 5.70% per annum. The current interest certificates were refunded by the 2006 Refunding COPs. Only the capital appreciation certificates remain outstanding.

Fiscal Year Ending	1997-1 Refunding Certificates of Participation		
	Principal	Interest	Total
2019	\$ -	\$ -	\$ -
2020	145,354	344,646	490,000
2021	136,139	348,861	485,000
2022	181,146	508,854	690,000
2023	155,194	469,806	625,000
2024-2027	632,755	2,362,245	2,995,000
Totals	<u>\$ 1,250,588</u>	<u>\$ 4,034,412</u>	<u>\$ 5,285,000</u>

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

5. LONG-TERM DEBT AND OBLIGATIONS (continued)

In 2003, the Scotts Valley Public Financing Authority issued \$1,000,000 of 2003 Capital Improvement Project Certificates of Participation. The proceeds were used to provide partial funding for the purchase of an existing building to be used as a City community center. The interest rates for this COP range from 4.5% to 4.7% per annum. In 2017, the Department of Finance determined the 2003 COP did not meet the criteria for an enforceable obligation of the Scotts Valley Successor Agency. The debt was transferred to the General Fund as a long-term debt obligation as of July 1, 2017.

2003 Capital Improvement Project Certificates of Participation			
Fiscal Year Ending	Principal	Interest	Total
2019	\$ 135,000	\$ 36,913	\$ 171,913
2020	150,000	30,500	180,500
2021	180,000	23,075	203,075
2022	-	19,025	19,025
2023	40,000	18,125	58,125
2024-2027	380,000	40,443	420,443
Totals	<u>\$ 885,000</u>	<u>\$ 168,081</u>	<u>\$ 1,053,081</u>

In 2013, the Scotts Valley Public Financing Authority issued \$4,605,000 of 2013 Refunding Certificates of Participation. The proceeds were used to refund the remaining 2003 Public Improvements Project (partial refinance of the 1992 COP & PIB) and the 2006 Refunding Certificates of Participation current interest certificates, which also refinance public improvement bonds. The interest rates for this COP range from 2.0% to 5.4%.

2013 Refunding Certificates of Participation			
Fiscal Year Ending	Principal	Interest	Total
2019	\$ 145,000	\$ 206,257	\$ 351,257
2020	-	204,445	204,445
2021	-	204,445	204,445
2022	-	204,445	204,445
2023	-	204,445	204,445
2024-2028	150,000	1,018,738	1,168,738
2029-2033	870,000	883,813	1,753,813
2034-2038	1,110,000	630,473	1,740,473
2039-2043	1,445,000	293,082	1,738,082
2044	335,000	9,045	344,045
Totals	<u>\$ 4,055,000</u>	<u>\$ 3,859,188</u>	<u>\$ 7,914,188</u>

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

5. LONG-TERM DEBT AND OBLIGATIONS (concluded)

Pension Obligation Bonds:

On June 21, 2012, the Scotts Valley City Council issued \$4,460,000 par value bonds. The proceeds of the Bonds were used to refund the City's outstanding "side fund" obligations to the California Public Employees' Retirement System ("PERS") pursuant to a contract between the City and the Board of Administration of PERS. Annual principal payments range from \$180,000 to \$430,000 plus interest from .75% to 4.4% per annum, through 2024.

2012 Pension Obligation Bond			
Fiscal Year Ending	Principal	Interest	Total
2019	\$ 340,000	\$ 100,325	\$ 440,325
2020	355,000	88,757	443,757
2021	365,000	75,245	440,245
2022	380,000	60,345	440,345
2023	395,000	44,648	439,648
2024-2025	840,000	37,195	877,195
Totals	<u>\$ 2,675,000</u>	<u>\$ 406,515</u>	<u>\$ 3,081,515</u>

Installment Note:

In 1997, the City agreed to a \$165,000 installment note payable to the Scotts Valley Water District for the City's share of bonds issued by the Water District for the construction of recycled water pipe lines. The District and the City shared the proceeds of the bond issue in order to save on issuance costs. The proceeds were used for recycled water pipes to City parks. Annual principal amounts vary from \$ -0- to \$15,000 plus interest at 6% per annum, through 2028.

Installment Note			
Fiscal Year Ending	Principal	Interest	Total
2019	\$ 10,000	\$ 5,400	\$ 15,400
2020	10,000	4,800	14,800
2021	5,000	4,350	9,350
2022	5,000	4,050	9,050
2023	10,000	3,600	13,600
2024-2028	55,000	8,850	63,850
Totals	<u>\$ 95,000</u>	<u>\$ 31,050</u>	<u>\$ 126,050</u>

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

6. INTERFUND TRANSACTIONS

Current Interfund Balances: The following is a summary of the current amounts due from and due to other funds at June 30, 2018:

	<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:	General Fund	\$ 1,171		\$ -
Non-Major Funds:		<u>-</u>	Homeland Security	<u>1,171</u>
Totals		<u>\$ 1,171</u>		<u>\$ 1,171</u>

The above transfers resulted from the normal course of the City's operations.

Long-term Interfund Advances: The following is a summary of the advances made that were not expected to be repaid in one year or less:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General	<u>\$ 139,532</u>	General Facilities	<u>\$139,532</u>

The advance from the General Fund to the General Facilities Fund will be repaid with future impact fee revenues. The funds were loaned for the construction of the current City Hall.

Interfund Transfers: In the governmental fund financial statements, total transfers in and out were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 242,848	\$ 483,938
Traffic Mitigation Fund	-	595,562
General Capital Improvements	670,814	-
Gas Tax Fund	-	280,094
Drainage Construction Fund	31,983	-
STP Exchange Fund	37,246	-
Senior Center Fund	10,879	627
Community Center Fund	-	628
Pension Obligation Fund	448,368	-
Recreation Fund	-	30,354
Wastewater Fund	-	50,935
Totals	<u>\$ 1,442,138</u>	<u>\$ 1,442,138</u>

The General Fund transferred out a total of \$483,938 as follows: \$365,824 to the Pension Obligation Fund for its share of the pension obligation debt service, \$75,252 to the General Capital Improvements Fund for its share of ongoing ADA improvements, City website, and network storage project. Transfers to the Non-Major Funds included \$31,983 to the Drainage Construction Fund for capital projects and \$10,879 to the Senior Center for operations.

Enterprise Funds transferred out a total of \$81,289 to the Pension Obligation Fund for its share of the pension obligation debt service.

Non-Major Funds transferred out a total of \$876,911 as follows: \$242,848 from the Gas Tax Fund to the General Fund for street maintenance expenditures. A transfer from the Gas Tax Fund into the STP Exchange Fund for \$37,246 for infrastructure improvements. A transfer from the Traffic Mitigation Fund into the Capital Improvements Fund of \$595,562 for infrastructure improvements. Transfers within Non-Major Funds totaled \$1,255 which consisted of \$627 from the Senior Center and \$628 from the Community Center to the Pension Obligation Fund for their share of the pension obligation debt service.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

7. PENSION PLAN

A. California Public Employees' Retirement System (CalPERS)

Plan Description –The City provides pension benefits to eligible employees through a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50-55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8%	6.25%
Required employer contribution rates	10.069%	6.555%
Safety		
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%
Required employee contribution rates	9.0%	11.50%
Required employer contribution rates	18.428%	12.082%

Contributions – The contribution requirements of the Plan are established and may be amended by CalPERS. California Public Employee's Retirement Law 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 change in the rate. * Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2018, employer pension plan contributions were \$1,324,761.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

7. PENSION PLAN (continued)

B. Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the City reported a net pension liability for its Proportionate Share of the Net Pension Liability of the CalPERS Public Agency Cost-Sharing Plan as follows:

Total pension liability	\$ 61,406,963
Fiduciary net position	\$ 44,352,302
Net pension liability	\$ 17,054,661

The City's net pension liability of its Plan with CalPERS is measured as the proportionate share of the net pension liability. The net pension liability of the Plan as of June 30, 2017 (measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2017 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability as of June 30, 2018 was 0.171970%. For the year ended June 30, 2018, the City recognized pension expense of \$2,550,661.

The City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 91,215
Changes of assumptions	2,579,705	197,258
Net differences between projected and actual earnings on plan investments	573,895	-
Change in employer's proportion	295,184	111,032
Differences between the employer's contributions and the employer's proportionate share of contributions	-	583,072
Pension contributions subsequent to measurement date	1,324,761	-
TOTAL	<u>\$ 4,773,545</u>	<u>\$ 982,577</u>

Recognition of Deferred Outflows and Inflows of Resources in future pension expense as follows:

<u>Fiscal Year Ending June 30</u>	
2019	\$ 527,592
2020	1,432,017
2021	845,132
2022	(338,535)

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

7. PENSION PLAN (continued)

C. Actuarial Assumptions

The total pension liability for this plan's actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)

(1) Depending on age, service and type of employment

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

D. Discount Rate

The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return net of administrative expenses would be 7.5 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year and will continue to check the materiality of the difference in calculation until such time as they change their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

7. PENSION PLAN (concluded)

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each asset class. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges, and manages those asset class allocations within their policy ranges. The following table reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses. The asset allocation has an expected long-term blended rate of return of 7.5 percent.

<u>Asset Class</u>	<u>New Strategic Allocation</u>
Global Equity	51.00%
Global Fixed Income	20.00%
Inflation Sensitive Assets	6.00%
Private Equity	10.00%
Real Assets	12.00%
Other	0.00%
Liquid Assets	1.00%
	<u>100.00%</u>

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

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

	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
Net Pension Liability	\$ 25,566,671	\$ 17,054,661	\$ 10,046,607

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

8. OTHER POSTEMPLOYMENT BENEFITS ("OPEB")

A. General Information about the Plan

Plan Description - The City administers a single-employer defined benefit post-employment healthcare plan (Plan) which provides post-employment benefits to eligible employees in the form of partial reimbursement for post-retirement health insurance premiums. Eligibility requirements include a minimum of ten years employment with the City and minimum retirement ages of 50 years for safety employees and 55 years for non-safety employees. For eligible employees, the City will pay 31.2% to 100% of the retired employee's health insurance premiums, the exact amount determined by years of service, employee group, and age. In addition, there is a cap on what the City will contribute that is indexed to the cost of CalPERS post-retirement medical insurance premiums. The Plan does not issue separate financial statements. The obligation of the City to provide these benefits is determined by agreements with the various employee bargaining groups.

Employees Covered - As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms:

Active employees	55
Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to, but not yet receiving benefits	2
Total	<u>88</u>

B. Actuarial Assumptions

The total OPEB liability, measured as of June 30, 2018, was determined using the following actuarial assumptions:

Actuarial Valuation Date	June 30, 2018				
Contribution Policy	No Pre-funding				
Discount Rate	3.58% at June 30, 2017 (Bond Buyer 20-year index)				
	2.85% at June 30, 2017 (Bond Buyer 20-year index)				
Expected Long-term Rate of Return on investment	N/A				
General Inflation	2.75% per annum				
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study				
Mortality Improvement	Mortality projected fully generation with Scale MP-17 for post-retirement mortality				
Salary increases	Aggregate 3%				
	Merit - CalPERS 1997-2015 Experience Study				
Medical Trend	Non Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4% in 2076 and later years				
	Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4% in 2076 and later years				
Participation at Retirement	City Services	Management	Mid-Management	Police, Police Supervisors, SEIU Non-Medicare	Medicare
	10 to 15	88.8%	76.0%	62.4%	65.6%
	15 to 20	92.0%	89.6%	76.0%	72.0%
	20 +	100.0%	96.0%	89.6%	79.2%
	25 +	100.0%	96.0%	89.6%	79.2%
	30 +	100.0%	96.0%	89.6%	79.2%
Spouse Coverage	Miscellaneous-50%				
	Safety-67%				

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

8. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") (continued)

C. Discount Rate

The discount rate used to measure the total OPEB liability was 3.58% percent. This discount rate is the Bond Buyer 20-Bond GO index.

D. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2017:

Plan's Total OPEB Liability		
Discount Rate - 1% (2.58%)	Current Discount Rate (3.58%)	Discount Rate + 1% (4.58%)
<u>\$ 16,436,996</u>	<u>\$ 14,076,869</u>	<u>\$ 12,188,034</u>

E. Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, for the measurement period ended June 30, 2017:

Plan's Total OPEB Liability		
- 1%	Healthcare Cost Tread Rate	+ 1%
<u>\$ 6,915,785</u>	<u>\$ 9,084,150</u>	<u>\$ 12,069,177</u>

Change in Total OPEB Liability

Changes in Total OPEB Liability:

Balance at June 30, 2017	\$ 14,987,639
Changes Recognized for the Measurement Period:	
Service Cost	648,557
Interest on total OPEB liability	440,907
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	(1,668,685)
Contribution from the employer	-
Net investment income	-
Administrative expenses	-
Benefit payments	(331,549)
Net changes during July 1, 2017 to June 30, 2018	(910,770)
Balance at June 30, 2018	<u>\$ 14,076,869</u>

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

8. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") (concluded)

Contributions

The contribution requirements of plan members and the City is established and may be amended by the City's Management or the City Council. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2018, contributions were made totaling \$347,275.

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

For the year ended June 30, 2018, OPEB expense in the amount of \$832,743 is included in the accompanying statement of activities.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 426,690	\$ -
Changes in assumptions	-	1,411,964
	<u>\$ 426,690</u>	<u>\$ 1,411,964</u>

\$426,690 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30	Amount
2019	\$ (256,721)
2020	(256,721)
2021	(256,721)
2022	(256,721)
2023	(256,721)
Thereafter	(128,359)
Total	<u>\$ (1,411,964)</u>

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

9. CLASSIFICATION OF FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2018, fund balances are designated as follows:

	General Fund	Successor Housing Agency	General Facilities	Traffic Impact Mitigation	General Capital Imprvmts	Non-Major Governmt'l Funds	TOTAL
Restricted:							
Debt Service	\$ 100,487	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,487
Low Mod Housing	-	1,185,859	-	-	-	-	1,185,859
Impact Fees	-	-	-	269,568	-	11	269,579
Public Works	-	-	-	-	429,162	884,075	1,313,237
Public Safety	-	-	-	-	-	550,913	550,913
Parks & Recreation	-	-	-	-	-	1,392,955	1,392,955
Community Dev	-	-	-	-	-	550,557	550,557
Planning	-	-	-	-	-	355,211	355,211
Subtotal	100,487	1,185,859	-	269,568	429,162	3,733,722	5,718,798
Assigned:							
Debt Service	-	-	-	-	-	959,084	959,084
Public Works	-	-	-	-	-	83,807	83,807
Parks & Recreation	-	-	-	-	-	64,299	64,299
Subtotal	-	-	-	-	-	1,107,190	1,107,190
Unassigned	3,962,916	-	(51,334)	-	-	(3,783)	3,907,799
TOTAL	<u>\$4,063,403</u>	<u>\$ 1,185,859</u>	<u>\$(51,334)</u>	<u>\$269,568</u>	<u>\$429,162</u>	<u>\$4,837,129</u>	<u>\$10,733,787</u>

10. DEFICIT FUND BALANCES

At June 30, 2018, the following City funds had deficit fund balances:

Major Fund:	General Facility	<u>(\$51,334)</u>
Non-Major Funds:	Homeland Security	(\$ 295)
	Recycling	(385)
	Senior Center	<u>(3,103)</u>
	Total Non-Major Funds	<u>(\$3,783)</u>

The General Facility fund deficit will be eliminated by future impact fee revenues. The Homeland Security fund deficit will be eliminated by receipt of grant funds billed but not received until the following fiscal year. The Recycling fund deficit will be eliminated by receipt of grant funds received in the following fiscal year.

11. COMMITMENTS AND CONTINGENCIES

Under an agreement with the City of Santa Cruz, the City is obligated to pay 4% of the actual new outfall facilities operation and maintenance costs in order to use the Santa Cruz sewer outfall facility.

The City has construction contract commitments in the amount of \$1,040,432 at June 30, 2018 for the following projects:

Project	Commitment
Green Hills/Glen Canyon STB Improvements	\$1,006,804
Hacienda Storm Drain	\$ 33,628

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

11. COMMITMENTS AND CONTINGENCIES (concluded)

In December of 2003, the City entered into a Memorandum of Understanding (MOU) with the Land Trust of Santa Cruz County, a nonprofit organization. The Land Trust manages approximately 162 acres of open space in accordance with the Glenwood Open Space Management Plan approved by the City Council on June 4, 2004. The City placed \$1,070,000 in an endowment trust fund managed by the Land Trust.

All costs associated with the management of the open space are paid by investment earnings and principal of this endowment. If the Land Trust is unable to provide management services or if the agreement is terminated, any remaining amount in the endowment trust fund will be returned to the City.

12. SUCCESSOR AGENCY TRUST OF FORMER REDEVELOPMENT AGENCY

On June 29, 2011, Assembly Bills 1x 26 (the "Dissolution Act") and 1x 27 (the "Continuation Act") were enacted as part of the FY 2011-12 state budget package. The Dissolution Act required each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for impending dissolution. Assembly Bill 1x 27 provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

The league of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn the Dissolution Act and Assembly Bill 1x 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the California Supreme Court upheld the Dissolution Act and struck down the Continuation Act.

On June 27, 2012, as part of the FY 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each a "Dissolved RDA") was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless is elected not to serve as the Successor Agency. On February 1, 2012, the City adopted a Resolution electing to serve as the Successor Agency to the City of Scotts Valley Redevelopment Agency.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards are to administer the wind down of each dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The City of Scotts Valley Housing Authority elected to serve as the Housing Successor Agency on February 1, 2012. Prior to February 1, 2012, the activities of the Dissolved RDA were reported in the

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

12. SUCCESSOR AGENCY TRUST OF FORMER REDEVELOPMENT AGENCY (continued)

governmental funds statements of the City. After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA are reported in a fiduciary fund in the financial statements of the City.

All other assets, obligations, and activities of the Dissolved RDA have also been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the "DOF") and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTFF") for each successor agency and depositing into the RPTFF for each six-month period the amount of property taxes that would have otherwise been paid to the Dissolved RDA as property tax increment. The deposit in the RPTFF fund is to be used to pay to the successor agency the amounts due on the successor agency's enforceable obligations for the upcoming six-month period.

The successor agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the successor agency from the RPTFF based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months.

The process of making RPTFF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

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

Summary of changes in capital asset for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 5,386,012	\$ -	\$ -	\$ 5,386,012
Total capital assets, not being depreciated	5,386,012	-	-	5,386,012
Capital assets, being depreciated:				
Buildings	2,959,278	-	-	2,959,278
Improvements	4,078,690	-	-	4,078,690
Equipment and furniture	245,037	-	-	245,037
Total capital assets, being depreciated	7,283,005	-	-	7,283,005
Less accumulated depreciation:				
Buildings	443,893	59,186	-	503,079
Improvements	775,159	105,991	-	881,150
Equipment and furniture	166,872	22,334	-	189,206
Total accumulated depreciation	1,385,924	187,511	-	1,573,435
Total capital assets, being depreciated, net	5,897,081	(187,511)	-	5,709,570
Fiduciary Fund capital assets, net	\$ 11,283,093	\$ (187,511)	\$ -	\$ 11,095,582

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

12. SUCCESSOR AGENCY TRUST OF FORMER REDEVELOPMENT AGENCY (concluded)

Summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due within One Year	Due in more than One Year
2003 Refunding COP	\$ 1,000,000	\$ -	\$1,000,000	\$ -	\$ -	\$ -
2009 Lease Revenue Bonds	8,760,000	-	-	8,760,000	-	8,760,000
2017 Tax Allocation Refunding Bonds	13,057,304	-	375,000	12,682,304	530,000	12,152,304
Advances from City	3,332,365	-	-	3,332,365	-	3,332,365
Note Payable-Housing Fund	1,670,766	38,755	-	1,709,521	-	1,709,521
Note Payable-Enterprise Fund	1,600,000	-	-	1,600,000	-	1,600,000
Total	\$ 29,420,435	\$38,755	\$1,375,000	\$ 28,084,190	\$ 530,000	\$27,554,190

Certificates of Participation:

In 2003, the Scotts Valley Public Financing Authority issued \$1,000,000 of 2003 Capital Improvement Project Certificates of Participation. In 2017, the Department of Finance determined the 2003 COP did not meet the criteria for an enforceable obligation of the Scotts Valley Successor Agency. The debt was transferred to the General Fund as a long-term debt obligation as of July 1, 2017.

\$ 0

Lease Revenue Bonds:

On November 19, 2009, the former Redevelopment Agency of the City of Scotts Valley issued \$5,260,000 par value of Series A lease revenue bonds and \$3,500,000 par value of Series B (Taxable) lease revenue bonds for the purchase of property and remodeling of an existing building to be the new Scotts Valley Branch Library. Annual principal payments range from \$0 to \$725,000 plus interest from 5.5% to 7.7% per annum, through 2039.

8,760,000

Tax Allocation Refunding Bonds:

In April 2017, the Scotts Valley Successor Agency issued \$9,150,000 par value of Series A Tax Allocation Refunding Bonds and \$3,805,000 par value of Taxable Series B Tax Allocation Refunding Bonds. The proceeds were used in part to fully refund the 2006 Tax Allocation Refunding Bonds and to fully refund in October of 2019 the 2009 Lease Revenue, Series A and Series B (Taxable) bonds. The annual repayment installments range from \$410,000 to \$715,000, plus interest at 3.125% to 4.0% per annum, through 2036.

12,682,304

Advances from City of Scotts Valley:

Advance from the City's General Fund (\$3,332,365), former Redevelopment Agency Affordable Housing Fund (\$1,709,521), and Wastewater Enterprise Fund (\$1,600,000). The advances will be repaid with tax increment revenues allocated to the Successor Agency Private Trust Fund.

6,641,886

Total Successor Agency Private Purpose Trust Fund Debt

\$28,084,190

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. ASSESSMENT DISTRICT BOND OBLIGATIONS

The City acts as an agent for collection of property taxes and repayment of community facilities improvement bonds issued by the Community Facilities District located within the City. Since the City is not obligated in the event of any manner for these special assessment bonds, the debt is not recorded in these financial statements. The outstanding balance of the bond obligations at year end was as follows:

Community Facilities District, 97-1 Series A	\$ 2,485,000
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14. RISK MANAGEMENT

The City participates in a public entity risk pool that operates as a common risk management and insurance program for nine other local jurisdictions, created pursuant to California law for liability and workers' compensation insurance services. The City pays an annual premium to the pool for its general liability and workers' compensation coverage. Risk of loss is retained for general liability claims by each city per occurrence. The agreement with the pool provides that it will be self-sustaining through member premiums and that excess coverage be carried for general liability claims and for workers' compensation claims in excess per insured event. The amount of unpaid claims was immaterial at fiscal year end.

The City established a Dental Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss for employee dental care. The Dental Insurance Fund finances employee and dependent claims per participant per calendar year entirely through self-insurance. The amount of unpaid claims was immaterial at fiscal year end.

The City continues to carry commercial insurance for all other insured risks of loss. The City paid no settlements in excess of insurance coverage in any of the past three fiscal years.

15. JOINT POWERS AUTHORITY

The City participates in a public entity risk pool under a joint power agreement (JPA): the Monterey Bay Area Self Insurance Authority (MBASIA). The relationship between the City and the JPA is such that the JPA is not a component of the City for financial reporting purposes.

The Monterey Bay Area Self Insurance Authority (MBASIA) provides workers' compensation and liability insurance for its members: various small cities in the Monterey Bay Area. MBASIA is governed by a board of directors composed of representatives from each of the member cities. This board controls the operations of the MBASIA, including selection of management and approval of operating budgets independent of any influence by the member cities beyond their representation on the Board. Each member city pays a premium based on factors determined by the board. Financial statements may be obtained from MBASIA c/o Alliant Insurance Services, 100 Pine Street, 11th Floor, San Francisco, CA 94111.

16. NET POSITION ADJUSTMENT

In 2003, the Scotts Valley Public Financing Authority issued \$1,000,000 of Capital Improvement Project Certificates of Participation. During the initial dissolution of the Redevelopment Agency, the debt was determined to be an enforceable obligation of the new Scotts Valley Successor Agency. In 2017, the Department of Finance, after another examination of the debt obligation, determined the 2003 COP did not meet the criteria for an enforceable obligation of the Scotts Valley Successor Agency. The debt was transferred to the General Fund as a long-term debt obligation as of July 1, 2017.

**CITY OF SCOTTS VALLEY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

17. FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has released the following new pronouncements, which can be read in their entirety at <http://www.gasb.org>.

1. *GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* - The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2018.
2. *GASB Statement No. 81, "Irrevocable Split-Interest Agreements"* – The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2017.
3. *GASB Statement No. 82, "Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73"* – The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions will take effect for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
4. *GASB Statement No. 83, "Certain Asset Retirement Obligations."* - The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2019.
5. *GASB Statement No. 84, "Fiduciary Activities."* – This requirements of the Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2019.
6. *GASB Statement No 85, "Omnibus 2017."* – The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2018.
7. *GASB Statement No. 86, "Certain Debt Extinguishment Issues."* – The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2018.
8. *GASB Statement No. 87, "Leases"* – The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2020.

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**REQUIRED
SUPPLEMENTARY
INFORMATION
(Unaudited)**

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**CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

1. BUDGETARY INFORMATION

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The annual budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The annual budget operates from July 1 to June 30, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees, and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City follows the procedures below in establishing the budgetary data reflected in the basic financial statements:

- The City Manager submits a proposed budget to the City Council which includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain citizen comments.
- The City Council legally adopts the operating and capital improvement budgets through passage of a resolution.

Once the budget is adopted, legal budgetary control is established by requiring the following transactions to be approved by the City Council:

- Transfers between funds.
- Any budget amendment that would increase a fund's total appropriations.
- Any budget amendment that would increase a fund's total appropriation of operating expenditures.

Management may approve transfers of all other line item appropriations within a fund without the approval of the City Council.

Unencumbered appropriations lapse at fiscal year end. Encumbered appropriations at fiscal year end are reappropriated in the following fiscal year.

Formal budgetary control is integrated into the City's general ledger as a management control device during the fiscal year.

On the following pages are the budget comparison schedules for the General Fund and each major fund that has a legally adopted annual budget. These schedules are presented with the budgetary basis amounts and reconciled to the Accounting Principles Generally Accepted in the United States of America (USGAAP) basis at the end. The basis adjustments are for the following:

- General Fund - compensated absences are budgeted on the cash basis whereas USGAAP uses the accrual basis.
- Successor Housing Agency – this Fund makes loans for individuals to purchase low and moderate income housing. Budgetary amounts include principal repayments as income and new loans as expenditures whereas USGAAP treats these as reductions and increases in notes receivable.
- General Facilities – no basis adjustments required.
- Traffic Impact Mitigation – no basis adjustments required.

CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes and assessments	\$ 8,333,700	\$ 8,683,700	\$ 8,504,198	\$ (179,502)
Franchise fees	982,000	982,000	986,783	4,783
Charges for services	1,104,850	1,104,850	754,162	(350,688)
Fines & forfeitures	37,650	37,650	35,013	(2,637)
Intergovernmental revenues	9,500	9,500	73,124	63,624
Interest income	11,100	11,100	35,011	23,911
Other revenue	365,500	365,500	474,194	108,694
Total revenues	<u>10,844,300</u>	<u>11,194,300</u>	<u>10,862,485</u>	<u>(331,815)</u>
EXPENDITURES:				
Legislative	251,686	251,686	232,458	19,228
Legal	184,000	184,000	179,413	4,587
General government	952,471	977,771	1,045,990	(68,219)
Administration	404,874	404,874	407,155	(2,281)
Finance	691,170	716,170	548,652	167,518
Human resources	91,800	91,800	44,994	46,806
Information technology	119,190	119,190	94,128	25,062
Risk management	118,100	118,100	123,173	(5,073)
Police	4,952,123	5,087,823	4,992,793	95,030
Animal control	120,000	120,000	116,880	3,120
Emergency services	93,041	102,241	95,337	6,904
Planning	528,490	528,490	541,915	(13,425)
Building	756,475	756,475	478,011	278,464
Engineering	672,113	672,113	659,039	13,074
Street maintenance	410,923	410,923	483,884	(72,961)
Vehicle maintenance	154,477	154,477	142,860	11,617
Park maintenance	358,288	358,288	340,144	18,144
Building maintenance	257,526	257,526	262,406	(4,880)
Total expenditures	<u>11,116,747</u>	<u>11,311,947</u>	<u>10,789,232</u>	<u>522,715</u>
REVENUE OVER (UNDER)				
EXPENDITURES	<u>(272,447)</u>	<u>(117,647)</u>	<u>73,253</u>	<u>190,900</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	260,000	260,000	242,848	17,152
Transfers out	<u>(660,715)</u>	<u>(660,715)</u>	<u>(483,938)</u>	<u>(176,777)</u>
Total other financing sources (uses)	<u>(400,715)</u>	<u>(400,715)</u>	<u>(241,090)</u>	<u>(159,625)</u>
CHANGE IN FUND BALANCE	(673,162)	(518,362)	(167,837)	31,275
FUND BALANCE:				
Beginning of year	<u>4,231,240</u>	<u>4,231,240</u>	<u>4,231,240</u>	<u>4,231,240</u>
End of year	<u>\$ 3,558,078</u>	<u>\$ 3,712,878</u>	<u>\$ 4,063,403</u>	<u>\$ 4,262,515</u>

CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
SUCCESSOR HOUSING AGENCY
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Fees and services	\$ -	\$ -	\$ 36,985	\$ 36,985
Facility/building rental	32,760	32,760	32,760	-
Interest income	6,100	6,100	5,303	(797)
Miscellaneous revenues	-	-	10,801	10,801
Total revenues	38,860	38,860	85,849	46,989
EXPENDITURES:				
Planning	284,520	284,520	29,078	255,442
Total expenditures	284,520	284,520	29,078	255,442
REVENUE OVER (UNDER)				
EXPENDITURES	(245,660)	(245,660)	56,771	302,431
CHANGE IN FUND BALANCE	(245,660)	(245,660)	56,771	302,431
FUND BALANCE:				
Beginning of year	1,129,088	1,129,088	1,129,088	1,129,088
End of year	<u>\$ 883,428</u>	<u>\$ 883,428</u>	<u>\$ 1,185,859</u>	<u>\$ 1,431,519</u>

CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
GENERAL FACILITIES FUND
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Fees and services	\$ 25,200	\$ 25,200	\$ 27,265	\$ 2,065
Interest income	250	250	816	(566)
Total revenues	<u>25,450</u>	<u>25,450</u>	<u>28,081</u>	<u>1,499</u>
EXPENDITURES:				
General government	80	80	116	(36)
Total expenditures	<u>80</u>	<u>80</u>	<u>116</u>	<u>(36)</u>
REVENUE OVER (UNDER)				
EXPENDITURES	<u>25,370</u>	<u>25,370</u>	<u>27,965</u>	<u>1,535</u>
CHANGE IN FUND BALANCE	25,370	25,370	27,965	1,535
FUND BALANCE:				
Beginning of year	(79,299)	(79,299)	(79,299)	(79,299)
End of year	<u>\$ (53,929)</u>	<u>\$ (53,929)</u>	<u>\$ (51,334)</u>	<u>\$ (77,764)</u>

CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
TRAFFIC IMPACT FUND
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Fees and services	\$ 170,000	\$ 170,000	\$ 55,896	\$ (114,104)
Investment earnings	4,600	4,600	8,570	3,970
Miscellaneous revenue	-	-	492	(492)
Total revenues	<u>174,600</u>	<u>174,600</u>	<u>64,958</u>	<u>(110,626)</u>
EXPENDITURES:				
Public works	<u>9,500</u>	<u>9,500</u>	<u>31,911</u>	<u>(22,411)</u>
Total expenditures	<u>9,500</u>	<u>9,500</u>	<u>31,911</u>	<u>(22,411)</u>
REVENUE OVER (UNDER) EXPENDITURES	165,100	165,100	33,047	(133,037)
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>-</u>	<u>-</u>	<u>(595,562)</u>	<u>(595,562)</u>
CHANGE IN FUND BALANCE	165,100	165,100	(562,515)	(728,599)
FUND BALANCE:				
Beginning of year	<u>832,083</u>	<u>832,083</u>	<u>832,083</u>	<u>832,083</u>
End of year	<u>\$ 997,183</u>	<u>\$ 997,183</u>	<u>\$ 269,568</u>	<u>\$ 103,484</u>

CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
GENERAL CAPITAL IMPROVEMENTS FUND
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Intergovernmental revenues	\$ -	\$ 348,000	\$ 462,247	\$ 114,247
Fees and services	-	-	184,949	(184,949)
Investment earnings	1,000	1,000	2,527	1,527
Miscellaneous revenue		161,000	155,817	5,183
Total revenues	<u>1,000</u>	<u>510,000</u>	<u>805,540</u>	<u>(63,992)</u>
EXPENDITURES:				
Public works	-	-	14,497	(14,497)
Capital outlay	<u>1,480,833</u>	<u>1,480,833</u>	<u>1,283,635</u>	<u>197,198</u>
Total expenditures	<u>1,480,833</u>	<u>1,480,833</u>	<u>1,298,132</u>	<u>182,701</u>
REVENUE OVER (UNDER) EXPENDITURES	(1,479,833)	(970,833)	(492,592)	(246,693)
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>-</u>	<u>-</u>	<u>670,814</u>	<u>670,814</u>
CHANGE IN FUND BALANCE	(1,479,833)	(970,833)	178,222	424,121
FUND BALANCE:				
Beginning of year	<u>250,940</u>	<u>250,940</u>	<u>250,940</u>	<u>250,940</u>
End of year	<u>\$ (1,228,893)</u>	<u>\$ (719,893)</u>	<u>\$ 429,162</u>	<u>\$ 675,061</u>

**CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

2. COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

Defined Benefit Pension Plan Information

The proportion (percentage) of the collective net pension liability represents the City's share of both cost-sharing plan assets (the miscellaneous and safety plans) offset against the actuarial determined collective pension liability.

The proportionate share (dollar amount) of the collective net pension liability represents the City's share of both cost-sharing plan assets offset against the actuarial determined collective pension liability.

The employer's covered payroll represents the payroll of employees that are provided with pensions through the applicable miscellaneous or safety pension plan.

Schedule of Contributions

The employer's contributions to the plans are actuarially determined or based on statutory or contractual requirements which comprise the following: 1) the agent employer's actuarially determined contribution to the pension plan (its statutorily/contractually required contribution), 2) the employer's actual contributions, the difference between the actual and actuarially determined contributions (its statutorily/contractually required contributions), and 3) a ratio of the actual contributions divided by covered-employee payroll.

Defined Benefit Pension Plan Schedule as of June 30, For The Last Ten Years (1)

	FISCAL YEAR END			
	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<u>City's Proportionate Share of Net Pension Liability</u>				
City's proportion of net pension liability	0.17197%	0.17091%	0.16839%	0.14606%
City's proportionate share of net pension liability	\$ 17,054,661	\$ 14,789,275	\$ 11,558,421	\$ 9,088,772
City's covered payroll	\$ 4,620,961	\$ 4,506,698	\$ 4,527,362	\$ 4,236,936
City's proportionate share of net pension liability as a percentage of its covered payroll	369.07%	328.16%	255.30%	214.51%
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	79.82%
<u>Schedule of City's Contributions</u>				
Contractually required contribution	\$ 1,324,761	\$ 1,213,139	\$ 1,091,041	\$ 840,335
Contributions in relation to the contractually required contribution	(1,324,761)	(1,213,139)	(1,091,041)	(840,335)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 4,719,986	\$ 4,620,961	\$ 4,527,362	\$ 4,236,936
Contributions as a percentage of covered payroll	28.07%	26.25%	24.10%	19.83%

(1) Historical information is available only for measurement for which the pension standards were applicable.

CITY OF SCOTTS VALLEY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

3. SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

	2018
For the Measurement Period:	<u>2016-2017</u> *
Total OPEB Liability:	
Service Cost	\$ 648,557
Interest on the total OPEB liability	440,907
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	(1,668,685)
Contribution from the employer	-
Benefit payments	<u>(331,549)</u>
Net changes in Total OPEB Liability	(910,770)
Beginning of Year	<u>14,987,639</u>
End of Year	<u><u>\$ 14,076,869</u></u>
Plan Fiduciary Net Position:	
Employer contribution	\$ 331,549
Employee contributions	-
Net investment income	-
Benefit payments	(331,549)
Other	<u>-</u>
Net Change in Fiduciary Net Position	-
Beginning of Year	<u>-</u>
End of Year	<u><u>\$ -</u></u>
Net OPEB Liability	\$ 14,076,869
Fiduciary Net Position as a % of Total OPEB Liability	0.00%
Covered Payroll	\$ 4,760,794
Net OPEB Liability as a % of Payroll	295.68%

* Since it is the first year of implementation, there is only one year available for the required 10-year schedule.

SUPPLEMENTAL INFORMATION

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**CITY OF SCOTTS VALLEY
SUPPLEMENTAL INFORMATION
JUNE 30, 2018**

The following three disclosures are being provided as supplemental information to the financial statements.

1. Major Funds Budgetary Comparison Schedules (pages 80 – 81)

GASB 34 requires budgetary comparison schedules be presented as required supplementary information for the General Fund and for major governmental funds that have a legally adopted annual budget. Budgetary comparison schedules for the enterprise funds (listed below) are presented in this section as supplemental information:

	<u>Page</u>
Proprietary Funds:	
Recreation Fund	80
Wastewater Fund	81

These schedules are presented with the budgetary basis amounts and then reconciled to the Accounting Principles Generally Accepted in the United States of America (USGAAP) basis. Budgetary amounts are on the cash basis. The basis adjustments for prepaid expenses and compensated absences convert the amounts to the accrual (USGAAP) basis. The capital outlay adjustment is necessary because these items are capitalized and depreciated over time. Principal payments reduce long-term debt. The City does not budget for depreciation; it is a non-cash expense.

2. Non-major Governmental Funds (pages 84 –99)

All non-major funds are presented in the Fund Financial Statements as a total in one column entitled "Other Governmental Funds." Presented in this section are combining schedules for the following statements:

	<u>Page</u>
Balance Sheet	84 - 86
Statement of Revenues, Expenditures, and Changes in Fund Balances	87 - 89
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual	92 - 99

The schedules show separate totals for the special revenue funds, debt service fund, and capital projects funds as well as a grand total.

**CITY OF SCOTTS VALLEY
SUPPLEMENTAL INFORMATION
ENTERPRISE FUND BUDGETARY SCHEDULE
RECREATION FUND
FOR THE YEAR ENDED JUNE 30, 2018
(unaudited)**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
OPERATING REVENUES:				
Fees and services	\$ 1,022,000	\$ 1,022,000	\$ 1,179,882	\$ 157,882
Total operating revenues	<u>1,022,000</u>	<u>1,022,000</u>	<u>1,179,882</u>	<u>157,882</u>
OPERATING EXPENSES:				
Salaries	543,304	543,304	615,299	(71,995)
Taxes and benefits	323,288	323,288	258,908	64,380
Maintenance and operations	103,300	103,300	98,304	4,996
Advertising	9,000	9,000	8,459	541
Professional and contractual services	136,800	136,800	130,771	6,029
Utilities and communications	12,000	12,000	13,994	(1,994)
Insurance and bonds	9,200	9,200	5,619	3,581
Total operating expenses	<u>1,136,892</u>	<u>1,136,892</u>	<u>1,131,354</u>	<u>5,538</u>
OPERATING INCOME (LOSS)	(114,892)	(114,892)	48,528	152,344
NONOPERATING REVENUES (EXPENSES):				
Interest income	-	-	129	(129)
INCOME (LOSS) BEFORE TRANSFERS	(114,892)	(114,892)	48,657	152,215
CONTRIBUTIONS AND TRANSFERS:				
Transfers in	248,300	248,300	-	248,300
Transfers out	(25,354)	(25,354)	(30,354)	(5,000)
Total contributions and transfers	<u>222,946</u>	<u>222,946</u>	<u>(30,354)</u>	<u>243,300</u>
CHANGE IN NET POSITION (BUDGETARY BASIS)	108,054	108,054	18,303	395,515
BASIS ADJUSTMENTS:				
OPEB obligation	-	-	(712,099)	(712,099)
Pension liability obligation	-	-	165,568	165,568
Depreciation	-	-	(1,000)	(1,000)
Total basis adjustments	-	-	(547,531)	(547,531)
CHANGE IN NET POSITION	108,054	108,054	(529,228)	(152,016)
NET POSITION:				
Beginning of year	(1,244,963)	(1,244,963)	(1,244,963)	(1,244,963)
End of year	<u><u>\$(1,136,909)</u></u>	<u><u>\$(1,136,909)</u></u>	<u><u>\$ (1,774,191)</u></u>	<u><u>\$ (1,396,979)</u></u>

**CITY OF SCOTTS VALLEY
SUPPLEMENTAL INFORMATION
ENTERPRISE FUND BUDGETARY SCHEDULE
WASTEWATER FUND
FOR THE YEAR ENDED JUNE 30, 2018
(unaudited)**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
OPERATING REVENUES:				
Fees and services	\$ 2,040,000	\$ 2,040,000	\$ 2,263,205	\$ 223,205
Total operating revenues	<u>2,040,000</u>	<u>2,040,000</u>	<u>2,263,205</u>	<u>223,205</u>
OPERATING EXPENSES:				
Salaries	573,112	573,112	496,609	76,503
Taxes and benefits	499,108	499,108	432,973	66,135
Maintenance and operations	649,962	649,962	650,042	(80)
Professional and contractual services	87,000	87,000	78,107	8,893
Utilities and communications	323,000	323,000	406,051	(83,051)
Insurance and bonds	48,900	48,900	151,562	(102,662)
Capital outlay	429,455	429,455	363,564	65,891
Total operating expenses	<u>2,610,537</u>	<u>2,610,537</u>	<u>2,578,908</u>	<u>31,629</u>
OPERATING INCOME (LOSS)	<u>(570,537)</u>	<u>(570,537)</u>	<u>(315,703)</u>	<u>254,834</u>
NONOPERATING REVENUES (EXPENSES):				
Interest Income	<u>9,350</u>	<u>9,350</u>	<u>17,988</u>	<u>8,638</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(561,187)</u>	<u>(561,187)</u>	<u>(297,715)</u>	<u>263,472</u>
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions-connection fees	462,000	462,000	318,981	(143,019)
Transfers in	-	-	221,227	221,227
Transfers out	<u>(47,579)</u>	<u>(47,579)</u>	<u>(272,161)</u>	<u>(224,582)</u>
Total contributions and transfers	<u>414,421</u>	<u>414,421</u>	<u>268,047</u>	<u>(146,374)</u>
CHANGE IN NET POSITION (BUDGETARY BASIS)	<u>(146,766)</u>	<u>(146,766)</u>	<u>(29,668)</u>	<u>117,098</u>
BASIS ADJUSTMENTS:				
OPEB obligation	-	-	(2,032,911)	(2,032,911)
Pension liability obligation	-	-	413,918	413,918
Capital outlay	-	-	359,322	359,322
Depreciation	<u>-</u>	<u>-</u>	<u>(787,390)</u>	<u>(787,390)</u>
Total basis adjustments	<u>-</u>	<u>-</u>	<u>(2,047,061)</u>	<u>(2,047,061)</u>
CHANGE IN NET POSITION	<u>(146,766)</u>	<u>(146,766)</u>	<u>(2,076,729)</u>	<u>(1,929,963)</u>
NET POSITION:				
Beginning of year	<u>13,267,779</u>	<u>13,267,779</u>	<u>13,267,779</u>	<u>13,267,779</u>
End of year	<u>\$ 13,121,013</u>	<u>\$ 13,121,013</u>	<u>\$ 11,191,050</u>	<u>\$ 11,337,816</u>

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NON-MAJOR FUNDS FINANCIAL STATEMENTS

(Unaudited)

CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Page 1 of 6

Special Revenue Funds											Pinewood Estates
											Landscaping Maintenance District
Recycling	Gas Tax	Drainage Construction	Park and Recreation Facilities	Police Facility	Senior Center	Mt. Hermon Traffic Mitigation	Green Building Fees	Tree Replacement			
\$ 2,688	\$ 22,158	\$ 11	\$ 588,043	\$ 250,085	\$ 150	\$ 78,985	\$ 351,258	\$ 25,754	\$	\$	\$ 11,541
ASSETS											
Cash and investments											
Receivables:											
Due from other governments	-	25,779	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Note receivables	-	-	-	-	-	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	-	-	-	-	-
Cash/investments held for others	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 2,688	\$ 47,937	\$ 11	\$ 588,043	\$ 250,085	\$ 150	\$ 78,985	\$ 351,258	\$ 25,754	\$	\$ 11,541
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ 3,073	\$ -	\$ -	\$ -	\$ -	\$ 2,247	\$ -	\$ 1,235	\$ -	\$	\$ 526
Accrued liabilities	-	-	-	-	-	1,006	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	3,073	-	-	-	-	3,253	-	1,235	-	-	526
Fund Balances:											
Restricted	-	47,937	11	588,043	250,085	-	-	350,023	25,754		11,015
Assigned	-	-	-	-	-	-	78,985	-	-	-	-
Unassigned (deficit)	(385)	-	-	-	-	(3,103)	-	-	-	-	-
Total fund balances (deficit)	(385)	47,937	11	588,043	250,085	(3,103)	78,985	350,023	25,754		11,015
Total liabilities and fund balances (deficit)	\$ 2,688	\$ 47,937	\$ 11	\$ 588,043	\$ 250,085	\$ 150	\$ 78,985	\$ 351,258	\$ 25,754	\$	\$ 11,541

(Continued)

CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Page 2 of 6

Special Revenue Funds										
	Skypark Landscape Maintenance District	Library Fees	SMIP Fees	Community Center Operations	Supplemental Law Enforcement Services	Surface Transportation Projects Grant	Police Development Fees	EDG - Revolving Loan Fund	Homeland Security Grant	Disability Compliance Fund
ASSETS										
Cash and investments	\$ 506,209	\$ 290,599	\$ 7,410	\$ 46,705	\$ 96,480	\$ 29,904	\$ 167,016	\$ 557	\$ 876	\$ 4,952
Receivables:										
Due from other governments	-	-	-	-	-	106,000	-	-	-	-
Other	-	-	-	19,713	-	-	-	-	-	-
Note receivables	-	-	-	-	-	-	-	550,000	-	-
Restricted assets	-	-	-	-	-	-	-	-	-	-
Cash/investments held for others	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 506,209	\$ 290,599	\$ 7,410	\$ 66,418	\$ 96,480	\$ 135,904	\$ 167,016	\$ 550,557	\$ 876	\$ 4,952
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 2,911	\$ -	\$ 2,222	\$ 1,807	\$ 1,682	\$ 2,848	\$ -	\$ -	\$ -	\$ 130
Accrued liabilities	-	-	-	312	-	-	-	-	-	-
Deposits	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	1,171	-
Total liabilities	2,911	-	2,222	2,119	1,682	2,848	-	-	1,171	130
Fund Balances:										
Restricted	503,298	290,599	5,188	-	94,798	133,056	167,016	550,557	-	-
Assigned	-	-	-	64,299	-	-	-	-	-	4,822
Unassigned (deficit)	-	-	-	-	-	-	-	-	(295)	-
Total fund balances (deficit)	503,298	290,599	5,188	64,299	94,798	133,056	167,016	550,557	(295)	4,822
Total liabilities and fund balances (deficit)	\$ 506,209	\$ 290,599	\$ 7,410	\$ 66,418	\$ 96,480	\$ 135,904	\$ 167,016	\$ 550,557	\$ 876	\$ 4,952

(Continued)

CITY OF SCOTTS VALLEY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Page 3 of 6

	Special Revenue Funds					Debt Service Funds			Total Non-major Governmental Funds
	Library Facilities Fund	Transporta- tion-Meas D Fund	Police- Budget Act Fund	Lennar Funds	Total Special Revenue Funds	COP Debt Service	Pension Obligation Bonds	Total Debt Service Funds	
ASSETS									
Cash and investments	\$ 369,549	\$ 254,680	\$ 42,560	\$ 725,745	\$3,873,915	\$ 959,084	\$ -	\$ 959,084	\$ 4,832,999
Receivables:									
Due from other governments	-	53,099	-	-	184,878	-	-	-	\$ 184,878
Other	-	-	-	-	19,713	-	-	-	\$ 19,713
Note receivables	-	-	-	-	550,000	-	-	-	\$ 550,000
Restricted assets	-	-	-	-	-	-	-	-	\$ -
Cash/investments held for others	-	-	-	-	-	-	-	-	\$ -
Total assets	\$ 369,549	\$ 307,779	\$ 42,560	\$ 725,745	\$4,628,506	\$ 959,084	\$ -	\$ 959,084	\$ 5,587,590
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 3,546	\$ -	\$ 22,227	\$ -	\$ -	\$ -	\$ 22,227
Accrued liabilities	-	-	-	-	1,318	-	-	-	\$ 1,318
Deposits	-	-	-	725,745	725,745	-	-	-	\$ 725,745
Due to other funds	-	-	-	-	1,171	-	-	-	\$ 1,171
Total liabilities	-	-	3,546	725,745	750,461	-	-	-	\$ 750,461
Fund Balances:									
Restricted	369,549	307,779	39,014	-	3,733,722	-	-	-	\$ 3,733,722
Assigned	-	-	-	-	148,106	959,084	-	959,084	\$ 1,107,190
Unassigned (deficit)	-	-	-	-	(3,783)	-	-	-	\$ (3,783)
Total fund balances (deficit)	369,549	307,779	39,014	-	3,878,045	959,084	-	959,084	\$ 4,837,129
Total liabilities and fund balances (deficit)	\$ 369,549	\$ 307,779	\$ 42,560	\$ 725,745	\$4,628,506	\$ 959,084	\$ -	\$ 959,084	\$ 5,587,590

(Concluded)

**CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

Page 4 of 6

Special Revenue Funds												Pinewood Estates Landscape Maintenance District
	Recycling	Gas Tax	Drainage Construction	Park and Recreation Facilities	Police Facility	Senior Center	Mt. Hermon Traffic Mitigation	Green Building Fees	Tree Replacement			
REVENUES:												
Taxes and assessments	\$ -	\$ 316,798	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	5,000	13,827	-	-	-	-	-	-	-	-	-	-
Fees and services	-	-	17,310	98,723	62,983	49,997	26,791	69,300	850	5,880		
Contributions from non-government	-	-	-	-	-	1,143	-	-	-	-	-	-
Investment earnings	297	1,979	261	5,839	2,622	-	685	3,575	271	102		
Miscellaneous revenues	-	-	-	-	-	7,828	-	-	-	-	-	-
Total revenues	5,297	332,604	17,571	104,562	65,605	58,968	27,476	72,875	1,121	5,982		
EXPENDITURES:												
Current:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Planning and building	-	-	-	-	-	-	-	11,800	38	-	-	-
Public works	46,847	36,105	73,857	828	372	72,232	97	-	-	5,215		
Capital outlay	-	174,317	-	3,696	25,526	-	-	-	-	-	-	-
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	46,847	210,422	73,857	4,524	25,898	72,232	97	11,800	38	5,215		
REVENUES OVER (UNDER)	(41,550)	122,182	(56,286)	100,038	39,707	(13,264)	27,379	61,075	1,083	767		
OTHER FINANCING SOURCES(USES):												
Transfers in	-	-	31,983	-	-	10,879	-	-	-	-	-	-
Transfers out	-	(280,094)	-	-	-	(628)	-	-	-	-	-	-
Total other financing sources (uses):	-	(280,094)	31,983	-	-	10,251	-	-	-	-	-	-
CHANGES IN FUND BALANCES	(41,550)	(157,912)	(24,303)	100,038	39,707	(3,013)	27,379	61,075	1,083	767		
FUND BALANCES:												
Beginning of year	41,165	205,849	24,314	488,005	210,378	(90)	51,606	288,948	24,671	10,248		
End of year	\$ (385)	\$ 47,937	\$ 11	\$ 588,043	\$ 250,085	\$ (3,103)	\$ 78,985	\$ 350,023	\$ 25,754	\$ 11,015		

(Continued)

CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

Page 5 of 6

Special Revenue Funds										
	Skypark Landscape Maintenance District	Library Fees	SMIP Fees	Community Center Operations	Supplemental Law Enforcement Services	Surface Transportation Projects Grant	Police Development Fees	EDG - Revolving Loan Fund	Homeland Security Grant	Disability Compliance Fund
REVENUES:										
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	94,533	106,000	-	-	-	-
Fees and services	42,300	47,539	7,389	88,372	-	-	-	-	-	1,883
Contributions from non-government	-	-	-	-	-	-	-	-	-	-
Investment earnings	5,203	2,874	186	386	1,059	68	1,772	6	9	45
Miscellaneous revenues	-	-	-	-	-	-	-	-	-	-
Total revenues	47,503	50,413	7,575	88,758	95,592	106,068	1,772	6	9	1,928
EXPENDITURES:										
Current:										
Public safety	-	-	-	-	5,317	-	251	-	-	-
Planning and building	-	-	28,105	-	-	-	-	1	-	871
Public works	38,208	407	-	60,730	-	37,256	-	-	-	-
Capital outlay	-	-	-	-	80,821	-	-	-	2	-
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	38,208	407	28,105	60,730	86,138	37,256	251	1	2	871
REVENUES OVER (UNDER)	9,295	50,006	(20,530)	28,028	9,454	68,812	1,521	5	7	1,057
EXPENDITURES										
OTHER FINANCING SOURCES(USES):										
Transfers in	-	-	-	-	-	37,246	-	-	-	-
Transfers out	-	-	-	(628)	-	-	-	-	-	-
Total other financing sources (uses):	-	-	-	(628)	-	37,246	-	-	-	-
CHANGES IN FUND BALANCES	9,295	50,006	(20,530)	27,400	9,454	106,058	1,521	5	7	1,057
FUND BALANCES:										
Beginning of year	494,003	240,593	25,718	36,899	85,344	26,998	165,495	550,552	(302)	3,765
End of year	\$ 503,298	\$ 290,599	\$ 5,188	\$ 64,299	\$ 94,798	\$ 133,056	\$ 167,016	\$ 550,557	\$ (295)	\$ 4,822

(Continued)

**CITY OF SCOTTS VALLEY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

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	Special Revenue Funds					Debt Service Funds			
	Library Facilities Fund	Transport- tion-Meas D Fund	Police- Budget Act Fund	Lennar Fund	Total Special Revenue Funds	COP Debt Service	Pension Obligation Bonds	Total Debt Service Funds	Total Non-major Governmental Funds
REVENUES:									
Taxes and assessments	\$ 200,150	\$ 306,599	\$ -	\$ -	\$ 823,547	\$ -	\$ -	\$ -	\$ 823,547
Intergovernmental revenues	-	-	49,240	-	268,600	-	-	-	268,600
Fees and services	-	-	-	-	519,317	-	-	-	519,317
Contributions from non-government	-	-	-	166,697	167,840	-	-	-	167,840
Investment earnings	2,509	1,371	443	-	31,562	10,177	-	10,177	41,739
Miscellaneous revenues	-	-	-	-	7,828	-	-	-	7,828
Total revenues	202,659	307,970	49,683	166,697	1,818,694	10,177	-	10,177	1,828,871
EXPENDITURES:									
Current:									
Public safety	-	-	10,669	-	16,237	-	-	-	16,237
Planning and building	-	-	-	-	40,815	-	-	-	40,815
Public works	349	191	-	-	372,694	-	-	-	372,694
Capital outlay	3,046	-	-	166,697	454,105	-	-	-	454,105
Debt service:									
Principal	-	-	-	-	-	-	335,000	335,000	335,000
Interest and fiscal charges	-	-	-	-	-	1,444	113,368	114,812	114,812
Total expenditures	3,395	191	10,669	166,697	883,851	1,444	448,368	449,812	1,333,663
REVENUES OVER (UNDER)	199,264	307,779	39,014	-	934,843	8,733	(448,368)	(439,635)	495,208
EXPENDITURES									
OTHER FINANCING SOURCES(USES):									
Transfers in	-	-	-	-	80,108	-	448,368	448,368	528,476
Transfers out	-	-	-	-	(281,350)	-	-	-	(281,350)
Total other financing sources (uses):	-	-	-	-	(201,242)	-	448,368	448,368	247,126
CHANGES IN FUND BALANCES	199,264	307,779	39,014	-	733,601	8,733	-	8,733	742,334
FUND BALANCES:									
Beginning of year	170,285	-	-	-	3,144,444	950,351	-	950,351	4,094,795
End of year	\$ 369,549	\$ 307,779	\$ 39,014	\$ -	\$ 3,878,045	\$ 959,084	\$ -	\$ 959,084	\$ 4,837,129

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**BUDGET TO ACTUAL
NON-MAJOR FUNDS
FINANCIAL STATEMENTS**
(Unaudited)

CITY OF SCOTT'S VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

Page 1 of 8

Special Revenue Funds												
	Recycling			Gas Tax			Drainage Construction			Park and Recreation Facilities		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:												
Taxes and assessments	\$ 61,000	\$ -	\$ (61,000)	\$ 330,600	\$ 316,798	\$ (13,802)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	5,000	5,000	-	-	13,827	13,827	-	-	-	-	-	-
Fees and services	-	-	-	-	-	-	54,500	17,310	(37,190)	249,000	98,723	(150,277)
Contributions from non-government	-	-	-	-	-	-	-	-	-	-	-	-
Investment earnings	60	297	237	2,500	1,979	(521)	105	261	156	1,900	5,839	3,939
Miscellaneous revenues	-	-	-	-	-	-	-	-	-	1,000	-	(1,000)
Total revenues	66,060	5,297	(60,763)	333,100	332,604	(496)	54,605	17,571	(37,034)	251,900	104,562	(147,338)
EXPENDITURES:												
Current:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Planning and building	-	-	-	-	-	-	-	-	-	-	-	-
Public works	60,650	46,847	13,803	-	36,105	(36,105)	130,030	73,857	56,173	-	828	(828)
Capital outlay	-	-	-	131,093	174,317	(43,224)	55,000	-	55,000	85,700	3,696	82,004
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	60,650	46,847	13,803	131,093	210,422	(79,329)	185,030	73,857	111,173	85,700	4,524	81,176
REVENUES OVER (UNDER) EXPENDITURES	5,410	(41,550)	(46,960)	202,007	122,182	(79,825)	(130,425)	(56,286)	74,139	166,200	100,038	(66,162)
OTHER FINANCING SOURCES (USES):												
Transfers in	-	-	-	-	-	-	-	31,983	31,983	-	-	-
Transfers out	-	-	-	(260,000)	(280,094)	(20,094)	-	-	-	-	-	-
Total other financing sources (uses):	-	-	-	(260,000)	(280,094)	(20,094)	-	31,983	31,983	-	-	-
CHANGES IN FUND BALANCES	5,410	(41,550)	(46,960)	(57,993)	(157,912)	(99,919)	(130,425)	(24,303)	106,122	166,200	100,038	(66,162)
FUND BALANCES:												
Beginning of year	41,165	41,165	41,165	205,849	205,849	205,849	24,314	24,314	24,314	488,005	488,005	488,005
End of year	\$ 46,575	\$ (385)	\$ (5,795)	\$ 147,856	\$ 47,937	\$ 105,930	\$ (106,111)	\$ 11	\$ 130,436	\$ 654,205	\$ 588,043	\$ 421,843
												(Continued)

(Continued)

CITY OF SCOTT'S VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

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Special Revenue Funds												
	Police Facility			Senior Center			Mt. Hermon Traffic Mitigation			Green Building Fees		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:												
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-	-	-	-	-	-	-
Fees and services	102,000	62,983	(39,017)	55,300	49,997	(5,303)	-	26,791	26,791	100,500	69,300	(31,200)
Contributions from non-government	-	-	-	2,000	1,143	(857)	-	-	-	-	-	-
Investment earnings	800	2,622	1,822	50	-	(50)	170	685	515	900	3,575	2,675
Miscellaneous revenues	-	-	-	13,500	7,828	(5,672)	-	-	-	-	-	-
Total revenues	102,800	65,605	(37,195)	70,850	58,968	(11,882)	170	27,476	27,306	101,400	72,875	(28,526)
EXPENDITURES:												
Current:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Planning and building	-	-	-	-	-	-	-	-	-	2,250	11,800	(9,550)
Public works	-	372	(372)	105,729	72,232	33,497	70	97	(27)	-	-	-
Capital outlay	26,250	25,526	724	-	-	-	-	-	-	-	-	-
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	26,250	25,898	352	105,729	72,232	33,497	70	97	(27)	2,250	11,800	(9,550)
REVENUES OVER (UNDER)	76,550	39,707	(36,843)	(34,879)	(13,264)	21,615	100	27,379	27,279	99,150	61,075	(38,076)
EXPENDITURES												
OTHER FINANCING SOURCES (USES):												
Transfers in	-	-	-	41,700	10,879	(30,821)	-	-	-	-	-	-
Transfers out	-	-	-	(3,695)	(628)	3,067	-	-	-	-	-	-
Total other financing sources (uses):	-	-	-	38,005	10,251	(27,754)	-	-	-	-	-	-
CHANGES IN FUND BALANCES	76,550	39,707	(36,843)	3,126	(3,013)	(6,139)	100	27,379	27,279	99,150	61,075	(38,076)
FUND BALANCES:												
Beginning of year	210,378	210,378	210,378	(90)	(90)	(90)	51,606	51,606	51,606	288,948	288,948	288,948
End of year	\$ 286,928	\$ 250,085	\$ 173,535	\$ 3,036	\$ (3,103)	\$ (6,229)	\$ 51,706	\$ 78,985	\$ 78,885	\$ 388,098	\$ 350,023	\$ 250,872
												(Continued)

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CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

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Special Revenue Funds												
	SMIP Fees			Community Center Operations			Supplemental Law Enforcement Services			Surface Transportation Projects Grant		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:												
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-	100,000	94,533	(5,467)	711,000	106,000	(605,000)
Fees and services	5,000	7,389	2,389	-	88,372	88,372	-	-	-	-	-	-
Contributions from non-government	-	-	-	-	-	-	-	-	-	-	-	-
Investment earnings	60	186	126	350	386	36	280	1,059	779	-	68	68
Miscellaneous revenues	-	-	-	91,000	-	(91,000)	-	-	-	-	-	-
Total revenues	5,060	7,575	2,515	91,350	88,758	(2,592)	100,280	95,592	(4,688)	711,000	106,068	(604,932)
EXPENDITURES:												
Current:												
Public safety	-	-	-	-	-	-	-	5,317	(5,317)	-	-	-
Planning and building	5,020	28,105	(23,085)	-	-	-	-	-	-	-	-	-
Public works	-	-	-	68,970	60,730	8,240	-	-	-	-	37,256	(37,256)
Capital outlay	-	-	-	-	-	-	-	80,821	(80,821)	855,888	-	855,888
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	5,020	28,105	(23,085)	68,970	60,730	8,240	-	86,138	(86,138)	855,888	37,256	818,632
REVENUES OVER (UNDER) EXPENDITURES	40	(20,530)	(20,570)	22,380	28,028	5,648	100,280	9,454	(90,826)	(144,888)	68,812	213,700
OTHER FINANCING SOURCES (USES):												
Transfers in	-	-	-	-	-	-	-	-	-	-	37,246	37,246
Transfers out	-	-	-	(1,443)	(628)	815	-	-	-	-	-	-
Total other financing sources (uses):	-	-	-	(1,443)	(628)	815	-	-	-	-	37,246	37,246
CHANGES IN FUND BALANCES	40	(20,530)	(20,570)	20,937	27,400	6,463	100,280	9,454	(90,826)	(144,888)	106,058	250,946
FUND BALANCES:												
Beginning of year	25,718	25,718	25,718	36,899	36,899	36,899	85,344	85,344	85,344	26,998	26,998	26,998
End of year	\$ 25,758	\$ 5,188	\$ 5,148	\$ 57,836	\$ 64,299	\$ 43,362	\$ 185,624	\$ 94,798	\$ (5,482)	\$ (117,890)	\$ 133,056	\$ 277,944
												(Continued)

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CITY OF SCOTTS VALLEY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2018

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Special Revenue Funds												
	Police Development Fees			EDG - Revolving Loan Fund			Homeland Security Grant			Disability Compliance Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:												
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-	47,500	-	-	-	-	-
Fees and services	-	-	-	-	-	-	-	-	-	750	1,883	1,133
Contributions from non-government	-	-	-	-	-	-	-	-	-	-	45	45
Investment earnings	900	1,772	872	-	6	6	-	9	9	-	-	-
Miscellaneous revenues	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	900	1,772	872	-	6	6	47,500	9	(47,491)	750	1,928	1,178
EXPENDITURES:												
Current:												
Public safety	-	251	(251)	-	-	-	-	-	-	-	-	-
Planning and building	-	-	-	-	1	(1)	-	-	-	760	871	(111)
Public works	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	100,240	-	100,240	-	-	-	47,500	2	47,498	-	-	-
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	100,240	251	99,989	-	1	(1)	47,500	2	47,498	760	871	(111)
REVENUES OVER (UNDER) EXPENDITURES	(99,340)	1,521	100,861	-	5	5	-	7	7	(10)	1,057	1,067
OTHER FINANCING SOURCES (USES):												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses):	-	-	-	-	-	-	-	-	-	-	-	-
CHANGES IN FUND BALANCES	(99,340)	1,521	100,861	-	5	5	-	7	7	(10)	1,057	1,067
FUND BALANCES:												
Beginning of year	165,495	165,495	165,495	550,552	550,552	550,552	(302)	(302)	(302)	3,765	3,765	3,765
End of year	\$ 66,155	\$ 167,016	\$ 266,356	\$ 550,552	\$ 550,557	\$ 550,557	\$ (302)	\$ (295)	\$ (295)	\$ 3,755	\$ 4,822	\$ 4,832
												(Continued)

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CITY OF SCOTT'S VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

Special Revenue Funds												
	Library Facilities Fund			Transportation-Measure D Fund			Police-Budget Act Fund			Lennar Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:												
Taxes and assessments	\$ 165,000	\$ 200,150	\$ 35,150	\$ 240,000	\$ 306,599	\$ 66,599	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-	-	-	-	49,240	49,240	-	-	-
Fees and services	-	-	-	-	-	-	-	-	-	-	-	-
Contributions from non-government	-	-	-	-	-	-	-	-	-	-	166,697	166,697
Investment earnings	50	2,509	2,459	100	1,371	1,271	-	443	443	-	-	-
Miscellaneous revenues	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	165,050	202,659	37,609	240,100	307,970	67,870	-	49,683	49,683	-	166,697	166,697
EXPENDITURES:												
Current:												
Public safety	-	-	-	-	-	-	-	10,669	(10,669)	-	-	-
Planning and building	-	-	-	-	-	-	-	-	-	-	-	-
Public works	-	349	(349)	-	191	(191)	-	-	-	-	-	-
Capital outlay	292,000	3,046	288,954	100,000	-	100,000	-	-	-	134,800	166,697	(31,897)
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	292,000	3,395	288,605	100,000	191	99,809	-	10,669	(10,669)	134,800	166,697	(31,897)
REVENUES OVER (UNDER)												
EXPENDITURES	(126,950)	199,264	326,214	140,100	307,779	167,679	-	39,014	39,014	(134,800)	-	134,800
OTHER FINANCING SOURCES (USES):												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses):	-	-	-	-	-	-	-	-	-	-	-	-
CHANGES IN FUND BALANCES	(126,950)	199,264	326,214	140,100	307,779	167,679	-	39,014	39,014	(134,800)	-	134,800
FUND BALANCES:												
Beginning of year	170,285	170,285	170,285	-	-	-	-	-	-	-	-	-
End of year	\$ 43,335	\$ 369,549	\$ 496,499	\$ 140,100	\$ 307,779	\$ 167,679	\$ -	\$ 39,014	\$ 39,014	\$ (134,800)	\$ -	\$ 134,800
												(Continued)

(Continued)

CITY OF SCOTTS VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

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	Special Revenue Funds				Debt Service Funds												
	Totals - Special Revenue Funds			Variance Favorable (Unfavorable)	COP Debt Service			Variance Favorable (Unfavorable)	Pension Obligation Bonds			Variance Favorable (Unfavorable)	Totals - Debt Service Funds				
	Budget	Actual			Budget	Actual			Budget	Actual			Budget	Actual			
REVENUES:																	
Taxes and assessments	\$ 391,600	\$ 823,547	\$ 431,947		\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		
Intergovernmental revenues	863,500	268,600	(594,900)		-	-	-		-	-	-		-	-	-		
Fees and services	650,540	519,317	(131,223)		-	-	-		-	-	-		-	-	-		
Contributions from non-government	2,000	167,885	165,885		-	-	-		-	-	-		-	-	-		
Investment earnings	10,865	31,517	20,652		4,100	10,177	6,077		-	-	-		-	-	-	6,077	
Miscellaneous revenues	105,500	7,828	(97,672)		-	-	-		-	-	-		-	-	-		
Total revenues	2,024,005	1,818,694	(205,311)		4,100	10,177	6,077		-	-	-		4,100	10,177	6,077		
EXPENDITURES:																	
Current:																	
Public safety	-	16,237	(16,237)		-	-	-		-	-	-		-	-	-		
Planning and building	18,030	40,815	(22,785)		-	-	-		-	-	-		-	-	-		
Public works	403,961	372,694	31,267		-	-	-		-	-	-		-	-	-		
Capital outlay	1,324,671	454,105	870,566		-	-	-		-	-	-		-	-	-		
Debt service:																	
Principal	-	-	-		-	-	-		-	-	-		-	-	-		
Interest and fiscal charges	-	-	-		1,400	1,444	44		335,000	335,000	-		335,000	335,000	-	374	
Total expenditures	1,746,662	883,851	862,811		1,400	1,444	44		113,786	113,368	418		115,186	114,812	374		
REVENUES OVER (UNDER)																	
EXPENDITURES	277,343	934,843	657,500		2,700	8,733	6,121		(448,786)	(448,368)	418		(446,086)	(439,635)	6,451		
OTHER FINANCING SOURCES (USES):																	
Transfers in	41,700	80,108	38,408		-	-	-		448,368	448,368	-		448,368	448,368	-		
Transfers out	(265,136)	(281,350)	(16,212)		-	-	-		-	-	-		-	-	-		
Total other financing sources (uses):	(223,436)	(201,242)	22,196		-	-	-		448,368	448,368	-		448,368	448,368	-		
CHANGES IN FUND BALANCES																	
	53,905	733,601	679,696		2,700	8,733	6,121		(418)	-	418		2,282	8,733	6,451		
FUND BALANCES:																	
Beginning of year	3,144,444	3,144,444	3,144,444		950,351	950,351	950,351		-	-	-		950,351	950,351	950,351		
End of year	\$3,198,349	\$3,878,045	\$3,824,140		\$ 953,051	\$ 959,084	\$ 956,472		\$ (418)	\$ -	\$ 418		\$ 952,633	\$ 959,084	\$ 956,802		

(Continued)

(Continued)

CITY OF SCOTT'S VALLEY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

Page 8 of 8

	Totals - Non-major Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes and assessments	\$ 391,600	\$ 823,547	\$ 431,947
Intergovernmental revenues	863,500	268,600	(594,900)
Fees and services	650,540	519,317	(131,223)
Contributions from non-government	2,000	167,885	165,885
Investment earnings	14,965	41,694	26,729
Miscellaneous revenues	105,500	7,828	(97,672)
Total revenues	2,028,105	1,828,871	(199,234)
EXPENDITURES:			
Current:			
Public safety	-	16,237	(16,237)
Planning and building	18,030	40,815	(22,785)
Public works	403,961	372,694	31,267
Capital outlay	1,324,671	454,105	870,566
Debt service:			
Principal	-	335,000	(335,000)
Interest and fiscal charges	-	114,812	(114,812)
Total expenditures	1,746,662	1,333,663	412,999
REVENUES OVER (UNDER)	281,443	495,208	213,765
EXPENDITURES			
OTHER FINANCING SOURCES (USES):			
Transfers in	490,068	528,476	38,408
Transfers out	(265,138)	(281,350)	(16,212)
Total other financing sources (uses):	224,930	247,126	22,196
CHANGES IN FUND BALANCES	506,373	742,334	235,961
FUND BALANCES:			
Beginning of year	4,094,795	4,094,795	4,094,795
End of year	\$ 4,601,168	\$ 4,837,129	\$ 4,330,756
			(Concluded)

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STATISTICAL SECTION

(Unaudited)

CITY OF SCOTTS VALLEY

NARRATIVE EXPLANATION OF STATISTICAL SECTION CATEGORIES

Financial Trends

The financial trends section provides information to assist the user in understanding and assessing how the City's financial position has changed over time. Tables 1 and 2 present information from the government-wide statements. Tables 3 and 4 present information from the fund financial statements.

Revenue Capacity Information

The revenue capacity information section provides information to assist the user in understanding and assessing the factors affecting the City's ability to generate its own-source revenues. Table 5 presents the assessed value of the residential, commercial and other property within the City. Table 6 presents the general property tax rate as well as tax rates from various school districts. Table 7 presents the top ten property tax payers. Table 8 presents the amount of property taxes levied and collected.

Debt Capacity Information

The debt capacity information section provides information to assist the user in understanding and assessing the City's debt burden and ability to issue additional debt. Table 9 presents the outstanding balance of all direct and overlapping government debt at fiscal year end. Table 10 presents the City's debt by type as well as total debt as a percentage of personal income and total debt per capita. The personal income is of the County of Santa Cruz because there is no information available for the City of Scotts Valley alone. Table 11 presents the maximum amount of debt the City can legally incur. Table 12 presents the coverage of pledged revenue sources to the total debt they service.

Demographic and Economic Information

The demographic and economic information section provides information to assist the user in 1) understanding the socioeconomic environment within which the City operates, and 2) to provide information that facilitates comparisons of financial statement information over time and among governments. Table 13 presents population and unemployment rate for the City of Scotts Valley as well as the population, personal income, and per capita income for the County of Santa Cruz. Table 14 presents the top ten employers in terms of number of employees.

Operating Information

The operating information section provides contextual information about the City's operations and resources to assist readers in using financial statement information to understand and assess the City's economic condition. Table 15 provides the number of full-time equivalent City employees. For example, two half-time employees would equal one full-time equivalent employee. Table 16 provides operating statistics for various city departments. Table 17 presents capital assets by city function.

**CITY OF SCOTTS VALLEY
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

Table 1

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental Activities:										
Net Investment in										
Capital Assets										
Restricted	\$ 24,579,818	\$ 24,866,903	\$ 25,069,334	\$ 25,777,811	\$ 25,257,926	\$ 26,144,045	\$ 22,507,403	\$ 27,040,188	\$ 21,970,018	\$ 25,492,129
Unrestricted	6,479,194	6,406,654	5,624,316	4,706,893	5,156,689	5,040,899	9,167,537	9,263,744	9,367,619	9,281,113
	(17,334,416)	(10,085,490)	(8,111,236)	(6,941,140)	1,067,845	1,132,287	4,841,149	2,572,631	7,131,967	5,087,217
Total Governmental Activities	\$ 13,724,596	\$ 21,188,067	\$ 22,582,414	\$ 23,543,564	\$ 31,482,460	\$ 32,317,231	\$ 36,516,089	\$ 38,876,563	\$ 38,469,604	\$ 39,860,459
Business-Type Activities:										
Net Investment in										
Capital Assets										
Restricted	\$ 11,732,371	\$ 12,161,439	\$ 12,877,519	\$ 13,535,881	\$ 14,021,485	\$ 14,323,746	\$ 14,717,231	\$ 15,316,734	\$ 15,934,291	\$ 16,699,166
Unrestricted	2,279,246	2,170,321	2,150,421	2,155,781	2,298,653	2,443,372	2,298,653	2,298,653	2,271,452	2,239,903
	(4,594,758)	(2,308,944)	(644,072)	(269,661)	1,835,651	2,469,689	3,260,042	3,653,362	4,142,628	4,377,221
Total Business-Type Activities	\$ 9,416,859	\$ 12,022,816	\$ 14,383,868	\$ 15,422,001	\$ 18,155,789	\$ 19,236,807	\$ 20,275,926	\$ 21,268,749	\$ 22,348,371	\$ 23,316,290
Primary Government:										
Net Investment in										
Capital Assets										
Restricted	\$ 36,312,189	\$ 37,028,342	\$ 37,946,853	\$ 39,313,692	\$ 39,279,411	\$ 40,467,791	\$ 37,224,634	\$ 42,356,922	\$ 42,191,295	\$ 36,041,412
Unrestricted	8,758,440	8,576,975	7,774,737	6,862,674	7,455,342	7,484,271	11,466,190	11,562,397	11,521,016	18,138,855
	(21,929,174)	(12,394,434)	(8,755,308)	(7,210,801)	2,903,496	3,601,976	8,101,191	6,225,993	9,464,438	9,290,344
Total Primary Government	\$ 23,141,455	\$ 33,210,883	\$ 36,966,282	\$ 38,965,565	\$ 49,638,249	\$ 51,554,038	\$ 56,792,015	\$ 60,145,312	\$ 63,176,749	\$ 63,470,611

**CITY OF SCOTTS VALLEY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

Table 2

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Expenses:										
Governmental Activities										
General Government										
Public Safety	\$ 3,171,897	\$ 2,801,847	\$ 1,905,906	\$ 1,841,382	\$ 1,942,629	\$ 1,813,920	\$ 5,563,325	\$ 1,616,506	\$ 1,810,197	\$ 1,696,526
Planning & Building	10,725,905	6,609,761	5,332,955	4,614,596	4,432,039	4,590,667	4,855,212	4,545,261	4,478,827	4,341,735
Public Works	1,352,185	1,690,507	1,223,947	927,748	804,651	3,157,314	1,185,758	1,177,840	1,324,567	1,567,761
Redevelopment	4,270,705	4,104,603	3,352,397	3,025,535	2,951,185	2,924,033	2,961,167	2,964,358	2,893,508	3,073,540
Interest on Long-Term Debt and Fiscal Agent Charges	-	-	-	-	-	-	-	3,036,341	4,262,521	3,015,135
	541,426	575,795	508,274	515,679	712,066	627,398	967,148	1,327,314	1,089,220	769,873
Total Governmental Activities Expense	20,062,118	15,782,513	12,323,479	10,924,940	10,842,570	13,113,332	15,532,610	14,667,620	15,858,840	14,464,570
Business-Type Activities										
Wastewater	4,625,969	4,209,282	2,987,794	2,721,258	2,812,627	2,765,435	3,291,469	2,767,101	2,699,018	2,667,765
Recreation Programs	1,678,885	1,321,072	1,125,041	1,002,901	988,782	930,671	1,410,728	1,082,101	1,014,510	1,058,100
	6,304,854	5,530,354	4,112,835	3,724,159	3,801,409	3,696,106	4,702,197	3,849,202	3,713,528	3,725,865
Total Business-Type Activities Expense	6,304,854	5,530,354	4,112,835	3,724,159	3,801,409	3,696,106	4,702,197	3,849,202	3,713,528	3,725,865
Total Primary Government Expense	\$ 26,366,972	\$ 21,312,867	\$ 16,436,314	\$ 14,649,099	\$ 14,643,979	\$ 16,809,438	\$ 20,234,807	\$ 18,516,822	\$ 19,572,368	\$ 18,190,435
Program Revenues:										
Governmental Activities										
Charges for Services										
Planning and Building fees	\$ 808,419	\$ 1,352,630	\$ 481,578	\$ 684,540	\$ 461,104	\$ 405,476	\$ 366,747	\$ 263,223	\$ 404,389	\$ 241,972
Police fees	33,428	33,023	39,246	35,756	24,781	27,800	46,587	44,752	42,941	41,880
Senior Center / Community Ctr	147,726	187,678	176,620	154,877	131,248	126,627	126,143	113,109	95,281	86,674
Public Works fees	282,600	413,312	286,999	120,999	89,839	137,427	99,328	66,082	68,962	83,842
Redevelopment	-	-	-	-	-	-	-	20,759	44,767	-
Other activities	9,047	314,261	163,755	109,741	185,953	203,234	240,540	42,810	54,805	15,843
Operating Grants and Contributions	555,122	362,647	502,181	595,858	612,003	498,658	670,329	551,923	570,137	785,195
Capital Grants and Contributions	1,430,535	471,761	189,924	1,153,630	646,290	439,962	344,033	2,644,693	1,585,890	529,291
Total Gov'tal Activities Program Revenue	3,266,877	3,135,312	1,840,303	2,855,401	2,151,218	1,839,184	1,893,707	3,747,351	2,867,172	1,784,697
Business-Type Activities										
Charges for Services										
Wastewater fees	2,263,205	1,988,203	1,968,900	1,868,388	1,789,141	1,606,806	1,636,584	1,658,676	1,649,206	1,786,907
Recreational program fees	1,179,882	1,010,276	981,434	962,819	832,749	737,035	810,703	853,043	811,764	888,210
Operating Grants and Contributions	-	-	86,720	-	-	-	-	-	-	-
Capital Grants and Contributions	318,981	58,280	28,989	78,371	59,964	171,084	137,245	20,326	18,204	56,526
Total Business-Type Activities Program Revenues	3,762,068	3,056,759	3,066,043	2,909,578	2,681,854	2,514,925	2,584,532	2,532,045	2,479,174	2,731,643
Total Primary Gov't Program Revenues	\$ 7,028,945	\$ 6,192,071	\$ 4,906,346	\$ 5,764,979	\$ 4,833,072	\$ 4,354,109	\$ 4,478,239	\$ 6,279,396	\$ 5,346,346	\$ 4,516,340

CITY OF SCOTTS VALLEY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

Table 2 (concluded)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net (Expense) Revenue										
Governmental Activities	\$ (16,795,241)	\$ (12,647,201)	\$ (10,483,176)	\$ (8,069,539)	\$ (8,691,352)	\$ (11,274,148)	\$ (13,638,903)	\$ (10,920,269)	\$ (12,991,668)	\$ (12,679,873)
Business-Type Activities	(2,542,786)	(2,473,595)	(1,046,792)	(814,581)	(1,119,555)	(1,181,181)	(2,117,665)	(1,317,157)	(1,234,354)	(994,222)
Total Primary Government Net Expense	\$ (19,338,027)	\$ (15,120,796)	\$ (11,529,968)	\$ (8,884,120)	\$ (9,810,907)	\$ (12,455,329)	\$ (15,756,568)	\$ (12,237,426)	\$ (14,226,022)	\$ (13,674,095)
General Revenues and Other Changes in Net Position										
General Activities										
Taxes										
Sales tax	\$ 3,346,995	\$ 3,289,289	\$ 3,534,523	\$ 3,156,258	\$ 2,234,797	\$ 1,976,580	\$ 1,887,496	\$ 2,108,247	\$ 2,105,107	\$ 2,987,902
Property tax	1,761,638	1,757,571	1,313,578	1,821,109	1,738,055	1,855,084	2,143,174	5,677,178	6,051,637	6,212,728
Franchise fees	986,783	994,614	972,951	948,949	798,928	788,514	770,730	809,404	791,649	784,264
Transient Occupancy Tax	1,588,106	1,218,063	1,011,432	1,058,996	926,199	780,648	712,605	569,684	543,946	520,153
Utility users tax	740,358	747,585	694,552	654,411	637,547	602,892	600,478	628,824	631,493	705,936
Other taxes	390,028	438,564	529,092	460,091	397,325	372,313	345,945	340,697	336,638	343,261
Vehicle-in-lieu fee	1,082,327	1,019,933	960,758	897,721	839,118	828,062	840,480	902,756	898,579	928,568
Investment Earnings	52,305	29,248	38,666	81,574	20,406	60,497	85,866	43,869	117,998	312,945
Miscellaneous	301,942	1,110,461	466,529	588,801	294,999	444,698	450,130	453,954	416,946	442,690
Special Item: Sale of Property	-	746,924	-	-	-	-	-	-	-	-
Transfers	81,288	(99,398)	(55)	(10,936)	(30,793)	(134,929)	(1,111,294)	(207,385)	(228,180)	(142,584)
Total Governmental Activities	10,331,770	11,252,854	9,522,026	9,656,974	7,856,581	7,584,359	6,725,610	11,327,228	11,665,813	13,095,863
Business-Type Activities										
Investment Earnings	18,117	13,145	8,604	5,842	7,744	7,133	13,548	30,150	38,255	141,786
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(81,288)	99,398	55	10,936	30,793	134,929	1,111,294	207,385	228,180	142,584
Total Business-Type Activities	(63,171)	112,543	8,659	16,778	38,537	142,062	1,124,842	237,535	266,435	284,370
Total Primary Government	\$ 10,268,599	\$ 11,365,397	\$ 9,530,685	\$ 9,673,752	\$ 7,895,118	\$ 7,726,421	\$ 7,850,452	\$ 11,564,763	\$ 11,932,248	\$ 13,380,233
Extraordinary Gain	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,552,819	\$ -	\$ -	\$ -
Change in Net Position										
Governmental Activities	\$ (6,463,471)	\$ (1,394,347)	\$ (961,150)	\$ 1,587,435	\$ (834,771)	\$ (3,689,789)	\$ (2,360,474)	\$ 406,959	\$ (1,325,855)	\$ 415,990
Business-Type Activities	(2,605,957)	(2,361,052)	(1,038,133)	(797,803)	(1,081,018)	(1,039,119)	(992,823)	(1,079,622)	(967,919)	(709,852)
Total Primary Government	\$ (9,069,428)	\$ (3,755,399)	\$ (1,999,283)	\$ 789,632	\$ (1,915,789)	\$ (4,728,908)	\$ (3,353,297)	\$ (672,663)	\$ (2,293,774)	\$ (293,862)

CITY OF SCOTTS VALLEY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
LAST TEN FISCAL YEARS

Table 4

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:										
Taxes and Assessments	\$10,314,528	\$ 9,675,857	\$ 9,362,093	\$ 9,444,126	\$ 8,052,339	\$ 7,598,884	\$ 7,748,024	\$11,447,535	\$11,776,466	\$12,953,976
Intergovernmental Revenues	803,971	288,725	152,753	1,062,025	352,004	110,828	217,028	228,618	1,154,106	538,448
Fees and Services	1,578,574	2,344,647	1,192,986	1,285,952	1,183,852	1,187,315	1,018,433	621,447	838,973	676,894
Fines and Forfeitures	35,013	37,680	35,411	70,470	41,731	54,438	57,815	51,001	98,056	63,080
Contributions, Non-Government	167,840	2,865	2,306	19,911	2,167	46,003	14,340	18,902	16,883	14,484
Facility/Building Rental	32,760	32,760	44,910	22,500	30,000	32,400	32,100	30,000	30,000	5,300
Investment Earnings	93,966	63,020	54,860	92,967	24,865	68,205	97,544	71,123	158,550	423,821
Miscellaneous Revenues	649,132	1,378,011	517,064	525,360	473,808	613,979	542,296	3,534,381	718,131	342,816
Total Revenues	13,675,784	13,823,565	11,362,383	12,523,311	10,160,766	9,712,052	9,727,580	16,003,007	14,791,165	15,018,819
Expenditures:										
Current:										
General Government	2,134,089	2,216,039	1,942,389	1,814,779	1,850,794	1,763,970	5,407,571	1,475,238	1,723,271	1,612,901
Public Safety	5,217,774	4,960,402	4,927,713	4,511,889	4,223,936	4,297,153	4,495,974	4,193,222	4,135,205	4,002,014
Planning and Building	1,089,776	1,336,664	1,182,716	929,264	756,737	4,214,913	1,133,940	1,438,042	1,287,042	1,479,113
Public Works	2,307,435	1,925,211	1,979,404	1,753,952	1,753,449	1,696,000	1,668,457	1,705,250	1,715,856	1,723,742
Capital Outlay	1,757,388	1,193,706	446,373	1,902,961	764,110	524,019	687,698	6,819,604	6,193,587	5,291,225
Tax Increment Pass-Through	-	-	-	-	-	-	-	3,036,003	4,262,521	3,015,135
Debt Service										
Principal	600,000	470,000	465,000	445,000	4,995,000	290,353	262,871	405,568	398,457	391,914
Interest and Finance Charges	375,670	342,178	350,058	357,388	354,808	586,970	745,957	1,202,960	871,365	715,539
Bond Issuance Costs	-	-	-	-	304,891	-	158,332	-	360,606	-
Total Expenditures	13,482,132	12,444,200	11,293,653	11,715,233	15,003,725	13,373,378	14,560,800	20,275,887	20,947,910	18,231,583
Excess(Deficit) of Revenues over (under) Expenditures	193,652	1,379,365	68,730	808,078	(4,842,959)	(3,661,326)	(4,833,220)	(4,272,880)	(6,156,745)	(3,212,764)
Other Financing Sources (Uses):										
Transfers In	1,442,138	1,616,826	725,455	1,228,612	1,316,588	900,381	4,965,711	3,405,217	7,444,742	1,024,512
Transfers Out	(1,360,850)	(1,716,224)	(725,510)	(1,239,548)	(1,347,381)	(1,035,310)	(6,077,005)	(3,612,602)	(7,672,922)	(1,167,096)
Proceeds from Debt	-	-	-	-	4,605,000	-	4,460,000	-	8,760,000	-
Premium on Debt Issued	-	-	-	-	-	-	-	-	30,188	-
Sale of Real Property	-	746,924	-	-	-	-	-	-	-	-
Net Other Sources (Uses)	81,288	647,526	(55)	(10,936)	4,574,207	(134,929)	3,348,706	(207,385)	8,562,008	(142,584)
Extraordinary Gain	-	-	-	-	-	-	326,046	-	-	-
Change in Fund Balances	\$ 274,940	\$ 2,026,891	\$ 68,675	\$ 797,142	\$ (268,752)	\$ (3,796,255)	\$ (1,158,468)	\$ (4,480,265)	\$ 2,405,263	\$ (3,355,348)
Debt Services as a Percentage of Noncapital Expenditures	8%	7%	8%	8%	38%	7%	7%	12%	9%	9%

**CITY OF SCOTTS VALLEY
ASSESSED VALUES OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial and Other Property</u>	<u>Total Taxable Assessed Value</u>	<u>(1) General Tax Rate</u>
2009	1,505,236,463	683,266,714	2,188,503,177	1.00%
2010	1,438,965,976	689,493,889	2,128,459,865	1.00%
2011	1,435,266,066	655,264,432	2,090,530,498	1.00%
2012	1,413,942,688	642,128,306	2,056,070,994	1.00%
2013	1,414,040,184	598,441,394	2,012,481,578	1.00%
2014	1,483,067,171	564,469,568	2,047,536,739	1.00%
2015	1,627,120,418	571,942,811	2,199,063,229	1.00%
2016	1,753,326,658	601,424,458	2,354,751,116	1.00%
2017	1,850,625,172	647,799,289	2,498,424,461	1.00%
2018	1,966,471,659	684,245,880	2,650,717,539	1.00%

(1) Property tax rates are limited to \$1.00 per \$100.00 assessed valuation based on a June 1978 state constitutional amendment (Proposition 13). The tax rate (1%) is levied by the County and apportioned to local agencies according to a formula prescribed by the State legislature.

The City's share of the 1% property tax rate for its own General Fund is less than 6.5%. The City established a Redevelopment Agency in 1980. The Agency's Redevelopment Plan was adopted in November 1990. The City's General Fund does not receive any property tax from the tax revenues generated above the base year amount (tax increment revenue). The Agency entered into pass-through agreements with various governmental entities. Approximately 47% of the total tax increment revenue is paid out per these agreements. Another 20% is restricted for low and moderate income housing purposes. California state law eliminated redevelopment agencies effective February 1, 2012. The former tax increment revenue is being collected by the County of Santa Cruz and distributed to the successor redevelopment agencies to the extent of their enforceable obligations. Any revenue collected in excess of the amount of enforceable obligations is distributed to the taxing entities in the same proportion that they receive property taxes.

Source: Santa Cruz County Assessor
HDL 2017/18 CAFR Statistical Basic Package for the City of Scotts Valley.

**CITY OF SCOTTS VALLEY
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Table 6

Fiscal Year	(1) General Tax Rate	Overlapping Rates	
		Scotts Valley Unified School District	Cabrillo Community College District
2009	1.000%	0.043%	0.033%
2010	1.000%	0.045%	0.036%
2011	1.000%	0.038%	0.062%
2012	1.000%	0.038%	0.062%
2013	1.000%	0.038%	0.062%
2014	1.000%	0.038%	0.062%
2015	1.000%	0.038%	0.062%
2016	1.000%	0.038%	0.062%
2017	1.000%	0.038%	0.062%
2018	1.000%	0.038%	0.062%

(1) See explanation on Table 5.

Source: Santa Cruz County Treasurer / Tax Collector

CITY OF SCOTTS VALLEY
PRINCIPAL PROPERTY TAX PAYERS
LAST TEN FISCAL YEARS

Table 7

Taxpayer	2018			2017			2016			2015			2014		
	Assessed Valuation (in thousands)	Rank	Percentage of Total Assessed Valuation	Assessed Valuation (in thousands)	Rank	Percentage of Total Assessed Valuation	Assessed Valuation (in thousands)	Rank	Percentage of Total Assessed Valuation	Assessed Valuation (in thousands)	Rank	Percentage of Total Assessed Valuation	Assessed Valuation (in thousands)	Rank	Percentage of Total Assessed Valuation
A7PP HSV, LLC	\$ 41,008	1	1.55%	\$ 39,063	1	1.56%	\$ 11,527	7	0.49%	\$ 11,853	5	0.54%	\$ -	-	-
FIT Ren Oak Tree Villa, LLC	27,321	2	1.03%	27,163	2	1.09%	26,787	1	1.14%	21,241	1	0.97%	21,293	2	1.04%
Carefree Communities California	19,412	3	0.73%	-	-	-	-	-	-	-	-	-	-	-	-
Granite Creek Business Center	18,375	4	0.69%	13,949	4	0.56%	14,683	3	0.62%	12,751	4	0.58%	12,751	4	0.62%
Graham Family Trust	16,639	5	0.63%	15,303	3	0.61%	15,073	2	0.64%	-	-	-	-	-	-
1440 DEVCO, LLC	13,498	6	0.51%	13,091	7	0.52%	-	-	-	11,015	7	0.50%	10,125	8	0.49%
American Yliuen Dev & Holdings	13,475	7	0.51%	13,210	6	0.53%	13,012	5	0.55%	-	-	-	-	-	-
Gilbert Trustees	12,299	8	0.46%	12,058	9	0.48%	-	-	-	11,538	6	0.52%	-	-	-
Broughton Land LLC	11,493	9	0.43%	12,537	8	0.50%	12,450	6	0.53%	-	-	-	10,662	5	0.52%
Fox Factory Inc	11,009	10	0.42%	-	-	-	-	-	-	-	-	-	-	-	-
Comcast	-	-	-	13,609	5	0.54%	-	-	-	-	-	-	-	-	-
Ow, David L. Trustee, et al.	-	-	-	10,590	10	0.42%	10,431	8	0.44%	10,227	9	0.47%	10,180	7	0.50%
Ritchie, T	-	-	-	-	-	-	13,713	4	0.58%	-	-	-	-	-	-
Bethany College of Assemblies	-	-	-	-	-	-	10,374	9	0.44%	-	-	-	-	-	-
Threshold Enterprises	-	-	-	-	-	-	10,239	10	0.43%	-	-	-	-	-	-
Scotts Valley Associates	-	-	-	-	-	-	-	-	-	16,514	2	0.75%	16,444	3	0.80%
LBUBS 2004-Enterprise Way LP	-	-	-	-	-	-	-	-	-	15,250	3	0.69%	29,628	1	1.45%
Scarborough, Nena, TC, ETAL	-	-	-	-	-	-	-	-	-	10,357	8	0.47%	10,521	6	0.51%
S & A Ito Family Partnership	-	-	-	-	-	-	-	-	-	9,604	10	0.44%	9,560	9	0.47%
Sammie Rae Abitbol, LLC	-	-	-	-	-	-	-	-	-	-	-	-	8,129	10	0.40%
Appenrodt Living Trust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CCMS 2005-CD1 La Madrona LP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Santa Cruz-Monterey-Merced	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Seagate Technology, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aviza Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Elec Cr Equities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FPA Scotts Valley Assoc, LP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5550 Scotts Valley Dr, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Top Ten Totals	\$ 184,529		6.95%	\$ 170,573		6.82%	\$ 138,289		5.86%	\$ 130,350		5.92%	\$ 139,293		6.82%

Note: Dollar amounts are in thousands.

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Source: Santa Cruz County Assessor
HDL 2017/18 CAFR Statistical Basic Package for the City of Scotts Valley.

CITY OF SCOTTS VALLEY
PRINCIPAL PROPERTY TAX PAYERS
LAST TEN FISCAL YEARS

Table 7 (concluded)

Taxpayer	2013			2012			2011			2010			2009		
	Assessed Valuation (in thousands)	Rank	Percentage of Total Assessed Valuation	Assessed Valuation (in thousands)	Rank	Percentage of Total Assessed Valuation	Assessed Valuation (in thousands)	Rank	Percentage of Total Assessed Valuation	Assessed Valuation (in thousands)	Rank	Percentage of Total Assessed Valuation	Assessed Valuation (in thousands)	Rank	Percentage of Total Assessed Valuation
FIT Ren Oak Tree Villa, LLC	\$ 21,359	2	1.06%	\$ 21,371	3	1.04%	\$ 25,263	3	1.21%	\$ 24,623	3	1.16%	\$ 24,140	3	1.10%
FIT Ren Oak Tree Villa, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Granite Creek Business Center	12,751	7	0.63%	12,751	8	0.62%	12,751	7	0.61%	12,751	8	0.60%	12,751	7	0.58%
Graham Family Trust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1440 DEVCO, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
American Ylluen Dev & Holdings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gilbert Trustees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Broughton Land LLC	10,843	9	0.54%	10,719	10	0.52%	-	-	-	-	-	-	-	-	-
Comcast	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ow, David L. Trustee, et al.	9,981	10	0.50%	-	-	-	9,712	10	0.46%	9,735	10	0.46%	9,544	10	-
Ritchie, T	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bethany College of Assemblies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Threshold Enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Scotts Valley Associates	16,118	3	0.80%	14,179	4	0.69%	14,085	5	0.67%	14,068	5	0.66%	13,792	4	0.63%
LBUBS 2004-Enterprise Way LP	33,522	1	1.67%	67,779	1	3.30%	67,335	1	3.22%	67,514	1	3.17%	66,226	1	3.03%
Scarborough, Nena, TC, ETAL	15,116	4	0.75%	12,776	7	0.62%	12,727	8	0.61%	12,758	7	0.60%	10,482	9	0.48%
S & A Ito Family Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sammie Rae Abitbol, LLC	-	-	-	24,185	2	1.18%	-	-	-	-	-	-	-	-	-
Appenrodt Living Trust	14,063	5	0.70%	13,646	5	0.66%	-	-	-	-	-	-	-	-	-
CCMS 2005-CD1 La Madrona LP	13,805	6	0.69%	13,340	6	0.65%	13,329	6	0.64%	13,331	6	0.63%	13,046	6	0.60%
Santa Cruz-Monterey-Merced Man	11,124	8	0.55%	10,906	9	0.53%	-	-	-	-	-	-	-	-	-
Seagate Technology, LLC	-	-	-	-	-	-	44,316	2	2.12%	40,461	2	1.90%	40,124	2	1.83%
Aviza Technology	-	-	-	-	-	-	14,871	4	0.71%	13,075	4	0.61%	13,677	5	0.62%
General Elec Cr Equities	-	-	-	-	-	-	10,825	9	0.52%	11,861	9	0.56%	-	-	-
FPA Scotts Valley Assoc, LP	-	-	-	-	-	-	-	-	-	-	-	-	11,628	8	0.53%
5550 Scotts Valley Dr, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Top Ten Totals	\$ 158,682		7.88%	\$ 201,652		9.81%	\$ 225,214		10.77%	\$ 220,177		10.34%	\$ 215,410		9.41%

Note: Dollar amounts are in thousands.

CITY OF SCOTTS VALLEY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	(1) Taxes Levied	(2) Current Collections	Percent of Levy Collected
2009	760,707	760,707	100%
2010	759,512	759,512	100%
2011	737,523	737,523	100%
2012	722,279	722,279	100%
2013	737,021	737,021	100%
2014	847,061	847,061	100%
2015	899,215	899,215	100%
2016	852,270	852,270	100%
2017	903,233	903,233	100%
2018	946,313	946,313	100%

(1) Levies include real and personal property.

(2) Beginning with the 1993-94 fiscal year, the County of Santa Cruz began distributing 100% of the property taxes assessed under a method of property tax distribution called the Teeter Plan. Therefore, the City collects only current levies; all delinquent levies and penalties are collected by the County.

**CITY OF SCOTTS VALLEY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2018**

2017-18 Assessed Valuation

	Total Debt June 30, 2018	Percentage Applicable ⁽¹⁾	City's Share of Direct and Overlapping Debt June 30, 2018
<u>Overlapping Debt:</u>			
Cabrillo Joint Community College District	\$ 115,229,915	6.020%	\$ 6,936,841
Scotts Valley Unified School District	26,020,000	64.942%	16,897,908
Santa Cruz High School District	87,723,734	0.0004%	351
Santa Cruz County General Fund Obligations	68,805,620	6.064%	4,172,373
Santa Cruz County Office of Education Certificates of Participation	9,197,479	6.064%	557,735
Scotts Valley Unified School District Certificates of Participation	3,325,000	64.942%	2,159,322
Total Overlapping Debt	<u>310,301,748</u>		<u>30,724,530</u>
<u>City Direct Debt:</u>			
City of Scotts Valley Certificates of Participation			6,190,588
City of Scotts Valley Pension Obligations			2,675,000
City of Scotts Valley Water District Installment Note			95,000
Total Direct Debt			<u>8,960,588</u>
Combined Total Debt			<u>\$ 39,685,118 ⁽²⁾</u>
<u>Ratios to 2017-18 Assessed Valuation:</u>			
Total Overlapping Tax and Assessment Debt			1.16%
Total Direct Debt			0.34%
Combined Total Debt			1.50%

Source: California Municipal Statistics, Inc.

NOTE: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

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

**CITY OF SCOTTS VALLEY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Table 10

Fiscal Year	Governmental Activities					Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Participation	Revenue Bonds	Tax Allocation Bonds	Pension Obligation Bond	Installment Notes	Installment Notes				
2009	7,378	-	5,935	-	135	-	-	13,448	2.28%	1,152
2010	7,264	8,760	5,655	-	130	-	-	21,809	3.79%	1,853
2011	7,154	8,760	5,365	-	125	-	-	21,404	4.46%	1,798
2012	6,045	-	-	4,460	-	-	-	10,505	2.12%	902
2013	5,936	-	-	4,280	-	-	-	10,216	2.02%	875
2014	5,856	-	-	3,970	-	-	-	9,826	1.92%	822
2015	5,649	-	-	3,655	110	-	-	9,414	1.88%	798
2016	5,512	-	-	3,335	105	-	-	8,952	1.72%	737
2017	5,451	-	-	3,010	100	-	-	8,561	1.51%	704
2018	6,191	-	-	2,675	95	-	-	8,961	1.58%	735

Notes: Dollar amounts are in thousands, except for per capita.
See note (3) on Table 12 regarding the above Revenue Bonds.
Details of the City's outstanding debt can be found in Note 5 to the financial statements.
The City of Scotts Valley has no general bonded debt.

Source: City of Scotts Valley Finance Department

**CITY OF SCOTT'S VALLEY
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Table 11

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Assessed Valuation	\$ 2,651	\$ 2,498	\$ 2,355	\$ 2,199	\$ 2,047	\$ 2,035	\$ 2,056	\$ 2,091	\$ 2,128	\$ 2,189
Redevelopment Incremental Valuation	-	-	-	-	-	-	-	(499)	(531)	(551)
Net Assessed Valuation	<u>\$ 2,651</u>	<u>\$ 2,498</u>	<u>\$ 2,355</u>	<u>\$ 2,199</u>	<u>\$ 2,047</u>	<u>\$ 2,035</u>	<u>\$ 2,056</u>	<u>\$ 1,592</u>	<u>\$ 1,597</u>	<u>\$ 1,638</u>
Debt Limit (15%)	\$ 398	\$ 375	\$ 353	\$ 330	\$ 307	\$ 305	\$ 308	\$ 239	\$ 240	\$ 246
Total Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 398</u>	<u>\$ 375</u>	<u>\$ 353</u>	<u>\$ 330</u>	<u>\$ 307</u>	<u>\$ 305</u>	<u>\$ 308</u>	<u>\$ 239</u>	<u>\$ 240</u>	<u>\$ 246</u>

Note: Amounts are in millions.

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Source: Santa Cruz County Assessor's Office

**CITY OF SCOTTS VALLEY
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Special Assessment Bonds			
	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
2009	772,923	585,000	402,918	0.78
2010	1,167,710	540,000	368,813	1.28
2011	1,009,856	580,000	429,098	1.00
2012	1,133,951	605,000	369,952	1.16
2013	1,273,669	725,400	256,505	1.30
2014	799,962	755,400	220,848	0.82
2015	416,039	220,000	185,588	1.03
2016	398,619	225,000	177,623	0.99
2017	414,002	230,000	167,948	1.04
2018	403,145	245,000	157,148	1.00

**CITY OF SCOTTS VALLEY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (2)
2009	11,671	590,278	50,576	3.4%
2010	11,771	575,904	48,926	5.4%
2011	11,903	480,203	40,343	6.2%
2012	11,641	494,836	42,508	5.9%
2013	11,678	504,723	43,220	4.7%
2014	11,954	510,603	42,714	4.3%
2015	11,800	501,476	42,498	7.9%
2016	12,143	520,659	42,877	6.8%
2017	12,163	566,632	46,586	6.3%
2018	12,195	566,915	46,487	4.6%

Source: (1) California State Department of Finance

(2) HDL 2017/18 CAFR Statistical Basic Package for the City of Scotts Valley.

Figures are for the preceding calendar year (e.g. Fiscal Year 2018 is 2017 calendar year data). Some prior period numbers were revised by HDL and have been restated here.

**CITY OF SCOTTS VALLEY
PRINCIPAL EMPLOYERS
LAST TEN FISCAL YEARS**

Employer	2018			2017			2016			2015			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Threshold Enterprises, LTD	515	1	11.13%	573	1	11.49%	621	1	10.63%	503	1	10.63%	503	1	10.69%
Central Coast Alliance	389	2	8.41%	372	2	7.46%	325	2	6.02%	285	2	6.02%	241	3	5.12%
Fox Racing Shox	305	3	6.59%	278	3	5.57%	276	3	5.49%	260	3	5.49%	243	2	5.17%
Bell Sports, Inc	130	4	2.81%	154	5	3.09%	166	6	2.96%	140	6	2.96%	158	6	3.36%
Universal Audio, Inc.	127	5	2.75%	119	6	2.39%	133	7	2.13%	101	7	2.13%	86	8	1.83%
Zero Motorcycles	114	6	2.46%	102	7	2.04%	98	8	1.75%	83	8	1.75%	72	10	1.53%
Oxford/X-ray Technology Grp	69	7	1.49%	-	-	-	-	-	-	-	-	-	-	-	-
The Camp	68	8	1.47%	83	8	1.66%	77	9	1.58%	75	9	1.58%	74	9	1.57%
Safeway Stores, Inc.	68	9	1.47%	-	-	-	-	-	-	-	-	-	-	-	-
Nob Hill Foods	66	10	1.43%	63	9	1.26%	-	-	-	-	-	-	-	-	-
Bay Photo Lab	-	-	-	226	4	4.53%	201	4	4.25%	201	4	4.25%	226	4	4.80%
Oak Tree Villa SHP	-	-	-	61	10	1.22%	73	10	1.54%	73	10	1.54%	-	-	-
Seagate Technology	-	-	-	-	-	-	184	5	3.78%	179	5	3.78%	189	5	4.02%
Hilton -Scotts Valley	-	-	-	-	-	-	-	-	-	-	-	-	98	7	2.08%
Comcast Cable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Embarcardero Technologies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aviza	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,851		40.01%	2,031		40.71%	2,154		40.13%	1,900		40.13%	1,890		40.17%

Source: City of Scotts Valley Finance Department

Table 14 (Concluded)

CITY OF SCOTTS VALLEY
PRINCIPAL EMPLOYERS
LAST TEN FISCAL YEARS

Employer	2013			2012			2011			2010			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Threshold Enterprises, LTD	388	1	8.62%	402	1	9.71%	392	2	7.73%	430	2	7.93%	548	2	10.42%
Central Coast Alliance	210	4	4.67%	180	2	4.35%	160	3	3.16%	145	3	2.67%	146	4	2.78%
Fox Racing Shox	217	3	4.82%	130	5	3.14%	75	7	1.48%	75	8	1.38%	-	-	-
Bell Sports, Inc	161	6	3.58%	136	4	3.29%	135	4	2.66%	132	4	2.43%	-	-	-
Universal Audio, Inc.	81	7	1.80%	71	8	1.71%	72	8	1.42%	-	-	-	-	-	-
Zero Motorcycles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oxford/X-ray Technology Grp	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
The Camp	72	9	1.60%	68	10	1.6	-	-	-	73	9	1.35%	75	7	1.43%
Safeway Stores, Inc.	-	-	-	-	-	-	67	10	1.32%	-	-	-	73	10	1.39%
Nob Hill Foods	-	-	-	-	-	-	-	-	-	68	10	1.25%	74	9	1.41%
Bay Photo Lab	220	2	4.89%	-	-	-	-	3	-	-	3	-	-	4	-
Oak Tree Villa SHP	72	10	1.60%	-	-	-	67	9	1.32%	-	-	-	85	6	1.62%
Seagate Technology	177	5	3.93%	177	3	4.28%	627	1	12.37%	847	1	15.62%	880	1	16.73%
Hilton -Scotts Valley	-	-	-	80	6	1.93%	-	-	-	-	-	-	-	-	-
Comcast Cable	74	8	1.64%	76	7	1.84%	75	6	1.48%	78	7	1.44%	74	8	1.41%
Embarcardero Technologies	-	-	-	70	9	1.69%	77	5	1.52%	87	6	1.60%	111	5	2.11%
Aviza	-	-	-	-	-	-	-	-	-	91	5	1.68%	259	3	4.92%
Total	1,672		37.15%	1,390		33.57%	1,747		34.46%	2,026		37.35%	2,325		44.19%

**CITY OF SCOTTS VALLEY
FULL-TIME EQUIVALENT CITY EMPLOYEES
LAST TEN FISCAL YEARS**

<u>Function / Program</u>	<u>Fiscal Year</u>									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Legislative	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Administration	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.10	1.10	1.35
Finance	2.85	2.85	2.85	2.85	3.35	3.35	3.35	4.35	4.35	5.25
Police										
Officers	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Dispatch and Support	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.50	8.50	9.00
Planning	2.00	3.00	3.00	3.50	3.50	3.50	3.50	3.30	3.30	3.30
Building	-	-	-	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Works										
Engineering	4.00	4.00	3.10	3.30	3.30	3.30	3.30	3.50	3.50	3.50
Street Maintenance	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
Vehicle Maintenance	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Park Maintenance	1.30	1.30	1.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
Building Maintenance	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
Wastewater Treatment Plant	6.15	6.15	7.05	7.05	6.35	7.35	7.35	7.35	7.35	7.35
Recreation	5.70	5.70	5.00	5.00	5.00	5.00	6.00	7.00	7.00	7.00
Redevelopment/Affordable Housing	-	-	-	-	-	-	-	1.90	1.90	1.75
Total	55.70	56.70	56.00	58.70	58.50	59.50	60.50	64.50	64.50	66.00

Source: City of Scotts Valley Annual Budget
Full-time equivalent employees are presented net of positions
frozen by City Council for budget saving purposes.

**CITY OF SCOTTS VALLEY
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS**

Table 16

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Emergency Vehicles	15	15	15	15	15	15	15	15	15	15
Public Works:										
Streets (miles)	35	35	35	35	35	35	35	35	35	35
Streetlights	212	212	212	212	212	212	212	212	212	212
Traffic Signals	16	16	16	16	16	16	16	16	16	16
Senior Center	1	1	1	1	1	1	1	1	1	1
Community Center	1	1	1	1	1	1	1	1	1	1
Wastewater										
Treatment Plant	1	1	1	1	1	1	1	1	1	1
Recreation										
Parks / Playgrounds	6	6	6	6	6	6	6	6	6	6
Soccer Fields	3	3	3	3	3	3	3	3	3	3
Tennis Courts	4	4	4	4	4	4	4	4	4	4

Source: Various City Departments

**CITY OF SCOTTS VALLEY
OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS**

	Fiscal Year									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Government										
Number of Citizen Complaints Received	15	23	23	16	9	19	14	15	27	50
Police										
Total Incident Calls	15,151	14,425	18,297	18,310	17,748	18,356	13,732	17,601	16,933	18,481
Number of Citations Written	1,232	949	1,447	1,194	1,108	1,095	1,299	1,690	1,847	2,435
Number of Arrests	547	479	589	499	468	447	535	617	427	556
Planning										
Planning Applications Submitted	95	109	112	112	93	81	101	95	75	45
Lot Line Adjustment Apps Processed	-	-	-	-	-	-	-	-	-	1
Building										
Number of Building Inspections	2,249	1,945	3,766	3,299	1,373	1,122	727	654	719	880
Building Permits Submitted	388	454	402	334	332	295	251	233	228	393
Building Permits Issued	379	367	382	334	285	285	227	204	223	253
Public Works										
Building Permit Applications Processed	43	62	58	59	28	25	17	30	27	229
Encroachment Permits Processed	53	64	43	24	25	20	36	31	17	21
Transportation Permits Processed	66	84	67	38	17	55	37	47	45	91
Sewer Allocations Issued	7	6	10	42	17	49	7	1	-	-
Subdivision Maps Recorded	3	1	2	1	4	2	-	3	3	1
Wastewater Treatment Plant (all amounts in thousands of gallons)										
Total Flow	203,670	251,869	253,914	288,294	287,580	305,680	325,770	370,691	306,412	326,700
Highest Average Daily Flow	1,867	1,394	865	843	882	1,060	1,113	1,083	1,084	1,185
Lowest Average Daily Flow	166	506	508	771	707	737	788	725	732	794

Source: Various City departments

City of Scotts Valley CITY COUNCIL STAFF REPORT

DATE: December 19, 2018

TO: Honorable Mayor and City Council

FROM: Jenny D. Haruyama, City Manager

SUBJECT: **AUTHORIZE CITY MANAGER TO AMEND EXCLUSIVE NEGOTIATION AGREEMENT BETWEEN THE CITY OF SCOTTS VALLEY AND SCOTTS VALLEY TOWN GREEN LAND, LLC EXTENDING THE DEADLINE TO SUBMIT DESIGNATED MATERIALS AND AUTHORIZE THE CITY MANAGER TO SIGN THE AGREEMENT**

SUMMARY OF ISSUE

On September 5, 2018, the City Council approved an Exclusive Negotiation Agreement (ENA) between the City of Scotts Valley and Scotts Valley Town Green Land, LLC (attached). The purpose of the ENA is to establish procedures and standards regarding the negotiation of a development agreement between the City and the Developer concerning the purchase of City Land and development of the Site. The negotiation period between the City and Developer is for 180 days. After that time, upon written request of the Developer, the City Manager at her sole discretion, may extend the exclusive negotiation period for two successive periods of 30 days each.

Additionally, under Section IV (Obligations of the Developer) of the attached Agreement, the Developer is required to provide certain materials to the City Manager within 120 days of the effective date of the ENA. These materials include, but are not limited to: the project description, conceptual plans and program, and proposed financial model.

To allow more time to refine conceptual proposals and complete its financial modeling, the Developer has requested that Section IV (Obligations of the Developer) of the attached agreement be amended to extend the deadline to submit the designated materials by 60 days or to March 2, 2018.

FISCAL IMPACT

There is no fiscal impact associated with the proposed extension.

STAFF RECOMMENDATION

Staff recommends the City Council authorize the City Manager to amend the ENA, extending the deadline to submit designated materials and authorize the City Manager to sign the agreement.

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EXCLUSIVE NEGOTIATION AGREEMENT

THIS EXCLUSIVE NEGOTIATION AGREEMENT (this "Agreement") is entered into as of September 5, 2018 ("Effective Date"), between the **CITY OF SCOTTS VALLEY**, a California municipal corporation ("City"), and **SCOTTS VALLEY TOWN GREEN LAND LLC**, a California limited liability company ("Developer"), with reference to the following facts:

WHEREAS, City and Developer are hereinafter sometimes referred to collectively as the "Parties" or individually as a "Party".

WHEREAS, the City is the owner of the property located at the Northwest intersection of Kings Village Road and Mt. Hermon Road (the "City's Land") as more specifically described in Exhibit A, attached hereto and incorporated by reference; and

WHEREAS, adjacent to the City's Land is property owned by the City of Santa Cruz (the "Santa Cruz Land") as more specifically described in Exhibit A, attached hereto and incorporated by reference; and

WHEREAS, Developer has expressed interest in the development of the City's Land and the Santa Cruz Land (collectively, the "Site") into the City's Town Center.

NOW, THEREFORE, CITY AND THE DEVELOPER HEREBY AGREE AS FOLLOWS:

I. NEGOTIATIONS

The Site is proposed to be developed as a mixed use retail and housing project known as the Scotts Valley Town Center (the "Project").

Developer is interested in developing the Project. Pursuant to the terms of this Agreement, City and Developer shall negotiate in good faith, for the period stated in Section II below, the terms of a Development Agreement or other form of agreement or agreements ("DA") to be entered into between City and Developer concerning Developer's purchase of the City Land and development of the Site. City agrees, for the period stated in Section II below, not to negotiate with any other person or entity regarding the sale or development of the Site without the prior written consent of Developer. Nothing in this Agreement shall be deemed a covenant, promise, or commitment by Developer, City or any City or department of City or City, with respect to Developer's acquisition of the Site or any portion thereof, or the approval of development thereon. Developer's and City's acceptance of this Agreement is merely an agreement to enter into a period of exclusive negotiations according to the terms hereof, reserving full and final discretion and approval by City as to any actions required of it. No project is defined by this Agreement.

II. NEGOTIATION PERIOD

City and Developer agree to negotiate the terms of a DA for a period of one hundred eighty (180) calendar days from the Effective Date; provided however that, upon written request of Developer, the City Manager may in her sole and absolute discretion extend the exclusive negotiation period for two (2) successive periods of 30 days each. The first 180-day period plus any extension(s) as provided herein, to the extent such extension(s) is (are) granted, shall hereinafter be defined as the "Negotiation Period". If, upon the expiration of the Negotiation Period, City and Developer have not each approved and executed a DA, then this Agreement shall automatically terminate and Developer shall have no further rights regarding the subject matter of this Agreement or the Site, and City shall be free to negotiate with any other persons or entities with regard to the Site and each and every portion thereof.

III. OBLIGATIONS OF CITY

City shall provide to Developer the following documents (to the extent such documents are in the possession or control of the City): (1) preliminary boundary and topographic survey for the property, (2) reports related to the environmental condition of the Site, and (3) all other reports, surveys and other materials in the possession or control of the City relevant to the Property.

IV. OBLIGATIONS OF DEVELOPER

Within one hundred twenty (120) days of the Effective Date, Developer, at its sole cost, shall provide the City Manager with the following documents and information:

- A. Project description - Developer shall provide a detailed description of the proposed project.
- B. Conceptual Plans and Program - Developer shall provide a conceptual plans and programs, including but not limited to, (i) a site plan showing the proposed demolition of some or all of the existing improvements on the Site, reuse of some or all of the existing improvements on the Site, and/or new construction proposed for the Site, (ii) the type of uses and proposed square footage of each building proposed, and points of pedestrian and vehicular ingress and egress from the Site, (iii) potential tenant users and (iv) and phasing plan if applicable.
- C. Proposed Financial Model - Developer shall provide a proposed financial model for the project and possible sources and uses of funds and financial pro forma for the development.

In addition, Developer, at its cost, shall, at the request of the City Manager, make periodic oral progress reports on all matters and all studies being made related to Developer's acquisition and development of the Site and other matters under negotiation to the extent that they do not include confidential matters. Developer, at its cost, shall coordinate and participate in workshops, meetings, or presentations concerning the Site at the request of the City Manager. All fees and expenses for engineers, architects, financial consultants, legal, planning or other consultants retained by Developer to

perform Developer's obligations set forth in this Agreement shall be the sole responsibility of Developer. The City shall not be obligated to pay or reimburse any such fees and expenses incurred by Developer whether or not this Agreement is eventually terminated or extended, or whether or not a DA is entered into between the City and Developer in the future. Nothing herein reduces or eliminates any requirements of City or any other governmental entity with jurisdiction over the Site

V. DUE DILIGENCE

During the Negotiation Period, Developer may undertake all due diligence it deems necessary, including, without limitation, the right to conduct a survey, and, at Developer's option, tests of soil and ground water and boring, percolation, and other soil and water tests and/or such other investigations or tests commonly performed as part of a Phase I or Phase II environmental study, at its sole cost and expense, to determine whether or not to enter into a DA for the Site. Developer is granted the right to enter the City Land subject to the terms of Section XI below. Copies of any reports prepared or results of the investigation shall be provided to the City.

VI. NEGOTIATION FEE

Within ten (10) days from the mutual execution of this Agreement, the Developer shall deliver to the City, in cash, a fee of Twenty-Five Thousand Dollars (\$25,000.00) (the "Negotiation Fee"). The Negotiation Fee is the amount which has been bargained for and agreed to as consideration for the City's execution and delivery of this Agreement, the City's time in performing under this Agreement and for the rights and privileges granted to Developer herein, including any and all rights granted to Developer to terminate this Agreement.

VII. ACKNOWLEDGMENTS AND RESERVATIONS

1. If this Agreement expires or is terminated for any reason, or a future DA is not executed by both City and Developer for any reason, neither City nor Developer shall be under any further obligation to each other regarding the disposition of the Site or the development thereof.

2. Developer acknowledges and agrees that no provision of this Agreement shall be deemed to be an offer or proposal by City to Developer, nor an acceptance by City of any offer or proposal from Developer, for City's conveyance of any interest in the Site, or any portion or parcel thereof, to Developer or for City to provide any financial or other assistance to Developer for redevelopment of the Site.

3. Developer acknowledges and agrees that neither Developer nor any affiliate of Developer has acquired, nor will acquire, by virtue of the terms of this Agreement, any legal or equitable interest in real or personal property from City.

VIII. DEVELOPER FINANCIAL DISCLOSURE

City reserves the right to obtain further information, data, and commitments to ascertain the ability and capacity of Developer to develop the Site. Developer

acknowledges that it may be requested to make certain confidential financial disclosures to City, its staff or legal counsel, as part of the financial due diligence investigations of City relating to the potential disposition of the Site and its development. City and Developer recognize that such financial disclosures may contain sensitive information relating to other business transactions of Developer, that the disclosure of such information to third parties could impose commercially unreasonable and/or anti-competitive burdens on Developer and, correspondingly, diminish the value or fiscal benefit that may accrue to City upon the disposition of the Site and redevelopment thereof by Developer, if a future DA is entered into between City and Developer. Accordingly, City agrees to maintain the confidentiality of any business records of Developer disclosed to City, except as the City Attorney reasonably determines must be disclosed pursuant to the California Public Records Act or other applicable law. The defense of any action seeking disclosure of protected business records shall be at Developer's expense and handled, at City's option, either by the City Attorney, or legal counsel selected by Developer and reasonably acceptable to the City Attorney.

VIII. REMEDIES

1. Default and Breach

a. Failure or delay by either Party to perform any material term or provision of this Agreement shall constitute a "default" under this Agreement. If the Party who is claimed to be in default by the other Party commences to cure, correct or remedy the default within five (5) calendar days after receipt of written notice specifying such default and diligently completes such cure, correction or remedy within ten (10) calendar days after the expiration of the five (5) day period (for a total of fifteen (15) calendar days to cure the default), such Party shall not be in default under this Agreement. In no event shall any time to cure, correct or remedy a default extend the Negotiation Period.

b. The Party claiming that a default has occurred shall give written notice of default to the Party claimed to be in default, specifying the alleged default. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default. However, the injured Party shall have no right to exercise any remedy permitted for a "breach" (as defined below) under this Agreement, without first delivering written notice of the default.

c. Any failure or delay by a Party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default or of any rights or remedies associated with a default. Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the Parties are cumulative and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by such Party, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

d. If a Party in default fails either (i) to commence to cure, correct or remedy the default within five (5) calendar days following written notice of such default, or (ii) to complete such cure, correction or remedy within ten (10) calendar days after the expiration of the five (5) day period (for a total of fifteen (15) calendar days to cure the default), a "breach" of this Agreement by the defaulting Party shall be deemed to have

occurred. In no event shall City's or City's disapproval or conditional approval of the Plans, the DA, any CEQA review, or any other matters that require City's or City's approval pursuant to this Agreement or applicable law constitute a default or breach under this Agreement by City.

2. Remedies for Breach and Release of Claims

a. In the event of a breach of this Agreement, the Party who is not in breach shall have the right to terminate this Agreement by serving written notice of termination on the other Party. City and Developer each acknowledge and agree that their respective *sole and exclusive remedy* upon the breach of this Agreement by the other is to terminate this Agreement, without cost, expense, or liability to either Party.

b. Each Party acknowledges that it is aware of the meaning and legal effect of California Civil Code section 1542, which provides:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him would have materially affected his settlement with the debtor."

c. California Civil Code section 1542 notwithstanding, it is the intention of both City and Developer to be bound by the limitation on damages and remedies set forth in this Subsection, and City and Developer hereby release any and all claims against each other for monetary damages or other legal or equitable relief related to any breach of this Agreement, whether or not any such released claims were known or unknown to either City or Developer as of the Effective Date. City and Developer each waive the benefits of California Civil Code section 1542 and all other statutes and judicial decisions (whether state or federal) of similar effect with regard to the limitations on damages and remedies and waivers of any such damages and remedies contained in this Subsection.

d. Surviving Clause

This Section VII shall survive the expiration of the Negotiation Period and any termination of this Agreement for whatever reason.

X. INDEMNIFICATION

Developer shall defend, indemnify and hold harmless the City and their respective officers, officials, members, employees, agents, representatives, and volunteers, from and against all damages and liability, including but not limited to any and all claims, demands, expenses, fees, costs, liabilities, suits, causes of action, litigation, relocation benefits or expenses, attorney's fees, and expert witness fees (all of the foregoing, collectively, "Claims") caused by the acts or omissions of Developer or its principals, directors, managers, shareholders, joint venturers, partners, employees, agents, or representatives in connection with this Agreement, including but not limited to Developer's Due Diligence Investigations and the Right of Entry. Specifically, but without limiting the scope of the foregoing sentence, if Developer, during the Negotiation Period, seeks to

acquire any parcels owned by third parties, City expressly disclaims any responsibility or liability for such Developer negotiations or acquisitions and Developer shall defend, indemnify and hold harmless the City and the City and their respective officers, officials, members, employees, agents, representatives, and volunteers, from and against all damages and liabilities, including but not limited to Claims (as defined above), caused by or resulting from the acts or omissions of Developer or its principals, directors, managers, shareholders, joint venturers, partners, employees, agents, or representatives in connection with the negotiation or acquisition of any parcel owned by third parties, except to the extent such damage or liabilities are caused by the negligence or willful misconduct of City or its officers, officials, members, employees, agents, representatives, or volunteers acting in an official capacity, and City shall indemnify, defend, and hold Developer harmless to, but only to, such extent. The provisions of this Section shall survive the expiration or early termination of this Agreement for any reason whatsoever.

XI. RIGHT OF ENTRY

1. In connection with Developer's due diligence investigations of the Site, City hereby grants to Developer, and its affiliates, agents, contractors and employees, a license (the "License") to enter upon those parcels owned by City in order to conduct any and all inspections, investigations, tests and studies (including, without limitation, architectural inspections, engineering tests, soils, seismic and geologic reports and environmental testing) with respect to the Site ("Developer's Due Diligence Investigations") as Developer may reasonably elect to make, all at Developer's sole cost and expense. Developer shall notify the City Manager, which may be by written or telephonic notice, prior to a planned entry on the Site and provide information to the City Manager as to the purpose of the planned entry and the estimated time for completing the particular Due Diligence Investigation. All Due Diligence Investigations performed on or adjacent to the Site shall be undertaken in conformance with all City requirements, including obtaining any and all permits. For those properties not owned by the City, Developer shall obtain the prior written consent of those property owners before entering and/or conducting any tests on those properties. The City shall assist Developer in obtaining such consent.

2. City may revoke this License (i) upon written notice to Developer if, in the reasonable judgment of the City Manager (or acting as the City Manager of City) such revocation is necessary to protect the public health, safety, or welfare pursuant to the exercise of City's or the City's police powers; or (ii) upon two (2) business days' written notice to Developer that Developer is in violation of the terms of this Agreement or of any applicable law, statute, ordinance, rule, or regulation pertaining to the Due Diligence Investigations or Developer's entry upon the Site pursuant to this Agreement, and Developer has failed to cure such violation within that period of two (2) business days following Developer's receipt of notice from City.

3. Unless the License is terminated prior to the expiration of this Agreement, the License shall terminate and be void as of the expiration or earlier termination of this Agreement.

4. Developer shall cause to have its Due Diligence Investigations conducted in accordance with all laws applicable thereto, and in a good and workmanlike manner. All information, other than matters of public record, furnished to, or obtained through,

Developer's Due Diligence Investigations of the Site shall be treated by Developer as confidential and shall not be disclosed to anyone other than Developer's representatives who agree to maintain the confidentiality of such information; provided that the foregoing shall not apply to any disclosures made by Developer as required by law, court order, or in connection with any subpoena or similar instrument served upon Developer, or to any documents which become a public record pursuant to the California Public Records Act. The provisions of this Subsection shall survive the expiration or early termination of this Agreement for any reason whatsoever.

5. Developer shall keep the Site free and clear of any mechanic's or materialmen's liens arising out of Developer's Due Diligence Investigations. The provisions of this Subsection shall survive the expiration or early termination of this Agreement for any reason whatsoever.

6. Upon the earlier of (i) the termination of the License, or (ii) the expiration or early termination of this Agreement, Developer shall promptly (a) repair any damage to the Site caused by Developer's or any of its representatives' entry thereon, and (b) remove Developer's or any of its representatives' personal property from the Site. The provisions of this Subsection shall survive the expiration or early termination of this Agreement for any reason whatsoever.

7. Without limiting Developer's indemnification obligations as set forth in this Agreement, Developer, prior to any entry on the Site by Developer or its employees, agents, representatives, consultants, or contractors, shall procure and maintain, at its sole cost and expense, for the period of such entry, the following policies of insurance:

a. Commercial General Liability insurance written on a per occurrence basis in an amount not less than \$1,000,000 per occurrence.

b. Business Auto Coverage, written on a per accident basis, in an amount not less than \$1,000,000 per accident. If Developer or Developer's employees use personal autos in connection with the performance of work under this Agreement, Developer shall provide evidence of personal auto liability coverage for each such person.

If applicable, Worker's Compensation insurance providing statutory benefits as required by California law.

c. All of the insurance policies required hereunder, except the worker's compensation insurance, shall comply with the following requirements:

i. All insurance shall be written by insurers that are authorized to do business in the State of California and with A.M. Best's rating of B++ or better and a minimum financial size VII.

ii. The policies shall be endorsed to name the City and the City and their respective officers, officials, members, employees, agents, and volunteers as additional insureds.

iii. All of Developer's insurance: (a) shall contain no special limitations on the scope of protection afforded to the additional insureds; (b) shall be primary insurance and any insurance or self-insurance maintained by the additional insureds or any of them shall be in excess of Developer's insurance and shall not contribute with it.

iv. The policies shall be "occurrence" rather than "claims made" insurance.

v. The policies shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

vi. The policies shall prohibit Developer from waiving the right of subrogation prior to a loss.

vii. The policies shall not contain any provision or definition that would serve to eliminate so-called "third party action over" claims, including any exclusion for bodily injury to an employee of the insured.

viii. City reserves the right at any time during the term of this Agreement to reasonably change the amounts and types of insurance required by giving Developer not less than thirty (30) days advance written notice of such change.

d. Prior to any entry onto the Site by Developer or its employees, agents, representatives, consultants, or contractors, Developer shall provide the City Manager with Certificates of Insurance evidencing the above insurance coverages and said Certificates of Insurance are reasonably approved by City. Certificates are to reflect that the insurer will provide 30 days written notice to City of any cancellation of coverage and if the Accord certificate form is used the word "endeavor to" shall be stricken from the insurer's written notification section. In the event any of said policies of insurance are reduced in limits or cancelled for any reason, Developer shall, prior to the cancellation date, submit new evidence of insurance, in conformance with this Section.

e. Developer shall not enter upon the Site for the purpose of the Due Diligence Investigations until Developer has provided the City Manager with the required Certificate of Insurance and the City Manager has approved same.

f. The provisions of any workers' compensation or similar act shall not limit the obligations of Developer under this Agreement. Developer expressly agrees not to use any statutory immunity defenses under such laws with respect to City or the City, or its officers, officials, members, employees, agents, representatives, or volunteers acting in an official capacity.

g. Developer agrees to provide immediate notice to City of any claim or loss against Developer arising out of any acts or omissions of Developer under this Agreement. City assumes no obligation or liability by such notice, but has the right to monitor the handling of any such claim or claims if they are likely to involve the City or the City or any officer, official, member, employee, agent, representative, or volunteer acting in an official capacity.

XII. MISCELLANEOUS

1. No Broker or Finder

Neither the City nor Developer shall be responsible for any real estate commission or brokerage fees resulting from this sale. Both parties shall represent and warrant that no brokers have been involved and each party shall indemnify the other for any commissions or fees in violation of such representation. The City shall not be responsible for any real estate commission or brokerage fees resulting from the Developer's acquisition of the Santa Cruz Land, and Developer shall indemnify the City for any violation of the foregoing.

2. Governing Law: Venue: Attorneys' Fees

City and Developer agree that this Agreement shall be governed by, interpreted under, and construed and enforced in accordance with, the internal laws of the State of California without application of principles of conflicts of law. City and Developer acknowledge and agree that this Agreement was negotiated and entered into in the City of Scotts Valley, California. Any legal action brought under this Agreement must be instituted in the Superior Court of the County of Santa Cruz, or in the Federal District Court of the applicable federal district of California. In the event of any litigation between the parties hereto, the prevailing party shall be entitled to receive, in addition to the relief granted, its reasonable attorneys' fees and costs and such other costs incurred in investigating the action and prosecuting the same, including costs for expert witnesses, costs on appeal, and for discovery.

3. Partial Invalidity

If any term or provision or portion thereof of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision or portion thereof to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

4. Waivers

No waiver of any breach of any covenant or provision contained in this Agreement shall be deemed a waiver of any preceding or succeeding breach or such provision, or of any other covenant or provision contained in this Agreement. No extension of the time for performance of any obligation or act or any waiver of any provision of this Agreement shall be enforceable against City or Developer, unless made in writing and executed by both City and Developer.

5. Notices

All notices under this Agreement shall be delivered by personal delivery, by a reputable same-day or overnight courier service, or by mailing in the U.S. mail by prepaid certified mail, or by facsimile transmission provided the sender receives written

confirmation of receipt of the transmission and delivers the original of such transmission to the other Party within one (1) business day thereafter by one of the other means described herein. Notices shall be directed to the respective Parties as follows:

If to City:

City of Scotts Valley
City Manager
One Civic Center Drive
Scotts Valley, CA 95066
831-440-5600 (tel)
831-438-2793 (fax)

With a copy to:

Logan & Powell, LLP
15466 Los Gatos Blvd., Suite 109
Los Gatos, CA 95032
Attention: Kirsten M. Powell

If to Developer:

Scotts Valley Town Green Land LLC
810 7th Street
San Francisco, California 94107
Attention: Doug Ross

With a copy to:

VLP Law Group LLP
369 Pine Street, Suite 506
San Francisco, California 94104
Attention: Stephen M. Wright

A Party may change the address for delivery of notices to it as such Party may from time to time designate in writing to the other Party by a written notice conforming to the requirements of this section. Notices delivered by personal delivery, or same-day or overnight courier service, or facsimile transmission, shall be effective upon receipt (provided that any notices received after 5:00 p.m. on a business day shall not be deemed received until 9:00 a.m. the next business day). Notices delivered by mail shall be effective as of Noon on the third business day following deposit with the United States Postal Service.

6. Construction

Headings at the beginning of each section and subsection of this Agreement are solely for the convenience of reference of City and Developer and are not a part of this Agreement. Whenever required by the context of this Agreement, the singular shall include the plural and the masculine shall include the feminine and vice versa. This Agreement shall not be construed as if it had been prepared by one or the other of City or Developer but rather as if both City and Developer prepared this Agreement. Unless otherwise indicated, all references to sections are to this Agreement. If any exhibits are referred to in this Agreement, such exhibits are either attached to this Agreement or incorporated into this Agreement by reference.

7. Nonliability of City Officials. Officers. And Employees

No officer, official, member, employee, agent, representative, or volunteer of the City or of the City shall be personally liable to Developer, or any successors in interest, in the event of any default or breach by City of this Agreement, or for any amount which may become due to Developer or to any successors under this Agreement, or for breach of any obligation of the terms of this Agreement.

8. Time of the Essence

Time is of the essence in this Agreement and of each and every term and provision hereof, it being understood that the Parties hereto have specifically negotiated the dates or time limits for the completion of each obligation herein.

9. Entire Agreement: Amendment.

This Agreement sets forth the entire agreement between the Parties with respect to the subject matter set forth herein and supersedes all prior discussions and negotiations between the Parties with respect thereto. No amendment to this Agreement shall be effective unless set forth in a writing signed by an authorized signatory of each Party.

10. Counterparts.

This Agreement may be executed in any number of duplicate originals, all of which shall be of equal legal force and effect upon all of the Parties hereto signing this Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Parties have executed and entered into this Agreement as of the Effective Date:

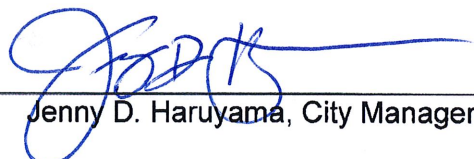
"DEVELOPER"

SCOTTS VALLEY TOWN GREEN LAND LLC,
a California limited liability company

By: 
Name: Chris Foley
Title: Manager

"CITY"

THE CITY OF SCOTTS VALLEY

By: 
Jenny D. Haruyama, City Manager

ATTEST:

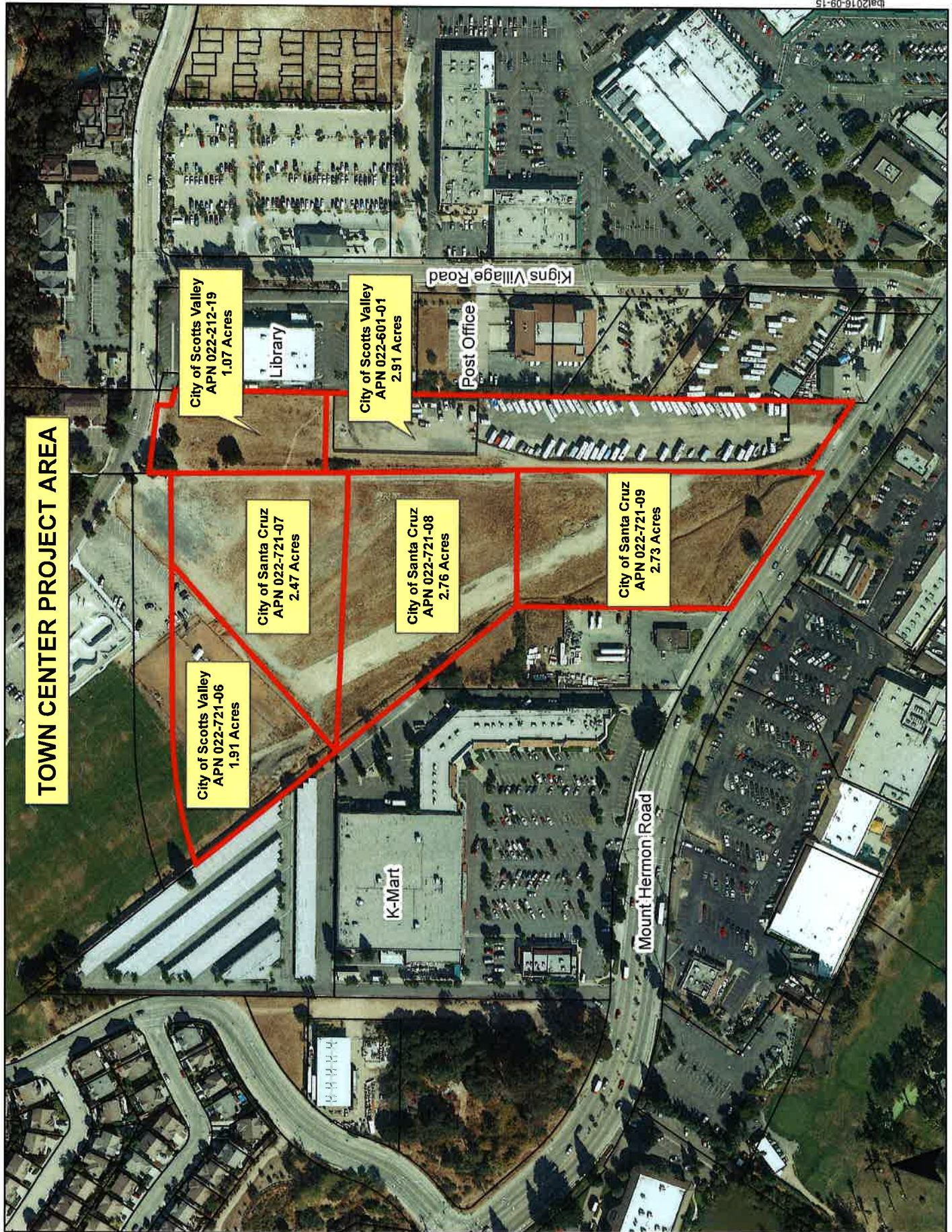
By: _____
Tracy A. Ferrara, City Clerk

APPROVED AS TO FORM:

By: _____
Kirsten Powell, City Attorney

EXHIBIT "A"
SITE MAP

[SEE FOLLOWING PAGE]



TOWN CENTER PROJECT AREA

**City of Scotts Valley
INTEROFFICE MEMORANDUM**

DATE: December 19, 2018

TO: Honorable Mayor and City Council

FROM: Kristin Ard, Recreation Division Manager

APPROVED: Jenny Haruyama, City Manager

SUBJECT: **REVISION OF FY 2018/19 SALARY SCHEDULE TO MEET
STATE MINIMUM WAGE REQUIREMENTS FOR 2019**

SUMMARY OF ISSUE

On April 4, 2016, the Governor of California approved to amend sections 245.5, 246, and 1182.12 of the Labor Code, specifically relating to labor.

The bill requires the minimum wage for all industries, with 26 or more employees, to not be less than the specified amounts listed from January 1, 2017 – January 1, 2022. Below is the Minimum Wage Increase Schedule the City will need to comply with:

- 2017 \$10.50
- 2018 \$11.00
- 2019 \$12.00
- 2020 \$13.00
- 2021 \$14.00
- 2022 \$15.00

There are five temporary positions impacted by the minimum wage increase given that Step 1 of these positions is \$11.00 per hour. The affected positions are: Recreation Aide/Teacher's Aide, Recreation Leader/Teacher, Swim Instructor Aide/Lifeguard, Softball Scorekeeper, and Basketball Scorekeeper. The attached FY 2018/19 salary schedule for temporary recreational employees reflects necessary adjustments to meet the new 2019 minimum wage requirement.

Each year, the City will evaluate the impacts of the minimum wage and make recommended adjustments accordingly. Part of that analysis will include potential impact with other temporary and full time/part time permanent positions.

FISCAL IMPACT

Applying the state minimum wage requirement for 2019 to the FY 2018/19 salary schedule will result in a fiscal impact. It is anticipated that staffing expenses will increase by \$2,850 through the end of the fiscal year. Adjustments for the subsequent fiscal year will be brought forward to Council in January 2020, but will have already been built into the FY 2019/20 operating budget.

STAFF RECOMMENDATION

It is recommended that City Council adopt the revised salary schedule for temporary recreation employees to meet 2019 State minimum wage requirements.

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Salary Schedule for Recreation Temporary Employees	3

CITY OF SCOTTS VALLEY

RECREATION - TEMPORARY EMPLOYEES

01/01/2019 - 12/31/2019

Position Classification	Step 1	Step 2	Step 3	Step 4	Step 5
Assistant Site Director	15.29	16.05	16.86	17.70	18.59
Recreation Leader/Teacher	13.90	14.60	15.32	16.09	16.90
Recreation/Teacher's Aide	12.00	12.60	13.23	13.89	14.59
Pool Manager	17.80	18.69	19.62	20.61	21.64
Swim Instructor/Head Lifeguard	16.50	17.33	18.19	19.10	20.06
Swim Instructor/Lifeguard	15.50	16.28	17.09	17.94	18.84
Swim Instructor Aide/Lifeguard	12.00	12.60	13.23	13.89	14.59
Softball Scorekeeper	12.00	12.60	13.23	13.89	14.59
Basketball Scorekeeper	12.00	12.60	13.23	13.89	14.59

City of Scotts Valley CITY COUNCIL STAFF REPORT

DATE: December 19, 2018

TO: Honorable Mayor and City Council

FROM: Tony McFarlane, Administrative Services Director

APPROVED: Jenny Haruyama, City Manager

SUBJECT: **APPROVE RESOLUTION NO. 1839.1 ACCEPTING
NEGOTIATED CHANGE OF PROPERTY TAX REVENUES WITH
THE COUNTY OF SANTA CRUZ FOR 965 CUMBRE LANE**

SUMMARY OF ISSUE

On August 1, 2018, the City Council approved the annexation of 965 Cumbre Lane into the City of Scotts Valley. Pursuant to California Revenue and Taxation Code Section 99 the governing bodies of all agencies whose service areas would be altered by the jurisdictional change are required to negotiate an exchange of property tax revenues. Attached is a resolution which provides for a property tax exchange with the County of Santa Cruz for the above annexation. The proposed property tax exchange is consistent with previous annexations to the City of Scotts Valley. A corresponding resolution of the County Board of Supervisors was approved on October 16. Once both jurisdictions have agreed upon an exchange of property tax revenues the annexation will be scheduled for LAFCO final approval.

FISCAL IMPACT

The proposed exchange is based on values after the shift to the Educational Revenue Augmentation Fund (ERAF) and provides for the following:

1. The City will receive 21.5% of the County General Fund property tax revenue and the County will retain 78.5%.
2. The County General Fund will assume 100% of the property tax revenue from County Service Area 11, 12 and 38 and the Santa Cruz County Resource Conservation District.
3. There will be no exchange for any of the other taxing entities.

The exchange summarized above applies to both base year and incremental property tax revenues for the subject area.

Additionally, pursuant to the Annexation Policy adopted by the City Council in 1995, “*All developed areas proposed for annexation to the City shall demonstrate a positive financial contribution to the City*”. Future development of the site will require the payment of development impact fees to cover the cost of providing City services (i.e. police, recreation, streets, library, etc.).

STAFF RECOMMENDATION

It is recommended that the City Council approve Resolution No. 1839.1 accepting the tax exchange outlined above.

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RESOLUTION NO. 1839.1

**RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF SCOTTS VALLEY ACCEPTING NEGOTIATED EXCHANGE
OF PROPERTY TAX REVENUES PURSUANT TO CALIFORNIA REVENUE
AND TAXATION CODE 99**

WHEREAS, California Revenue and Taxation Code Section 99 requires that each city or county included in a governmental reorganization or jurisdictional change accept a negotiated exchange of property tax revenues; and

WHEREAS, the governing bodies of all agencies whose service areas would be altered by the jurisdictional change referred to in Exhibit "A" have met to determine the allocation of property tax revenues; and

WHEREAS, the City of Scotts Valley agrees to accept the negotiated exchange of property tax revenue as provided for in Exhibit "A"; and

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the City Council of the City of Scotts Valley hereby accepts the negotiated change of property tax revenues as provided for in Exhibit "A" as required by California Revenue and Taxation Code Section 99; and

BE IT FURTHER RESOLVED AND ORDERED that the City Clerk shall forward a copy of this Resolution to the County of Santa Cruz Auditor-Controller and LAFCO; and

BE IT FURTHER RESOLVED AND ORDERED that the Santa Cruz County Auditor-Controller is directed to disperse property tax revenues as provided for in Exhibit "A" upon receipt of a copy of this Resolution and a concurring resolution of the County of Santa Cruz

The above and foregoing resolution was duly and regularly adopted by the City Council of the City of Scotts Valley at a regular meeting held on the 19th day of December, 2018 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Approved: _____
Mayor

Attest: _____
Tracy A. Ferrara, City Clerk

EXHIBIT A

TO CITY COUNCIL RESOLUTION NO. 1839.1

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SCOTTS VALLEY ACCEPTING NEGOTIATED CHANGE OF PROPERTY TAX REVENUES PURSUANT TO CALIFORNIA REVENUE AND TAXATION CODE SECTION 99

1. **DESCRIPTION**

965 Cumbre Lane, APN #070-331-09
LAFCO #965

2. **PROPERTY TAX EXCHANGE**

A. **Base Year Full Cash Value**

1. The City will receive 21.5% of the County General Fund property tax revenue and the County will retain 78.5%.
2. The County General Fund will assume 100% of the property tax revenue from County Service Area #11, 12 and 38 and the Santa Cruz County Resource Conservation District.
3. There is no exchange for any other taxing entity.

B. **Incremental Full Cash Value**

1. The City will receive 21.5% of the County General Fund property tax revenue and the County will retain 78.5%.
2. The County General Fund will assume 100% of the property tax revenue from County Service Area #11, 12, and 38 and the Santa Cruz County Resource Conservation District.
3. There is no exchange for any other taxing entity.

**City of Scotts Valley
CITY COUNCIL STAFF REPORT**

DATE: December 19, 2018
TO: Honorable Mayor and City Council
FROM: Tracy A. Ferrara, City Clerk
APPROVED: Jenny D. Haruyama, City Manager
SUBJECT: APPOINTMENT TO PLANNING COMMISSION

SUMMARY OF ISSUE

As vacancies occur, or due to an election or re-election of a Council Member, a member of the Council may nominate a new individual to serve on a City Commission, Committee, and/or Board. All appointments must be approved by the City Council.

There is a vacancy on the Planning Commission due to the election of Derek Timm to the City Council. An application has been submitted by David Hodgin, and Council Member Jim Reed has nominated Mr. Hodgin to serve on the Planning Commission. Upon Council approval, Mr. Hodgin will fill the vacancy left by Derek Timm.

FISCAL IMPACT

None.

STAFF RECOMMENDATION

It is recommended that the City Council ratify the appointment of David Hodgin to serve on Planning Commission.

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City of Scotts Valley

Application for Appointment to Serve on a City Advisory Body

Advisory Body you are applying for:

- | | | |
|---|---|---|
| ☒ Planning Commission | ☐ Arts Commission | ☐ Senior Center Board |
| ☐ Parks & Recreation Commission | ☐ Board of Appeals | ☐ Code Enforcement Appeals Board |
| ☐ ADA Accessibility Committee | ☐ Parks & Recreation Advocates | ☐ Mobile Home Park Rent Review |

Contact Information

Name	David T. Hodgin			
Street Address				
City / ST/ ZIP Code	Scotts Valley			
Phone – Primary	831-438-1000	☐ Cell	☒ Work	☐ Home
Phone – Secondary		☒ Cell	☐ Work	☐ Home
E-Mail Address	Pathfinder@pacbell.net			

Background Information*

Years residing in Scotts Valley	23 (business presence 45 years)
Employer	The Pathfinder Companies
Occupation/Profession	Certified Management Consultant
Education	BA Economics, UC Santa Barbara; BFT International Management, American Institute for Foreign Trade; MBA work, NYU Graduate School of

**If you are appointed to a city commission or board, you may be required to file a Statement of Economic Interests (FPPC Form 700). The Form 700 is a State-mandated public document disclosing certain business, property and investment holdings which might conflict with the member's decisions. The City Clerk's Office will supply the Form 700 upon appointment.*

Summarize your interests, education, and/or experience as they relate to this position.

Active in Scotts Valley since June 22, 1973. Resume provided seperately.

Explain how you believe you can contribute toward the effectiveness of this position.

Strong background in business planning, finance and feasibility.

Summarize your participation in civic or community activities.

Please see separate document

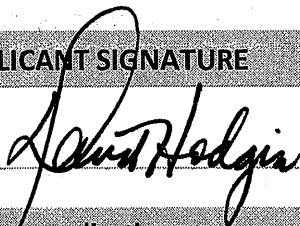
How did you hear about this vacancy?

☐ City Website ☐ Other Website ☐ Word of Mouth ☒ Other (Specify): Jim Reed

APPLICANT SIGNATURE

DATE

X



12/11/18

Return application:

For more information, contact:

OFFICE USE ONLY – DATE RECEIVED

By email to:
tferrara@scottsvalley.org

In person or by mail to:
City Clerk's Office
1 Civic Center Drive
Scotts Valley, CA 95066

City Clerk's Office (831)440-5600
tferrara@scottsvalley.org
www.scottsvalley.org

Note: 1) Applications are retained for one year. You will be contacted if a vacancy occurs within that time.
2) A separate application must be submitted for each advisory body to which you seek appointment.
3) You may attach additional pages or material (such as a resume) to the application if desired.

David T. Hodgin

Certified Management Consultant*

Dave Hodgin's career spans several continents as well as industries. Following graduation from the University of California Santa Barbara (Economics), two years of service in the Far East with the Army Engineers and three years in sales and distribution management for a multi state service company, he enrolled in the Thunderbird School of Global Management, Glendale, Arizona (currently ranked as #1 in International business worldwide) where he earned an additional degree. He returned to the corporate world as Assistant to the VP, International with a heavy construction firm, then promoted to Vice President Finance & Administration of a subsidiary constructing the first freeway in Argentina. After two years based in Buenos Aires, he joined Owens Corning Fiberglas in New York City as Office Services Supervisor where OCF also paid for his MBA work in Marketing and Finance at New York University's Stern Graduate School of Business on Wall Street. That position took him to Bogotá, Colombia where he served as the resident U.S. representative for Owens Corning in Latin America and as Vice President, Administration & Finance for the company's Colombian affiliate. After two years, he left a fully trained Colombian staff and returned to OCF headquarters, in Toledo, Ohio as an Administrator, internal consultant and Financial Analyst.

After a year in Toledo, he decided to return to California to pursue his interest in consulting on a full time basis. He established a consulting and business development center in the San Francisco Bay area. The following years were filled with business development, management and franchising. Over the years, he served as President, Chairman or CEO for over a dozen companies. A consulting assignment led to entry into the leisure time recreation field, specializing in development and management of recreation vehicle parks.

The latter led to co-founding and serving as the first President of the California Travel Parks Association. He also served as Director of The National Campground Owners Association, Vice President and President. During his Presidency, NCOA grew from less than 400 members, with headquarters in rural Illinois, to more than 3,000 member campgrounds throughout the United States, with greatly expanded headquarters in Washington, D.C. He has also dedicated many hours to Small Business through his volunteer work with entities such as National Small Business United, the California State Conference on Small Business, the United States Small Business Administration, and the White House Conference on Small Business, as well as serving as a founder and the first President of the California Small Business Association.

In 1983, he and his wife developed Rancho Antojo, La Selva, California, where they bred and trained the unique Paso Fino horse with which they became acquainted while living in South America. An active participant in this arena as well, he served on the Board of Directors of the National Paso Fino Horse Association and as the President of the California Paso Fino Horse Association.

Dave Hodgin has completed 50 years as a professional Business and Management Consultant, continuing to serve clients throughout the United States and overseas from a base at The Pathfinder Companies' offices in Scotts Valley, California, where he supervises the work of all consultants. He served as the President and Chairman of the Institute of Management Consultants, Northern California Chapter and on the board of the Central Coast Regional Water Quality Control Board (a CA state agency). Currently he serves on the board of various companies, associations and community organizations, including as a Director of the local water district, on the board of the Association of California Water Agencies and the Executive Committee of that industry's Joint Powers Insurance Authority. Dave also founded and currently chairs the Monterey Bay Consultants Group and was the 2006-2007 President of the California/Hawaii/Nevada District Exchange Clubs.

* CMC (Certified Management Consultant) is a certification mark awarded by the Institute of Management Consultants USA and represents evidence of the highest standards of consulting and adherence to the ethical canons of the profession. See: <http://www.imcusa.org/hireacmc.acgi>

Community Service Activities

Service to "Small Business"

California Small Business Association: First President 1990-1993, Director 1990 to 1999

California Smaller Enterprises Resource Services, Inc. "CALSERS": President, 1997 to 2000
Director and Treasurer 1994 to 2000

National Small Business United: Trustee 1991-1993, Director 1990-1991
Associate Trustee 1994-1998, Associate Director 1988-90
Council of Regional Executives 1989-1991

California Small Business United: President 1988-90

California State Conference on Small Business: President 1986-1988, Vice President 1984-1986
Secretary 1982-1984, Member 1980 - 1990

United States Small Business Administration: Chairman 1983-1987, San Francisco District Advisory Council
Member of the Council 1976-1990

White House Conference on Small Business: Delegate 1986, Vice Chair Northern California Delegation

California Chamber of Commerce Small Business: Vice Chairman 1983-1985, Committee member 1981-1994

Advisory Board to the California Senate Select Committee on Small Business Enterprises:
Member 1983-1991

Small Business Resource Group: California Assembly Select Committee on Small Business, Member 1982-1990

Cabrillo College Small Business Education Program: Advisor 1980-1988 and one of the Founders of Santa Cruz Small Business Consortium which led to the formation of the Central Coast Small Business Development Center

Community Service

Santa Cruz County Convention and Visitor's Bureau: President 1984, Vice President 1983,
Treasurer 1982, Director 1978-1986

Scotts Valley Recreational and Cultural Foundation: Chairman 1982-1985

Scotts Valley Chamber of Commerce: Director for five years. Member since 1973

Greater Santa Cruz Chamber of Commerce: Director 1983-1984. Member 1983-1992

Exchange Club of Scotts Valley: President 1982, 1983, 2008, 2009. Director 1980-1984, 1986-1988, 2006-present.
Member since 1979

Exchange Club of Santa Cruz: Charter member, Founder. Director 2007-2009, 2015 to Present

California-Hawaii-Nevada District Exchange Clubs: President 2006-2007, President Elect 2005-2006
District Director 1982-1984, 1996-2000, Asst. District Director 1980-1982
Four time recipient of the "Outstanding District Director" award

"Scotts Valley Days", an annual community celebration: Chairman 1984

Scotts Valley Property Owners Association: President 1981, Board Member 1979-1989

Santa Cruz Classic Golf Tournament: Chairperson 1989, 1990, 1991, 1992, 1996, 2003.
Co-Chairman 1993, 1994, 1995

City of Scotts Valley Appeals Board: Term: 1993-1996, 1996-1999

Scotts Valley Water District: Director 2003 – 2018, Vice President 2005, President 2006, 2007, 2012

Valley Gardens Golf Club, Treasurer since 2005

Central Coast Regional Water Quality Control Board: Director 2007 – 2011

Association of California Water Agencies, Region 5: Director 2005-2007, Vice Chair 2008-2009, Chair 20010-2013, Vice Chair 2014-2015, Chair 2016 – 2017, Vice Chair 2018 - 2020
Member State Board, Association of California Water Agencies 2008 – 2019

ACWA-JPIA (Insurance Authority), Board Member from 2005, Member Executive Committee 2010 - 2019

Monteville Community Life (501c3), now "Scotts Valley Senior Life Association": President since 2011

Scotts Valley Community Theater Guild, Treasurer since 2015

Scotts Valley "Man of the Year", 2015/16

Santa Cruz County Consolidated Redevelopment Successor Agency Oversight Board, Elected to Board 2018

Listed in "Who's Who in California"; "Who's Who in Business & Industry"; "Top Professionals 2014"

