PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 2, 2025

NEW ISSUE
BOOK-ENTRY ONLY

RATING
S&P: AA+
(See "CONCLUDING INFORMATION - Rating on the 2025A Bonds" herein)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the 2025A Bonds and requirements of the Internal Revenue Code of 1986, as described herein, interest on the 2025A Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2025A Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Bond Counsel is also of the opinion that, under existing law, interest on the 2025A Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein.

SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY

$4,760,000*
LEASE REVENUE BONDS
2025 SERIES A

Dated: Date of Delivery **Due: As shown on the inside front cover page**

The Santa Cruz County Capital Financing Authority Lease Revenue Bonds, 2025 Series A (the "2025A Bonds") are being issued to finance the acquisition of and improvements to certain facilities and to pay the costs incurred in connection with the issuance of the 2025A Bonds. See "INTRODUCTION - Purpose" and "THE FINANCING PLAN" herein. The 2025A Bonds are payable from the revenues pledged under the Indenture, as defined herein, consisting primarily of base rental payments (the "Base Rental Payments") to be made by the County of Santa Cruz (the "County") to the Santa Cruz County Capital Financing Authority (the "Authority") for rental of certain property (the "Leased Property") pursuant to a Lease, as defined herein, and from certain funds held under the Indenture and insurance or condemnation awards. The County is required under the Lease to make Base Rental Payments in each fiscal year in consideration of the use and possession of the Leased Property from any source of available funds in an amount sufficient to pay the annual principal and interest due with respect to the 2025A Bonds, subject to abatement, as described herein. See "SOURCES OF PAYMENT FOR THE 2025A BONDS" and "RISK FACTORS" herein.

Interest on the 2025A Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2026, until maturity or earlier optional, sinking account or extraordinary redemption. See "THE 2025A BONDS - General Provisions" and "THE 2025A BONDS - Redemption" herein.

THE 2025A BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF REVENUES AND CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2025A Bonds.

The 2025A Bonds are offered, when, as and if issued, subject to the approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed on for the County and the Authority by Jason M. Heath, County Counsel, and by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel, and for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the 2025A Bonds, in book-entry form, will be available for delivery on or about September 25, 2025 through the facilities of The Depository Trust Company.

STIFEL

The date of the Official Statement is __, 2025.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful under the securities laws of such jurisdiction.

SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
$4,760,000*
LEASE REVENUE BONDS
2025 SERIES A

MATURITY SCHEDULE

Base CUSIP®† 80181P

Maturity Date June 1	Principal Amount	Interest Rate	Reoffering Yield	Reoffering Price	CUSIP®†

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. Copyright (c) 2025 CUSIP Global Services. All rights reserved. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the County, the Municipal Advisor or the Underwriter and are included solely for the convenience of the holders of the 2025A Bonds. None of the Authority, the County, the Municipal Advisor, the Underwriter or their agents or counsel is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the 2025A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 2025A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2025A Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Investment in the 2025A Bonds involves risks which are not appropriate for certain investors. Therefore, only persons with substantial financial resources (in net worth or income) who understand (either alone or with competent investment advice) those risks should consider such an investment.

Except where otherwise indicated, all information contained in this Official Statement has been provided by the Authority and the County. No dealer, broker, salesperson or other person has been authorized by the Authority, the County or the Municipal Advisor to give any information or to make any representations in connection with the offer or sale of the 2025A Bonds other than those contained herein; and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the County or the Municipal Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2025A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the County or the Authority. This Official Statement is not to be construed as a contract with the purchasers or Owners of the 2025A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the County or any other parties described herein since the date hereof. All summaries of the Indenture, Lease or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the County for further information in connection therewith. While the County maintains an internet website and certain social media accounts for various purposes, none of the information on that website or those accounts is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the 2025A Bonds or any other bonds or obligations of the Authority or the County. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the Authority nor the County plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. The County is obligated to provide continuing disclosure for certain historical information only. See the caption "CONCLUDING INFORMATION - Continuing Disclosure" herein.

IN CONNECTION WITH THE OFFERING OF THE 2025A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2025A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2025A BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

COUNTY OF SANTA CRUZ, CALIFORNIA

BOARD OF SUPERVISORS

Manu Koenig, *Supervisor, 1st District*
Kimberly De Serpa, *Supervisor, 2nd District*
Justin Cummings, *Supervisor, 3rd District*
Felipe Hernandez, *Supervisor, 4th District*
Monica Martinez, *Supervisor, 5th District*

COUNTY KEY ADMINISTRATIVE PERSONNEL AND ELECTED OFFICIALS

Carlos Palacios, *County Executive Officer*
Laura Bowers, *Auditor-Controller-Treasurer-Tax Collector*
Sheri Thomas, *Assessor-Recorder*
Jason M. Heath, *County Counsel*
Elissa Benson, *Assistant County Executive Officer*
Nicole Coburn, *Assistant County Executive Officer*
Melodye Serino, *Deputy County Executive Officer*
Matt Machado, *Deputy County Executive Officer/Director of Community Development and Infrastructure*
Marcus Pimentel, *County Budget Manager*

PROFESSIONAL SERVICES

Bond Counsel
Norton Rose Fulbright US LLP
Los Angeles, California

Disclosure Counsel
Best Best & Krieger LLP
Riverside, California

Municipal Advisor
Harrell & Company Advisors, LLC
Tustin, California

Trustee
The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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OFFICIAL STATEMENT

SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY
$4,760,000*
LEASE REVENUE BONDS
2025 SERIES A

This Official Statement which includes the cover page and appendices (the "Official Statement"), is provided to furnish certain information concerning the sale of the Santa Cruz County Capital Financing Authority Lease Revenue Bonds, 2025 Series A (the "2025A Bonds"), in the aggregate principal amount of $4,760,000*.

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. This Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the 2025A Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see "RISK FACTORS" herein). For definitions of certain capitalized terms used herein and not otherwise defined, and the terms relating to the 2025A Bonds, see the summary included in "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein.

The County and the Authority

The County was incorporated in 1850. It has a general law form of government. It is located on the coast of California, between the San Francisco Bay Area and the Monterey Bay Peninsula, 73 miles south of San Francisco (see "APPENDIX A – CERTAIN GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION CONCERNING THE COUNTY OF SANTA CRUZ" herein).

The Authority is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Joint Powers Act"). The County and the Santa Cruz County Flood Control and Water Conservation District formed the Authority by the execution of a joint exercise of powers agreement (as amended, the "JPA Agreement") dated February 25, 2014. Under the JPA Agreement, the Authority is authorized to provide funds to acquire or construct public capital improvements, and to finance public capital improvements through the issuance of bonds in accordance with the Joint Powers Act.

The Authority is governed by a five-member Board of Directors which consists of all members of the County Board of Supervisors. The Chair of the Board of Supervisors acts as the Chair of the Authority. The County Executive Officer acts as the Executive Director, the Assistant County Executive Officer acts as the Assistant Executive Director, the Clerk of the Board of Supervisors acts as the Secretary and the County Auditor-Controller-Treasurer-Tax Collector acts as the Treasurer of the Authority.

* Preliminary, subject to change.

Purpose

The 2025A Bonds are being issued to finance the acquisition of and improvements to certain facilities and to pay the costs incurred in connection with the issuance of the 2025A Bonds.

See "THE FINANCING PLAN" herein.

Security and Sources of Repayment

The 2025A Bonds are secured under an Indenture, dated as of June 1, 2024, as amended and supplemented by a First Supplemental Indenture, dated as of September 1, 2025 (as amended and supplemented, the "Indenture"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the "Trustee") (see "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein).

The 2025A Bonds, together with the Authority's outstanding Lease Revenue Bonds, 2024 Series C (the "2024C Bonds") and any Additional Bonds, as defined herein, are payable from the revenues pledged under the Indenture. The revenues consist primarily of Base Rental Payments (the "Base Rental Payments") to be made by the County to the Authority for the rental of real property and improvements thereon (the "Leased Property") and from certain funds held under the Indenture and investment earnings thereon (collectively with the Base Rental Payments, the "Revenues"), and from net proceeds of insurance or condemnation awards with respect to the Leased Property. See "THE LEASED PROPERTY" herein. The 2024C Bonds, the 2025A Bonds and any Additional Bonds are referred to herein as the "Bonds."

The current outstanding amount of 2024C Bonds is $27,175,000, and the 2024C Bonds have a final maturity of June 1, 2054.

Pursuant to a Site and Facility Lease, dated as of June 1, 2024, as amended and supplemented by a First Amendment to Site and Facility Lease, dated as of September 1, 2025 (as amended and supplemented, the "Site Lease"), by and between the Authority and the County, the County has leased the Leased Property to the Authority. The Authority has subleased the Leased Property back to the County under a Lease Agreement dated as of June 1, 2024, as amended and supplemented by a First Amendment to Lease Agreement, dated as of September 1, 2025 (as amended and supplemented, the "Lease"), by and between the County and the Authority. The Base Rental Payments are to be made by the County pursuant to the Lease.

Under the Lease and, subject to abatement, the County is required to make the Base Rental Payments from legally available funds in amounts calculated to be sufficient to pay principal of and interest on the 2024C Bonds, the 2025A Bonds and any Additional Bonds when due. The County has covenanted in the Lease to take such actions as may be necessary to include all Base Rental Payments in its annual budgets and to make the necessary annual appropriations for all such Base Rental Payments subject to complete or partial abatement of such Base Rental Payments resulting from a taking of the Leased Property (either in whole or in part) under the powers of eminent domain or resulting from damage or loss of all or any portion of the Leased Property. All of the Authority's right, title and interest in and to the Lease (apart from certain rights to receive Additional Payments, as defined therein, to the extent payable to the Authority, and to indemnification), including the right to receive Base Rental Payments under the Lease, are assigned to the Trustee for the benefit of Bondholders, under the Amended and Restated Assignment Agreement, dated as of September 1, 2025 (the "Assignment Agreement") between the Authority and the Trustee.

For a summary of the Indenture, the Lease, the Site Lease and the Assignment Agreement, see "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" herein. Certain capitalized terms used in this Official Statement and not otherwise defined have the meanings given them in "APPENDIX D."

In general, the County is required under the Lease to pay to the Authority specified amounts for use and possession of the Leased Property which are calculated to be sufficient in both time and amount to pay, when due, the principal of and interest on the 2024C Bonds, the 2025A Bonds and any Additional Bonds. The County is also required to pay any taxes and assessments levied on the Leased Property and all costs of maintenance and repair of the Leased Property. Except for the Authority's right, title and interest in and to the Base Rental Payments and otherwise to the Lease which have been assigned to the Trustee, no funds or properties of the Authority or the County are pledged to or otherwise liable for the 2025A Bonds (see "RISK FACTORS" herein).

Limited Obligation

THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE COUNTY TO PAY BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

No Reserve Fund

The Authority will not fund a reserve fund for the 2025A Bonds.

Offering of the 2025A Bonds

Authority for Issuance and Delivery. The 2025A Bonds are to be issued in accordance with applicable provisions of the California Government Code, the Indenture, and by Resolution No. 92-2025 of the Authority and by Resolution No. 91-2025 of the County, each adopted on June 10, 2025.

Offering and Delivery of the 2025A Bonds. The 2025A Bonds are offered, when, as and if issued, subject to the approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. It is anticipated that the 2025A Bonds, in book-entry form, will be available for delivery on or about September 25, 2025 through the facilities of The Depository Trust Company ("DTC"). See "APPENDIX G - THE BOOK-ENTRY SYSTEM."

Summaries Not Definitive

The summaries and references contained herein with respect to the Indenture, the Site Lease, the Lease, the Assignment Agreement, the 2025A Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the 2025A Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of these documents may be obtained after delivery of the 2025A Bonds from the County at the County Government Center, 701 Ocean Street, Santa Cruz, California 95060, telephone (831) 454-2500.

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THE FINANCING PLAN

The Project

The Project (the "Project") consists of the acquisition of two buildings currently leased to the County and providing office space for the Office of the Public Defender (the "Property Acquisition"), and the funding of a portion of the cost of an equalization tank to benefit County Service Area 07.

The Property Acquisition is comprised of two buildings with approximately 12,500 square feet of office space on 0.9 acres in the City of Santa Cruz. The County has leased the buildings since 1988. The acquisition price is $3.5 million.

In addition to the Property Acquisition, proceeds of the 2025A Bonds are expected to be used to make any necessary repairs to the buildings, up to $500,000.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds related to the sale and issuance of the 2025A Bonds is set forth below:

Sources of Funds
Par Amount of Bonds
Net Original Issue Premium (Discount)
Total Sources

Uses of Funds
2025A Construction Fund
Underwriter's Discount
Costs of Issuance [(1)]
Total Uses

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(1) Expenses include fees and expenses of Bond Counsel, Municipal Advisor, Disclosure Counsel and Trustee and rating fees, costs of printing the Official Statement, and other costs of issuance of the 2025A Bonds.

THE LEASED PROPERTY

The Leased Property consist of:

- Live Oak Library
- Aptos Library
- Behavioral Health Center
- South County Health Services Administration Building

The County has the right, from time to time, to substitute facilities, add additional facilities or remove facilities from the Leased Property, subject to certain requirements as described below.

Live Oak Library. The Live Oak Library is a 13,500 square foot, 2-story facility constructed in 2005 on approximately 4 acres along Portola Drive in the unincorporated area of the County. A remodel was completed in 2022. It is located just outside Flood Zone AE, known as a 100-year flood plain.

Aptos Library. The Aptos Library is a newly constructed 12,400 square foot facility located on approximately 1 acre along Soquel Avenue, near Highway 1, a major north-south transportation corridor in the County.

Behavioral Health Center. The Behavioral Health Center was built in 2013 to support the County's Crisis Stabilization Program and the Psychiatric Health Facility, which had previously been housed at a local hospital. The one-story facility is 16,400 square feet and located on approximately 1.5 acres on the border of the Live Oak community and the City of Santa Cruz.

South County Health Services Administration Building. This building provides office space for administrative staff of the Health Services Agency and other government functions. It is a single story, 13,776 square foot facility built in 2004. The facility is located in Watsonville on approximately 2 acres with 48 parking spaces, in the Westridge Business Park near other buildings providing County services in the southern area of the County.

The buildings are currently insured for an estimated replacement value as follows:

Live Oak Library	6,545,214
Aptos Library	15,316,290
Behavioral Health Center	12,288,887
South County Health Services Administration Building	4,100,000
Total insured value	$38,250,391

Casualty insurance on the Leased Property currently includes earthquake damage and flood damage. However, earthquake coverage is only required in the future if such coverage is available at reasonable cost from reputable insurers in the judgment of the County (see "SOURCES OF PAYMENT FOR THE 2025A BONDS - Insurance Relating to the Leased Property" herein).

The County has the right under the Lease to delete or substitute portions of the Leased Property with alternate Property, as well as add additional property to the Lease, subject to the satisfaction of certain requirements (see "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - THE LEASE AGREEMENT" herein).

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THE 2025A BONDS

General Provisions

The 2025A Bonds will be dated their date of original delivery, will be issued in fully registered form, in denominations of $5,000 and any integral multiple thereof and will mature on the dates and in the principal amounts and bear interest at the rates as set forth on the inside cover page of this Official Statement.

Interest on the 2025A Bonds shall be payable semiannually on June 1 and December 1 of each year commencing June 1, 2026 (each, an "Interest Payment Date"). Interest on the 2025A Bonds will be paid on each Interest Payment Date to the persons in whose name the ownership of the 2025A Bonds is registered on the registration books maintained by the Trustee for the registration of ownership and registration of transfer of the 2025A Bonds as of the close of business on the immediately preceding Record Date, such interest to be paid by check of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; or by wire transfer made on such Interest Payment Date to any Owner of $1,000,000 or more in aggregate principal amount of 2025A Bonds who has requested such transfer pursuant to written notice filed with the Trustee prior to the preceding Record Date.

Payments of Principal and Interest; Book-Entry System. The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the 2025A Bonds. The 2025A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Interest on and principal of the 2025A Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to participants in DTC's book-entry only system, which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the 2025A Bonds (see "APPENDIX G - THE BOOK-ENTRY SYSTEM" herein). As long as DTC is the registered owner of the 2025A Bonds and DTC's book-entry method is used for the 2025A Bonds, the Trustee will send any notices to Bond Owners only to DTC.

Redemption

Extraordinary Redemption From Insurance or Condemnation Proceeds. The Bonds are subject to extraordinary redemption prior to their respective maturity dates, upon notice as provided in the Indenture, as a whole or in part on any date, from prepayments of the Base Rental Payments made by the County on a *pro rata* basis pursuant to the Lease from funds received by the County due to a taking of the Leased Property or any portion thereof under the power of eminent domain or from insurance proceeds received by the County due to damage to or destruction of, or title defect with respect to, the Leased Property or any portion thereof, under the circumstances and upon the conditions and terms prescribed in the Indenture and in the Lease. See "SOURCES OF PAYMENT FOR THE 2025A BONDS - Insurance Relating to the Leased Property." There can be no assurance that such proceeds will be adequate to redeem all of the 2024C Bonds and 2025A Bonds, and if issued, any Additional Bonds (see "RISK FACTORS - The Base Rental Payments – Insurance," "THE 2025A BONDS - Additional Bonds" and "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS–The Indenture" herein).

Optional Redemption from Prepayments of Base Rental Payments. The 2025A Bonds maturing on or after June 1, 2036 are subject to redemption prior to their respective maturity dates as a whole or in part on any date, by such maturities as may be designated by the Authority to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee, in the sole discretion of the Trustee) prior to the date fixed for redemption, or, if the Authority fails to so designate, in inverse order of maturity, and by lot within a maturity, from prepayments of Base Rental Payments made at the option of the County pursuant to the Lease, on or after June 1, 2035, at a redemption price equal to the principal amount of the 2025A Bonds to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption. The 2025A Bonds maturing June 1, ___ and June 1, ____ (the "Term Bonds") are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on June 1, ____ and on June 1, ___, respectively, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption as follows.

SINKING ACCOUNT SCHEDULE FOR
TERM BONDS MATURING JUNE 1, _____

Sinking Account Redemption Date (June 1)	**Principal Amount To Be Redeemed**

SINKING ACCOUNT SCHEDULE FOR
TERM BONDS MATURING JUNE 1, _____

Sinking Account Redemption Date (June 1)	**Principal Amount To Be Redeemed**

If some but not all of the Term Bonds have been redeemed pursuant to extraordinary or optional redemptions, the total amount of sinking account payments to be made subsequent to such redemption will be reduced in an amount equal to the principal amount of the Term Bonds so redeemed by reducing each such future sinking account payment on a pro rata basis (as nearly as practicable) in integral multiples of $5,000 (for extraordinary redemptions) or as determined by the Authority (for optional redemptions), in each case as shall be designated pursuant to written notice filed by the Authority with the Trustee.

Notice of Redemption; Rescission. The Trustee on behalf and at the expense of the Authority is required to mail (by first class mail) notice of any redemption to the respective Owners of any 2025A Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least 20 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such 2025A Bonds or the cessation of the accrual of interest thereon. Such notice is required to state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the 2025A Bond numbers and the maturity or maturities (in the event of redemption of all of the 2025A Bonds of such maturity or maturities in whole) of the 2025A Bonds to be redeemed, and require that such 2025A Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2025A Bonds will not accrue from and after the redemption date. In the event that funds required to pay the redemption price are not on deposit under the Indenture at the time the notice of redemption for 2025A Bonds is sent, the redemption notice shall include a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Trustee on or prior to the redemption date. Such notice is also required to state, if so determined by the Authority, that such notice may be rescinded at any time prior to the redemption date. Any notice of redemption may be rescinded at any time prior to the redemption date by written notice given to the Trustee by the Authority and the Trustee shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given. As long

as the 2025A Bonds remain in a book-entry system, the Trustee will send such notice only to DTC. See APPENDIX G–"THE BOOK-ENTRY SYSTEM."

Without limiting the foregoing, in the event that funds required to pay the redemption price are not on deposit under the Indenture at the time the notice of redemption for 2025A Bonds is sent, the redemption notice is required to include a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Trustee on or prior to the redemption date.

Selection of 2025A Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2025A Bonds, the Trustee is required to select the 2025A Bonds to be redeemed from all 2025A Bonds not previously called for redemption, in such maturities as the Authority designates (and by lot within any maturity); provided, however, that in connection with an extraordinary redemption of less than all of the 2025A Bonds pursuant to the Indenture, such 2025A Bonds shall be redeemed on a *pro rata* basis (as nearly as practicable) among maturities and series as shall be designated pursuant to written notice filed by the Authority to the Trustee. For purposes of such selection, all 2025A Bonds shall be deemed to be comprised of separate $5,000 portions and such portions shall be treated as separate 2025A Bonds, which may be separately redeemed.

Partial Redemption of 2025A Bonds. If only a portion of any 2025A Bond is called for redemption, then upon surrender of such 2025A Bond the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2025A Bond or 2025A Bonds of the same series, interest rate and maturity date, in aggregate principal amount equal to the unredeemed portion of the 2025A Bond being redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, premium, if any, and interest on the 2025A Bonds so called for redemption shall have been duly provided, such 2025A Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date. All 2025A Bonds redeemed pursuant to the Indenture shall be canceled by the Trustee. All moneys held by or on behalf of the Trustee for the payment of principal of or interest or premium on 2025A Bonds, whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

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Scheduled Base Rental Payments and Debt Service on the 2025A Bonds

The following is the scheduled debt service on the 2025A Bonds assuming no special or optional prepayment prior to maturity.

Period Ending June 1	Principal	Interest	Annual Total
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
Total			

The following is the schedule of annual Base Rental Payments assuming no special or optional prepayment prior to maturity.

Period Ending June 1	2024C Bonds	2025A Bonds	Annual Total
2026	$1,486,969		
2027	1,487,969		
2028	2,113,469		
2029	2,112,219		
2030	2,108,969		
2031	2,108,719		
2032	2,111,219		
2033	2,106,219		
2034	2,108,969		
2035	2,113,969		
2036	2,105,969		
2037	2,115,469		
2038	2,111,469		
2039	2,109,469		
2040	2,109,219		
2041	2,110,469		
2042	2,112,969		
2043	2,111,469		
2044	2,110,969		
2045	686,219		
2046	692,819		
2047	688,419		
2048	688,419		
2049	687,619		
2050	691,019		
2051	687,713		
2052	688,581		
2053	688,419		
2054	687,225		
2055	-		
Total	$45,742,613		

Additional Bonds

In addition to the 2025A Bonds, the Authority and the Trustee may by execution of a Supplemental Indenture, without the consent of the Owners, provide for the issuance and delivery of Additional Bonds in one or more series. The proceeds of such Additional Bonds may be used for any purpose, including for the purpose of refunding Outstanding Bonds. See "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS -THE INDENTURE – Additional Bonds."

SOURCES OF PAYMENT FOR THE 2025A BONDS

General

The 2024C Bonds and 2025A Bonds are payable from and secured by a pledge of Revenues and certain funds and accounts established and held by the Trustee under the Indenture. Revenues, as defined in the Indenture, means:

(a) all Base Rental Payments paid or payable by the County pursuant to the Lease (including prepayments) and

(b) any insurance proceeds or condemnation awards received by or payable to the Trustee under the Lease and any amounts received by the Trustee as a result of or in connection with the pursuit of remedies by the Trustee pursuant to the Lease.

Revenues will include Net Proceeds not used to rebuild or replace the Leased Property that are required to be applied to the payment or redemption of Bonds under the Lease and the Indenture. See "Insurance Relating to the Leased Property" below.

As security for the 2024C Bonds and 2025A Bonds, the Authority has assigned to the Trustee the Authority's rights, title and interest in the Lease (with certain exceptions), including the right to receive Base Rental Payments to be made by the County under the Lease.

The 2025A Bonds are limited obligations of the Authority payable solely from and secured by a pledge of Revenues and certain funds and accounts held under the Indenture. The Authority has no taxing power.

Base Rental Payments; Abatement

The County is required to pay the Base Rental Payments to the Authority for use of the Leased Property, which are equal to the principal of and interest due with respect to the 2024C Bonds and 2025A Bonds. The Lease requires the County to make Base Rental Payments to the Authority on the November 25 or May 25 preceding each Interest Payment Date. Base Rental Payments to be paid by the County are assigned to the Trustee under the Assignment Agreement and are to be transmitted by the County directly to the Trustee. The Indenture provides that the Base Rental Payments will be deposited in the Revenue Fund maintained by the Trustee under the Indenture and applied to pay the principal of and interest on the 2024C Bonds and 2025A Bonds.

The County has covenanted in the Lease to take such action as may be necessary to include all Base Rental Payments in its annual budgets and to make annual appropriations for all such Base Rental Payments. The Lease provides that the several actions required by such covenants are deemed to be and shall be construed to be duties imposed by law and that it is the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such official to enable the County to carry out and perform the covenants in the Lease agreed to be carried out and performed by the County.

California law requires, and the Lease provides, the obligation of the County to pay Base Rental Payments and Additional Rental Payments will be abated during any period in which by reason of any damage, destruction, condemnation or title defect there is substantial interference with the use by the County of the Leased Property or any portion thereof. Such abatement will be in an amount such that the resulting Base Rental Payments in any year during which such interference continues does not exceed the fair rental value of the portions of the Leased Property as to which such damage, destruction, taking or title defect does not substantially interfere with the County's use and right of possession, as evidenced by a Certificate of the County. Such abatement will continue for the period commencing with the date of interference resulting

from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Leased Property, and ending with the substantial completion of the work of repair or replacement of the Leased Property, or the portion thereof so damaged or destroyed, and the term of this Lease shall be extended as provided in the Lease.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments will not be abated as provided above but, rather, will be payable by the County as a special obligation payable solely from said funds and accounts.

The term of the Lease will terminate on June 1, 2055, or such earlier or later date on which the Base Rental Payments are paid in full or provisions made for such payment, but in no event later than June 1, 2065, being ten years after the stated maturity date of the 2025A Bonds.

The Authority has no taxing power. The obligation of the County to pay Base Rental Payments does not constitute an obligation for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to pay Base Rental Payments does not constitute a debt of the County, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

The County has other obligations payable from its General Fund and may enter into other obligations payable from its General Fund without the consent of the Bond Owners. To the extent the County issues such obligations, funds available to pay Base Rental Payments may be reduced. See "APPENDIX B - COUNTY OF SANTA CRUZ FINANCIAL INFORMATION - Long-Term Obligations" and "RISK FACTORS - The Base Rental Payments - Base Rental Payments are Limited Obligations of the County" herein.

No Reserve Fund

The Authority will not fund a reserve fund for the 2025A Bonds.

Insurance Relating to the Leased Property

Fire and Extended Coverage Insurance. The County is required under the Lease to procure and maintain or cause to be procured and maintained, throughout the term of the Lease, insurance against loss or damage to any structures constituting any part of the Leased Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance is required to, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance will include earthquake coverage, but only if earthquake coverage is available at reasonable cost from reputable insurers in the reasonable opinion of the County.

Such insurance shall be in an amount at least equal to the lesser of (a) 100% of the replacement cost of all of the insured improvements, or (b) the aggregate principal amount of the outstanding 2024C Bonds, 2025ABonds, and Additional Bonds, if any. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County and may be maintained in whole or in part in the form of the participation by the County in a joint powers agency or other program providing pooled insurance; provided however, that such insurance may not be maintained by the County in the form of self-insurance.

Rental Interruption Insurance. The Lease requires the County to procure and maintain or cause to be procured and maintained, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Leased Property as a result of certain hazards, in an amount at least equal to the maximum Base Rental Payments coming due and payable during any future 24-month period. Such insurance may be maintained as part of or in conjunction with any other property insurance coverage carried by the County,

and may be maintained in whole or in part in the form of the participation by the County in a joint powers agency or other program providing pooled insurance; provided that such insurance may not be maintained in the form of self-insurance. The proceeds of such insurance, if any, will be paid to the Trustee and deposited in the Revenue Fund, and will be credited towards the payment of the Base Rental Payments as the same become due and payable.

If any or all of the Leased Property is damaged or destroyed, any Net Proceeds of insurance against accident to or destruction of the Leased Property collected by the County in the event of any such accident or destruction shall be paid to the Trustee by the County pursuant to the Lease and deposited by the Trustee promptly upon receipt thereof in the Insurance and Condemnation Fund to be established by the Trustee. If the County fails to determine and notify the Trustee in writing of its determination, within 45 days following the date of such deposit, to replace, repair, restore, modify or improve the Leased Property, then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds and any Additional Bonds on a pro rata basis pursuant to the Indenture to the extent that such Net Proceeds permit. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Leased Property by the County, upon receipt of Written Requisitions of the County, as agent for the Authority. Any balance of the proceeds remaining after such work has been completed as certified by the County to the Trustee shall after payment of amounts due the Trustee be paid to the County.

If there are not sufficient insurance proceeds to complete repair of the Leased Property, the Lease Payment schedule will be proportionally reduced in accordance with the Lease. Such reduced Base Rental Payments may not be sufficient to pay principal and interest with respect to the 2024C Bonds and 2025A Bonds. Such reduction would not constitute a default under either the Indenture or the Lease.

Title Insurance. The County is required to obtain upon the execution and delivery of the First Amendment to the Lease, additional title insurance on the Leased Property, in an amount not less than the aggregate principal amount of 2024C Bonds and 2025A Bonds issued, subject only to Permitted Encumbrances.

If all or any part of the Leased Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund and shall be applied and disbursed by the Trustee as follows: (i) if the County has not given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for the replacement of the Leased Property or such portion thereof, the Trustee shall transfer such Net Proceeds to the Redemption Fund to be applied towards the redemption of the 2024C Bonds and any Additional Bonds on a pro rata basis, or (ii) if the County has given written notice to the Trustee, within 45 days following the date on which such Net Proceeds are deposited with the Trustee, of its determination that such Net Proceeds are needed for replacement of the Leased Property or such portion thereof, the Trustee shall pay to the County, or to its order, from said proceeds such amounts as the County may expend for such repair or rehabilitation, upon the filing of Written Requisitions of the County as agent for the Authority.

No assurance can be given that the proceeds of any insurance or condemnation award will be sufficient under all circumstances to repair or replace any damaged or taken Property or to prepay all Base Rental Payments with respect to the Leased Property. Also, the County makes no representation as to the sufficiency of any insurance awards or the adequacy of any self-insurance to pay, when and as due, amounts payable under the Lease or the 2024C Bonds and 2025A Bonds. See "RISK FACTORS - The Base Rental Payments - Abatement" herein.

See "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE - Insurance" and "RISK FACTORS - The Base Rental Payments - Insurance" herein.

Remedies on Default

If an event of default occurs and is continuing under the Lease, there is no remedy of acceleration of any Base Rental Payments which have not come due and payable in accordance with the Lease. If the County defaults in performance of its obligations under the Lease, the Trustee, as assignee of the Authority, may elect not to terminate the Lease and may re-enter and relet the Leased Property and may enforce the Lease and hold the County liable for all Base Rental Payments on an annual basis while re-entering and reletting the Leased Property. Such re-entry and reletting shall not effect a surrender of the Lease. Alternatively, the Trustee may elect to terminate the Lease and may re-enter and re-let the Leased Property and seek to recover all costs, losses or damages caused by the County's default. See "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE - Events of Default."

Notwithstanding the foregoing remedies which are granted under the Lease with respect to the Leased Property, since the Leased Property is used for essential governmental services of the County, no assurances can be given that a court would permit the Authority or the Trustee to re-enter and re-let the Leased Property.

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RISK FACTORS

The purchase of the 2025A Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the 2025A Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

The Base Rental Payments

Base Rental Payments are Limited Obligations of the County. The Base Rental Payments and other payments due under the Lease (including a proportionate share of the costs of improvement, repair and maintenance of the Leased Property and taxes, and other governmental charges and assessments levied against the Leased Property) are not secured by any pledge of taxes or other revenues of the County but are payable from yearly appropriations of any funds lawfully available to the County.

In the event the County's revenue sources are less than its total obligations, the County could choose to fund other services before paying Base Rental Payments and other payments due under the Lease. The same result could occur if, because of State Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues (see "Constitutional Limitation on Taxes and Expenditures" below). To the extent these types of events or other events adversely affecting the funds available to the County occur in any year, the funds available to pay Base Rental Payments may be decreased.

The County has unfunded liabilities relating to its employee retirement plans and to employee post-retirement health benefits and has also entered into other obligations which are payable from General Fund resources. The County may also enter into additional obligations in the future. To the extent that additional obligations are incurred by the County, the funds available to the County to pay debt service may be decreased (see "APPENDIX B - COUNTY OF SANTA CRUZ FINANCIAL INFORMATION – FINANCIAL INFORMATION - Retirement Program," "- Other Post Employment Benefits" and "- Long- Obligations" herein).

Potential Impact of State Budget and Federal Policy on County's Financial Condition. Federal policies involving taxation, appropriations, borrowing (including the debt ceiling), trade (including tariffs), immigration, climate, change, clean energy, and other topics can shift, sometimes dramatically, from one presidential administration or Congress to another. From time to time, such shifts can result in reductions to the level of federal funding for a variety of policy priorities, including transportation, housing, healthcare, social services, and other federally funded programs. Recently, several such policy shifts, including delays in grants and other appropriations, have been proposed or promulgated through presidential executive orders, and other official and unofficial actions at the federal level. The County cannot predict the outcome of such proposals and other actions, nor the potential impacts of any future changes in federal policy. However, such changes could in the future have adverse effects on revenues, operations or capital funding requirements. See "APPENDIX B – Fiscal Year 2025-26 Overview."

In addition, in its Enacted 2025-26 Budget, the State did not incorporate any effect of federal cuts that are currently under consideration in Congress, any of which may have implications for the State budget and the County's budget, particularly in the areas of health, housing and transportation. See "APPENDIX B - State of California Budget" herein.

The County staff expects to return to the Board at such a time when a response is required in alignment with development of the Federal budget or any subsequent changes in the State budget.

Abatement. Except to the extent that amounts are available (i) in the Rental Fund under the Indenture, (ii) from proceeds of rental interruption insurance, or (iii) as payments due from third parties due to a delay in reconstructing the Leased Property, the amount of Base Rental Payments and Additional Rental Payments shall be abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation of the Leased Property or defects in the title with respect to the Leased Property there is substantial interference with the use and possession of all or a portion of the Leased Property by the County. The amount of such abatement shall be such that the resulting Base Rental Payments, exclusive of the amounts described above, do not exceed the fair rental value (as determined by the County) for the use and possession of the portion of the Leased Property not damaged, destroyed, interfered with or taken. Such abatement shall continue for the period commencing with such damage, destruction, interference or taking and ending with the substantial completion of the replacement or work of repair or the removal of the title defect causing such interference with use. The Lease shall continue in full force and effect following an event of abatement and the County waives any right to terminate the Lease by virtue of an abatement event.

In the event that such funds are insufficient to make all payments due on the 2024C Bonds and 2025A Bonds during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Lease or Indenture for nonpayment under such circumstances. Failure to pay principal or interest with respect to the 2025A Bonds as a result of abatement of the County's obligation to make Base Rental Payments under the Lease is not an event of default under the Indenture or the Lease. In the event that Base Rental Payments are abated due to damage caused by earthquake or flood, such abatement may continue indefinitely - since the Lease does not require earthquake or flood insurance - and the County cannot be compelled to repair or replace the damaged Property or to redeem the 2025A Bonds but has covenanted in the Lease to use its best efforts to repair or replace the Leased Property from other lawfully available funds to the extent that the Net Proceeds are insufficient. See "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE - Abatement of Base Rental Payments."

It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, the value of the Leased Property could be substantially higher or lower than its value at the time of the issuance of the 2025A Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the 2025A Bonds.

Notwithstanding the provisions of the Lease and the Indenture specifying the extent of abatement of Base Rental Payments and the application of other funds in the event of the County's failure to have use and occupancy of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental Payments of the County may not be sufficient to pay all of the remaining principal and interest on the 2025A Bonds.

Insurance. The Lease obligates the County to obtain and keep in force various forms of insurance to ensure repair or replacement of the Leased Property in the event of damage or destruction to the Leased Property and to maintain rental interruption insurance in an amount equal to maximum annual Base Rental Payments in any future 24-month period (see "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE - Insurance" herein). The Lease does not require earthquake or flood insurance if earthquake coverage is not available at reasonable cost from reputable insurers in the reasonable opinion of the County. The County currently maintains earthquake insurance for the buildings and maintains flood insurance for all of the Leased Property. See "Natural Hazards" below. The County makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Lease. In addition, certain risks may not be covered by such property insurance (see "SOURCES OF PAYMENT FOR THE 2025A BONDS - Insurance Relating to the Leased Property" herein).

In the event the Leased Property is partially or completely damaged or destroyed due to any uninsured or underinsured event, it is likely that Base Rental Payments will be partially or completely abated. If any Property so damaged or destroyed is not repaired or replaced within the period during which the proceeds of rental interruption insurance are available, any such abatement could prevent the County from timely paying Base Rental Payments after rental interruption insurance proceeds are exhausted.

Discovery of a Hazardous Substance That Would Limit the Beneficial Use of the Leased Property. In general, the owners and lessees of a parcel may be required by law to remedy conditions of the Leased Property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as CERCLA or the Superfund Act, is the most well-known and widely applicable of these laws but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or lessee) is obligated to remedy a hazardous substance condition of property whether or not the owner (or lessee) had any involvement in creating or handling the hazardous substance. The effect, therefore, should the Leased Property be affected by a hazardous substance, might be to limit the beneficial use of the Leased Property upon discovery and during remediation. The County is not aware of any such condition on the Leased Property.

Natural Hazards

General. The County, like all California communities, may be subject to unpredictable seismic activity, fires or floods. In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the County. The County coordinates an emergency network to handle floods, fires, earthquakes and other major disasters through the Office of Response, Recovery and Resilience ("OR3").

In order to improve emergency response, elevate disaster awareness and prepare for increases in extreme weather due to climate change, the Board created the OR3 in December 2020. The OR3 goes beyond traditional emergency operations to create a full-service division to help the community prepare for disasters, respond during emergencies and assist with recovery.

The OR3 mission is threefold:

- build the County's resilience for future disasters,
- serve as the emergency management office for responding to ongoing disasters, and
- coordinate recovery efforts for disasters that have occurred.

While the County has reacted effectively to previous disasters, recognizing the challenges faced both now and in the future is critical. Therefore, the OR3 is working to prioritize and expand the County's capacity to respond effectively to the current disasters represented by the 2022-23 Winter Storms, the 2020 CZU Lightning Complex Fire (both described below) and the COVID-19 pandemic (the "Pandemic") but also build the resilience necessary to minimize the impacts County-wide from disasters in the future.

The County has adopted a Natural Hazards Mitigation Plan. This plan includes a hazard analysis for earthquake, flood, landslide and fire risk, and is required to comply with Federal Emergency Management Agency ("FEMA") requirements for disaster relief funding. If such events described below occur, the County's emergency response to such an event may add unanticipated expenditures to the General Fund budget in such year or future years, some or all of which may not be reimbursed by federal or state disaster funding, and, if reimbursed, may not be received by the County in a timely manner. This could lead to reduced ability of the County to make Base Rental Payments.

Unanticipated expenditures were incurred as a result of the 2022-23 Winter Storms, when the County experienced significant storm damage due to above-average prolonged rainfall which caused coastal and

riverine flooding, fallen trees and landslides. The County declared local emergencies on January 3, January 6, March 8 and March 14, 2023. While significant damage caused by the 2022-23 Winter Storms was to private property, the County sustained road damage at approximately 80 locations and is responsible for road repairs. Some road repair costs are eligible for disaster relief funding from the State, FEMA and the Federal Highway Administration ("FHWA"). As of June 30, 2024, the County had spent over $78 million on repair of the damage to County roads and parks, and additional costs are expected.

The CZU Lightning Complex Fire was another recent disaster event. The fire destroyed or damaged over 900 homes in the County between August and September 2020. While the majority of the damage caused by the fire was to private property, the County is responsible for any needed road repairs, signage repairs and repair of a bridge in the impacted area. Other infrastructure repairs to the water system and sewer systems were the responsibility of other parties or are funded outside of the County's general fund.

A secondary impact of the CZU Lightning Complex Fire could occur during future years if there is above-average or prolonged rainfall in the area burned by the fire. Wildfires are commonly followed by runoff-generated debris flows because wildfires remove vegetation and ground cover, which reduces soil infiltration capacity and increases soil erodibility.

In general, the County's matching share of costs for a disaster event is approximately 6% of total costs - and the County will usually anticipate that it will be reimbursed for 75% of eligible disaster-related costs by FEMA. The County further anticipates that California Office of Emergency Services ("CalOES") will reimburse the County for 75% of the remaining 25% of costs. However, recent events at the Federal level make the timing and amount of reimbursement in the future uncertain.

The expenditures that the County made for both these recent disasters is currently funded from the County's Off Highway, Roads and Transportation Fund, not the General Fund. In 2024, due to the delays in Federal and State reimbursements, the Authority issued several series of bonds to fund current unreimbursed and/or matching costs expended on the repairs from the 2022-23 Winter Storms or the CZU Lightning Complex Fire.

The County currently includes a contingency in its budget to provide some funding for unanticipated expenditures, but such contingency may not be budgeted in the future, or if budgeted, may not be sufficient to cover disaster-related expenses, depending on the scope of any particular disaster.

Seismic Conditions. The County, like most areas of California, is subject to unpredictable seismic activity. The occurrence of seismic activity in the County could result in substantial damage to properties in the County, which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their property taxes.

The County's General Plan notes that the County is located in a seismically active region and could be impacted by a major earthquake originating from the numerous faults in the area. Surface rupture, ground shaking and liquefaction are the primary seismic risk to the County from a major earthquake along the San Andreas fault or within the Butano, Sargent, Zayante and Corralitos fault zones. Slope instability could result in landslides during ground shaking in some portions of the County. In particular, the epicenter of the 7.1 magnitude Loma Prieta earthquake, which struck in 1989, was located approximately 10 miles east-northeast of the City of Santa Cruz. Repair of infrastructure was financed in part by a voter-approved one-half cent sales tax levied over six years.

Landslides. There are areas of the County that are mountainous and prone to localized landslides during periods of heavy or prolonged rain. Several such landslides occurred during winter 2017 and winter 2022-23 as a result of above-average rainfall. For a time, these slides impacted travel on State Highways 9, 152, and 129 and various local roads, but most notably impacted travel on State Highway 17, the primary transportation corridor between the County and the San Francisco Bay Area.

Wildfire Conditions. The County includes areas where there is high or extreme danger of wildfires during dry months and during periods of prolonged drought. During calendar years 2008 and 2009, there were 5 significant wildfires, resulting in a total of 327 structures or mobile homes destroyed. In October 2017, 29 structures or mobile homes were destroyed and 391 acres burned in the Bear Fire. As noted, the CZU Lightning Complex Fire destroyed or damaged over 900 homes in the County and burned 86,000 acres in 2020.

As described above, a secondary impact of the CZU Lightning Complex Fire, or any future fire, could occur during following years if there is above-average or prolonged rainfall in the area burned by the fire because of runoff-generated debris flows.

There can be no assurances that further wildfires will not occur within the County. Property damage due to wildfire could result in a significant decrease in the market value of property in the County and in the ability or willingness of property owners to pay property taxes when due.

The County is served by Pacific Gas & Electric ("PG&E"). PG&E and other electric providers throughout the State may determine that for public safety it is necessary to turn off electricity ("PSPS"). PG&E has also begun installing their Enhanced Powerline Safety Shutoff ("EPSS") technology to reduce the risk of utility-initiated wildfires. The interruption of power for PSPS events and during EPSS activations happens when gusty winds and dry conditions, combined with a heightened fire risk, are forecasted. The County cannot forecast the impacts of frequent or prolonged power shutoff events on the market value of property in the County or on the County's economy.

Flooding and Tsunamis. Portions of the County are located in a 100-year flood plain and portions of the County are located along the Pacific Ocean.

A flood occurred in 1995 when storm water breached the protective levee of the Pajaro River and flooded approximately 3,280 acres adjacent to the river. The County was required to pay a portion of damages resulting from the levee breach. Another flood occurred in 2023 on the Monterey County side of the Pajaro River due to a 400-foot breach of the levee. Litigation related to damages resulting from the levee breach has been filed against various public agencies, including the County. See "LEGAL MATTERS - Litigation" herein. The Pajaro Regional Flood Management Agency, a joint powers authority of the County, the Santa Cruz County Flood Control and Water Conservation District Zone No. 7, the County of Monterey, the Monterey County Water Resources Agency, and the City of Watsonville was formed in 2021, to plan, finance and implement projects and programs to reduce flood risk from the lower Pajaro River and its tributaries in Santa Cruz and Monterey Counties.

The County could also be subject to impacts from tsunamis in the event of an earthquake occurring offshore.

Wind Impacts. In recent storms, the County has been subjected to straight-line high-velocity winds. These high-velocity winds can exert significant force on structures and trees. In some areas, wind has caused trees to be toppled when the ground was saturated by rain, resulting in landslides and blockage of roads.

Sea Level Rise and Risks Associated with Global Climate Change. The western boundary of the County is located along and inland from the Pacific Ocean coast of California. In recent years, concern has arisen regarding the impact of climate change on coastal communities like the County, including as a result of sea level rise. The County's 2013 Climate Action Strategy originally identified risks of potential damage to property in the County in the event of various climate change scenarios resulting from sea level rise as well as the actions current and future decision makers will need to take to protect the natural and built environments, residents, visitors, and the economic base and quality of life. The County has adopted a 2022 Climate Action and Adaption Plan to include adaptation and mitigation strategies, founded upon the principles of equity and actionable within the span of local government response.

Sea level rise is expected to gradually inundate low-lying areas, which includes the shoreline and beach areas along the coastline that are presently closest to sea level, and therefore some property in the County will be susceptible to direct impacts from rising sea levels, as will certain public facilities, operated by the City of Santa Cruz and shared by the County. The greatest uncertainty is the rate at which sea level rise will occur. Because sea level rise is a gradual process, affected public agencies can implement long-term policies designed to mitigate the impacts, but there is no guarantee that there will be funding to invest in adaptation strategies or what the net effect of those strategies will be.

The impacts of sea level rise can include physical damage to property and therefore reduced habitability, which could result in a significant decrease in the market value of the property in the County and in the ability or willingness of property owners to pay property taxes. Other properties within the County are located along rivers that may be subject to more frequent or increased levels of flooding, again with a potential for impact on property value over time.

Other potential impacts of climate change, in addition to sea level rise, may include extreme temperatures becoming more common and extreme weather events becoming more frequent. Projections of the impacts of global climate change on the County are complex and depend on many factors that are outside the control of the County. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the County is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts on the operations, finances and market value of property in the County or on the County's economy.

Coastal Storm Waves. Sea level rise could also increase the frequency of coastal flooding from extreme waves. Extreme waves during storms have recently caused localized flooding and damage to structures along the Santa Cruz County coast.

Cybersecurity

The County, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations and finances and consequently faces the threat of cybersecurity incidents. As a recipient and provider of personal, private or other electronic sensitive information, the County faces cyber threats from time to time including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the County's systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

The County has developed incident response plans for cyber events and has implemented cyber security training for all County employees. A cyber security committee has developed policies for end users around passwords, training, data destruction and handling as well as mobile device use. The County's Information Services Department actively participates and works with local and national cybersecurity groups such as the National Association of Counties, the Multi-State Information Sharing & Analysis Center and the Northern California Regional Incident Command. The County also engages the Department of Homeland Security's Cybersecurity & Infrastructure Security Agency yearly for vulnerability assessments and weekly scans of externally facing systems. Additionally, the County conducts twice yearly tabletop exercises and also took part in a Bay Area tabletop exercise in March 2024 (a tabletop exercise is a structured and facilitated meeting to discuss a simulated emergency situation). As standards continue to change, the County too will continually update processes and priorities to meet these changes.

In 2023, the County experienced a cyber fraud incident, which was covered by its cyber security insurance policy. The County has never had a major cyber breach that resulted in a significant financial loss, and the 2023 incident did not impact critical financial operations of the County. The County has since instituted certain procedural changes and continues to monitor its compliance with its policies. However, no

assurances can be given that the security and operational control measures of the County will be successful in guarding against any and each cyber threat or breach. Although the County continues to maintain insurance coverage for cyber security losses should a successful breach ever occur again, the cost of any such disruption or remedying damage caused by future attacks could be substantial and in excess of such insurance coverage.

The County is also reliant on other entities and service providers in connection with the administration of the 2025A Bonds, including the Trustee, and the dissemination agent. No assurance can be given that the County and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond Owners.

Limited Recourse on Default; No Acceleration

If an event of default occurs and is continuing under the Lease, there is no remedy of acceleration of any Base Rental Payments which have not come due and payable in accordance with the Lease. The County will continue to be liable for Base Rental Payments as they become due and payable in accordance with the Lease if the Trustee does not terminate the Lease, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. Any such suit for money damages would be subject to limitations on legal remedies against counties in California, including a limitation on enforcement of judgments against funds or property needed to serve the public welfare and interest. In addition, the enforcement of any remedies provided in the Lease and the Indenture could prove both expensive and time-consuming.

The Lease permits the Trustee to take possession of and re-lease the Leased Property in the event of a default by the County under the Lease. Even if the Trustee could readily re-lease the Leased Property, the rents may not be sufficient to enable it to pay principal of and interest on the 2025A Bonds in full when due. Any such re-leasing of the Leased Property would be subject to existing encumbrances thereon. In addition, the Leased Property is used for essential governmental services of the County, and no assurances can be given that a court would permit the Authority or the Trustee to exercise the remedies which are granted under the Lease to re-enter and re-let the Leased Property. See "THE LEASED PROPERTY" herein.

Enforcement of Remedies

The enforcement of any remedies provided in the Lease and the Indenture could prove both expensive and time consuming. The rights and remedies provided in the Lease and the Indenture may be limited by and are subject to the limitations on legal remedies against counties, including State constitutional limits on expenditures, and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect (see "Bankruptcy" below); equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose; and the limitations on remedies against municipal entities in the State. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the 2025A Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The legal opinions to be delivered concurrently with the delivery of the 2025A Bonds (including Bond Counsel's legal opinion) will be qualified, as to the enforceability of the 2025A Bonds, the Indenture, the Lease, the Assignment Agreement and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to

the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitation on legal remedies against cities and counties in the State. See "Bankruptcy" below.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property, and therefore property tax revenue available to make Base Rental Payments, would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the County. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar in effect. Under many of these laws, the owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the Leased Property within the County be affected by a hazardous substance, could be to reduce the marketability and value of such property by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Hazardous substance liabilities may arise in the future with respect to any of the Leased Property in the County resulting from the existence, currently, of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Additionally, such liabilities may arise from the method of handling such substance. These possibilities could significantly affect the value of a parcel and could result in substantial delays in completing planned development on parcels that are currently undeveloped.

Bankruptcy

In addition to the limitations on remedies contained in the Indenture and the Lease, the rights and remedies in the Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs bankruptcy proceedings of public entities such as the County, no involuntary bankruptcy petition may be filed against a public entity. However, upon satisfaction of certain prerequisite conditions, a voluntary bankruptcy petition may be filed by the County. The filing of a bankruptcy petition results in a stay against enforcement of certain remedies under agreements to which the bankrupt entity is a party. A bankruptcy filing by the County could thus limit remedies under the Lease. A bankruptcy debtor may choose to assume or reject executory contracts and leases, such as the Lease. However, a debtor may not assume or reject executory contracts to loan money or to make a financial accommodation, such as the Indenture. In the event of rejection of a lease by debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages.

Under the Indenture, the Trustee holds a security interest in the revenues in the funds pledged thereunder, including Base Rental Payments, for the benefit of the Owners of the 2024C Bonds and 2025A Bonds, but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the County. The Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of the Owners of the 2024C Bonds and 2025A Bonds. In the event of a bankruptcy filed by the County and the subsequent rejection of the Lease by the County, the Trustee is entitled to recover possession of the Leased Property, although as discussed above no assurances can be given that a Court would permit such action to be taken by the Trustee due to the essential governmental purposes served by the Leased Property. In addition, the Trustee would have a claim

for damages against the County, although such claim would constitute a secured claim only to the extent of revenues in the possession of the Trustee; the balance of such claim would be unsecured.

Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have priority of payment superior to that of the Owners of the 2024C Bonds and 2025A Bonds; and (iv) the possibility of the adoption of a plan (the "Plan of Adjustment") for the adjustment of the County's debt without the consent of the Trustee or all of the Owners of the 2024C Bonds and 2025A Bonds, which Plan of Adjustment may restructure, delay, compromise or reduce the amount of any claim of the Owners of the 2024C Bonds and 2025A Bonds if the Bankruptcy Court finds that the Plan of Adjustment is fair and equitable and in the best interests of creditors.

In a bankruptcy of the County, if a material unpaid liability is owed to CalPERS or any other pension system (collectively the "Pension Systems") on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the County's ability to make Base Rental Payments. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other State and/or county law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a County bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a County bankruptcy would rule on these matters. In addition, this area of law is presently very unsettled as issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) have been the subject of litigation in the Chapter 9 cases of several California municipalities, including the Cities of Stockton and San Bernardino.

The Authority is a public agency and, like the County, is not subject to the involuntary procedures of the Bankruptcy Code. The Authority may also seek voluntary protection under Chapter 9 of the Bankruptcy Code. In the event the Authority were to become a debtor under the Bankruptcy Code, the Authority would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding. Such a bankruptcy could adversely affect the payments under the Indenture. Among the adverse effects might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Authority or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Authority; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or court-approved secured debt which may have priority of payment superior to that of the Owners of the 2024C Bonds and 2025A Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the Authority's debt without the consent of the Trustee or all of the Owners of the 2024C Bonds and 2025A Bonds, which plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the 2024C Bonds and 2025A Bonds if the Bankruptcy Court finds that the Plan is fair and equitable. In a bankruptcy the Authority could challenge the assignment of the Site Lease and the Lease, and the Trustee and/or the Owners of the 2024C Bonds and 2025A Bonds could be required to litigate these issues to protect their interests.

Constitutional Limitation on Taxes and Expenditures

State Initiative Measures Generally. Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Voters have exercised this

power through the adoption of Proposition 13 ("Article XIIIA") and similar measures, such as Propositions 22 and 26 approved in the general election held on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the County. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Lease.

Article XIIIA. Article XIIIA of the California Constitution limits the taxing powers of California public agencies. Article XIIIA provides that the maximum ad valorem tax on real property cannot exceed 1% of the "full cash value" of the Leased Property, and effectively prohibits the levying of any other ad valorem property tax except for taxes above that level required to pay debt service on voter-approved general obligation bonds. "Full cash value" is defined as "the County assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The "full cash value" is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or a reduction in the consumer price index or comparable local data. Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by substantial damage, destruction (such as in the case of property destroyed or damaged by the CZU Lightning Complex Fire) or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances. There may also be declines in valuations if the California Consumer Price Index is negative.

The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and prepayment charges on any indebtedness approved by the voters before July 1, 1978, or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of votes cast by the voters voting on the proposition.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend the terms "purchase" and "change of ownership," for purposes of determining full cash value of property under Article XIIIA, to not include the purchase or transfer of (1) real property between spouses, and (2) the principal residence and the first $1,000,000 of other property between parents and children. Proposition 60 amends Article XIIIA to permit the Legislature to allow persons over age 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. In the March 26, 1996 general election, voters approved Proposition 193, which extends the parents-children exception to the reappraisal of assessed value. Proposition 193 amended Article XIIIA so that grandparents may transfer to their grandchildren whose parents are deceased, their principal residences, and the first $1,000,000 of other property without a reappraisal of assessed value.

On November 3, 2020, voters in the State approved Proposition 19 providing for intergenerational exclusions and base year value transfers. Proposition 19 allows:

- transfers of a family home or family farm between parents and their children without causing a change in ownership for property tax purposes;
- transfers of a family home or family farm between grandparents and their grandchildren under limited conditions without causing a change in ownership for property tax purposes;
- allows homeowners who are age 55 or older, or severely and permanently disabled of any age, to transfer the "taxable value" of their principal residence to a replacement property up to three times anywhere in the state; and
- victims of a wildfire or natural disaster to transfer the taxable value of their primary residence to a replacement residence anywhere in the state, if the original property was substantially damaged or

destroyed from a wildfire or Governor declared disaster, with over half of the market or improvement value diminished, to be considered "substantially damaged."

Because the Revenue and Taxation Code does not distinguish between positive and negative changes in the California Consumer Price Index used for purposes of the inflation factor, there was a decrease of 0.237% in 2009-10 – applied to the 2010-11 tax roll – reflecting the actual change in the California Consumer Price Index, as reported by the State Department of Finance. For each fiscal year since Article XIIIA has become effective (the 1978-79 Fiscal Year), the annual increase for inflation has been at least 2% except in fiscal years as shown below.

Tax Roll	Percentage	Tax Roll	Percentage
1981-82	1.000%	2011-12	0.753%
1995-96	1.190	2014-15	0.454
1996-97	1.110	2015-16	1.998
1998-99	1.853	2016-17	1.525
2004-05	1.867	2021-22	1.036
2010-11	(0.237)		

Proposition 8 Adjustments. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide. Currently, the aggregate Proposition 8 reduction is a minor amount. However, changes in the national, State or local economy may impact future property values and increase Proposition 8 reductions. See "APPENDIX B – COUNTY OF SANTA CRUZ FINANCIAL INFORMATION - FINANCIAL INFORMATION - Ad Valorem Property Taxes -Taxable Property and Assessed Valuation" herein.

Article XIIIB. On November 6, 1979, California voters approved Proposition 4, or the Gann Initiative, which added Article XIIIB to the California Constitution. Article XIIIB limits the annual appropriations of the State and any city, county, city and county, school district, authority or other political subdivision of the State. The "base year" for establishing such appropriations limit is the 1978-79 Fiscal Year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by public agencies.

Appropriations subject to Article XIIIB include generally the proceeds of taxes levied by or for the entity and the proceeds of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues, certain State subventions, and the proceeds to an entity of government, from (1) regulatory licenses, user charges and user fees, to the extent that such charges and fees exceed the costs reasonably borne in providing the regulation, product or service, and (2) the investment of tax revenues. Article XIIIB includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

In the June 1990 election, the voters approved Proposition 111 amending the method of calculation of State and local appropriations limits. Proposition 111 made several changes to Article XIIIB. First, the term "change in the cost of living" was redefined as the change in the California per capita personal income ("CPCPI") for the preceding year. Previously, the lower of the CPCPI or the United States Consumer Price Index was used. Second, the appropriations limit for the fiscal year was recomputed by adjusting the 1986-87 limit by the CPCPI for the three subsequent years. Third and lastly, Proposition 111 excluded

appropriations for "qualified capital outlay for Fiscal Year 1990-91 as defined by the legislature" from proceeds of taxes.

Section 7910 of the Government Code requires the County to adopt a formal appropriations limit for each fiscal year. The County's appropriations limit for 2024-25 was $693,306,550. The County's appropriations subject to the limit for 2024-25 were $291,623,570.

Proposition 62. Proposition 62 was a statutory initiative adopted in the November 1986 general election. Proposition 62 added Sections 53720 to 53730, inclusive, to the California Government Code. It confirmed the distinction between a general tax and special tax, established by the State Supreme Court in 1982 in *City and County of San Francisco v. Farrell*, by defining a general tax as one imposed for general governmental purposes and a special tax as one imposed for specific purposes. Proposition 62 further provided that no local government or district may impose (i) a general tax without prior approval of the electorate by majority vote or (ii) a special tax without such prior approval by two-thirds vote. It further provided that if any such tax is imposed without such prior written approval, the amount thereof must be withheld from the levying entity's allocation of annual property taxes for each year that the tax is collected. By its terms, Proposition 62 applies only to general and special taxes imposed on or after August 1, 1985. Proposition 62 was generally upheld in *Santa Clara County Local Transportation Authority v. Guardino*, a California Supreme Court decision filed September 28, 1995.

Proposition 218. On November 5, 1996, California voters approved Proposition 218 - Voter Approval for Local Government Taxes - Limitation on Fees, Assessments, and Charges - Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the ad valorem property tax imposed pursuant to Article XIII and Article XIIIA of the California Constitution, (ii) any special tax receiving a two-thirds vote pursuant to Section 4 of Article XIIIA of the California Constitution, and (iii) assessments, fees, and charges for property related services as provided in Article XIIID. Proposition 218 added voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services. In addition, all assessments and fees and charges imposed as an incident of property ownership, including sewer, water, and refuse collection services, are subjected to various additional procedures, such as hearings and stricter and more individualized benefit requirements and findings. The effect of such provisions will presumably be to increase the difficulty a local agency will have in imposing, increasing or extending such assessments, fees and charges.

Proposition 218 also extended the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairment of contracts.

Proposition 218 provides that, effective July 1, 1997, fees that are charged "as an incident of property ownership" may not "exceed the funds required to provide the property related services" and may only be charged for services that are "immediately available to the owner of the property."

Voter-Approved Taxes. Voters in the County have approved the following taxes:

- In November 2012, voters in the County approved an increase in the transient occupancy tax rate from 9.5% to 11%.

- In June 2014, voters in the County approved Measure F, a parcel tax of $8.50 on all improved parcels within the unincorporated area of the County outside of recreation and park districts.

- In November 2014, voters in the County approved Measure K, the imposition of a tax on the gross sales of medical marijuana businesses in the unincorporated County of up to 10%, with 7% being levied in the initial year. In November 2016, voters in the County approved Measure E, expanding the tax to apply to all cannabis-related businesses. The Board reduced the rate applicable to manufacturers and cultivators from 7% to 5% for periods beginning January 1, 2018, with future incremental increases to achieve 7% by January 1, 2022.

- In November 2016, voters in the County approved Measure D, the imposition of a sales and use tax of one-half cent, for a period of 30 years for transportation related expenditures. Local jurisdictions, such as the County, will share in 30% of the sales tax for local transportation purposes, with the remainder allocated for regional transportation projects.

- In November 2018, voters in the County approved Measure G, the imposition of an additional one-half cent sales tax for a 12-year term. Collection of the additional sales tax began in April 2019.

- In June 2022, voters in the County approved an increase in the transient occupancy tax rate for hotels by 1% and for vacation rentals by 3%.

- In June 2022, voters in the County also approved that one-half of the County's single use cup fee be converted to a tax and allocated to the County beginning January 1, 2023.

- In March 2024, voters in the County approved Measure K, the imposition of an additional one-half cent sales tax. Collection of the additional sales tax began July 2024.

- In November 2024, voters in the County approved Measure Q, the collection of a special tax in the amount of $87 per parcel for land management, and cleanup and conservation projects in forests streams, beaches and other open spaces.

The County does not expect that the application of Proposition 218 will have a material adverse impact on its ability to pay the Base Rental Payments when due.

Proposition 1A. Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, restricts State authority to reduce major local tax revenues such as the tax shifts permitted to take place in Fiscal Years 2004-05 and 2005-06. Proposition 1A provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such a shift may not occur more than twice in any 10-year period. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

The last time Proposition 1A was used to shift property taxes was in Fiscal Year 2009-10, when 8% of the County's property tax revenues were diverted to the State.

Proposition 1A also provides that if the State reduces the vehicle license fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 22. On November 2, 2010, voters in the State approved Proposition 22. Proposition 22, known as the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," eliminates or reduces the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues.

Proposition 26. On November 2, 2010, voters in the State also approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The County does not expect the provisions of Proposition 26 to materially impede its ability to pay the Base Rental Payments when due.

Future Initiatives. From time to time other initiative measures could be adopted, limiting or otherwise affecting the ability of the County to increase revenues and appropriations. For example, an initiative measure qualified for the November 2024 ballot (Initiative 1935) that would have further limited the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. Initiative 1935 but was ultimately removed from the ballot by the California Supreme Court, citing that the initiative was an amendment to the State Constitution that cannot be enacted via the voter-initiative process.

Early Redemption Risk

Early payment of the Base Rental Payments and early redemption of the 2025A Bonds may occur in whole or in part without premium, on any date if the Leased Property or a portion thereof is lost, destroyed or damaged beyond repair or taken by eminent domain and from the proceeds of title insurance. Early payment of the Base Rental Payments and early redemption of the 2025A Bonds may also occur in whole or in part without premium, on any date on or after June 1, 2035 if the County exercises its right to prepay Base Rental Payments in whole or in part. See "THE 2025A BONDS - Redemption."

Loss of Tax Exemption on the 2025A Bonds

As discussed under the heading "TAX MATTERS," interest on the 2025A Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the 2025A Bonds were issued as a result of future acts or omissions of the Authority or the County in violation of the covenants in the Indenture and the Lease.

The Indenture does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the 2025A Bonds were to be includable in gross income for purposes of federal income taxation, the 2025A Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to the redemption provisions of the Indenture. See "THE 2025A BONDS - Redemption."

In addition, Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the 2025A Bonds. Prospective purchasers of the 2025A Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service ("IRS") has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the 2025A Bonds is commenced, under current procedures, the IRS is likely to treat the Authority or the County as the "taxpayer," and the owners of the 2025A Bonds, as the case may be, would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2025A Bonds the Authority or the County may have different or conflicting interests from the owners of the 2025A Bonds. Public awareness of any future audit of the 2025A Bonds, as the case may be, could adversely affect the value and liquidity of the 2025A Bonds, as the case may be, during the pendency of the audit, regardless of its ultimate outcome.

Secondary Market Risk

There can be no assurance that there will be a secondary market for purchase or sale of the 2025A Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition of the County.

Substitution or Removal of Property

The Lease provides that, upon the satisfaction of the conditions specified therein, the County may substitute real property for all or any portion of the Leased Property, and may release all or a portion of the Leased Property from the Lease. The Lease also provides that the County may add real property to the Lease. See "THE LEASED PROPERTY" and "APPENDIX D - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - LEASE - Substitution of Property, Release of Property or Addition of Property." Such a substitution, removal or addition could have an adverse impact on the security for the 2025A Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution, removal or addition.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the 2025A Bonds upon an event of default under the Indenture, the Lease, the Site Lease, or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. In the case of any bankruptcy proceeding involving the County, the rights of the Owners could be modified at the direction of the court. The various legal opinions to be delivered concurrently with the delivery of the 2025A Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture, the Lease, the Site Lease and other pertinent documents is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, as Bond Counsel, will render an opinion with respect to the validity and enforceability of the Indenture and the Lease, and as to the validity of the 2025A Bonds. See "APPENDIX F" hereto for the proposed form of Bond Counsel's opinions.

The Authority and the County have no knowledge of any fact or other information which would indicate that the Indenture, the Lease, the Site Lease or the 2025A Bonds are not enforceable against the Authority and the County, as applicable, except to the extent such enforcement is limited by principles of equity, by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally and by limitations on legal remedies against municipalities in the State.

Certain legal matters will be passed on for the County and the Authority by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel, and by the County Counsel. Additionally, certain matters will be passed on for the Underwriter by its Counsel, Kutak Rock LLP, Irvine, California. Fees payable to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the 2025A Bonds.

Litigation

The Authority and the County will each furnish a certificate dated as of the date of delivery of the 2025A Bonds that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Indenture, the Lease or the sale or delivery of the 2025A Bonds or in any manner questioning the proceedings and authority under which the Indenture, the Site Lease and the Lease are to be executed or delivered or the 2025A Bonds are to be delivered or affecting the validity thereof.

As a result of the breach of the Pajaro River levee and flooding in Monterey County in March 2023, litigation relating to damages incurred has been filed by a number of parties against various public agencies, including the County. See "RISK FACTORS – Natural Hazards – Flooding and Tsunamis" herein. The litigation process is in its early stages, and it is expected to be lengthy and not suitable for early resolution.

Other lawsuits and claims against the County exist that are incidental to the ordinary course of the County's operations. In the view of the County's management and County Counsel, there is no litigation, present or pending against the County, that will individually or in the aggregate impair the County's ability to make Base Rental Payments when due.

TAX MATTERS

Federal Tax Exemption

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the Authority and the County (the "Issuer"), under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the Issuer with certain covenants in the Indenture, the Tax Certificate and other documents pertaining to the 2025A Bonds and requirements of the Internal Revenue Code of 1986 (the "Code") regarding the use, expenditure and investment of proceeds of the 2025A Bonds and the timely payment of certain investment earnings to the United States, interest on the 2025A Bonds is not included in the gross income of the owners of the 2025A Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the 2025A Bonds to be included in gross income retroactive to the date of issuance of the 2025A Bonds.

In the further opinion of Bond Counsel, interest on the 2025A Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Bond Counsel expresses no opinion regarding the applicability of the federal corporate alternative minimum tax to the adjusted financial statement income of certain corporations.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the 2025A Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate or other documents pertaining to the 2025A Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the 2025A Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income of the interest on the 2025A Bonds for federal income tax purposes.

Bond Counsel's opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the 2025A Bonds is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the 2025A Bonds would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest on the 2025A Bonds, the Issuer may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the 2025A Bonds could adversely affect the value and liquidity of the 2025A Bonds during the pendency of the examination, regardless of its ultimate outcome.

Tax Accounting Treatment of Bond Premium and Original Issue Discount

Bond Premium. To the extent a purchaser acquires a 2025A Bond at a price in excess of the amount payable at its maturity, such excess will constitute "bond premium" under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Bond Counsel is not opining on the accounting for bond premium or the consequence to a 2025A Bond purchaser of purchasing a 2025A Bond with bond premium. Accordingly, persons considering the purchase of 2025A Bonds with bond premium should consult their own tax advisors with respect to the determination of bond premium on such 2025A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2025A Bonds.

Original Issue Discount. The excess, if any, of the stated redemption price at maturity of 2025A Bonds of a particular maturity over the initial offering price to the public of the 2025A Bonds of that maturity at which a substantial amount of the 2025A Bonds of that maturity is sold to the public is "original issue discount." Original issue discount accruing on a 2025A Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes under the same conditions and limitations as are applicable to interest payable on such 2025A Bond. Original issue discount on a 2025A Bond of a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the 2025A Bonds of that maturity is sold to the public accrues on a semiannual basis over the term of the 2025A Bond on the basis of a constant yield; and within each semiannual period accrues on a ratable daily basis. The amount of original issue discount on a 2025A Bond accruing during each period is added to the adjusted basis of such 2025A Bond, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such 2025A Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase 2025A Bonds other than at the initial offering price. Bond Counsel is not opining on the accounting for or consequence to a 2025A Bond purchaser of purchasing a 2025A Bond with original issue discount. Accordingly, persons considering the purchase of 2025A Bonds with original issue discount should consult their own tax advisors with respect to the determination of original issue discount on such 2025A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2025A Bonds.

Information Reporting and Backup Withholding

Interest paid on the 2025A Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the 2025A Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the 2025A Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments

Existing law may change to reduce or eliminate the benefit to owners of the 2025A Bonds of the exclusion of the interest on the 2025A Bonds from gross income for federal income tax purposes or of the exemption of interest on the 2025A Bonds from State of California personal income taxation. Any proposed legislation, whether or not enacted, or administrative action, whether or not taken, could also affect the value and marketability of the 2025A Bonds. Prospective purchasers of the 2025A Bonds should consult their own tax advisors with respect to any proposed or future change in tax law.

A copy of the form of opinion of Bond Counsel relating to the 2025A Bonds is included in APPENDIX F hereto.

CONCLUDING INFORMATION

Rating on the 2025A Bonds

S&P Global Ratings has assigned its rating of "AA+" to the 2025A Bonds. Such rating reflects only the views of the rating agency and any desired explanation of the significance of such rating, and any outlook associated with such rating, should be obtained from the rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

Except as otherwise required in the Continuing Disclosure Certificate, the County undertakes no responsibility either to bring to the attention of the owners of any 2025A Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2025A Bonds. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Underwriting

The 2025A Bonds were sold to Stifel, Nicolaus & Company, Incorporated (the "Underwriter" or "Stifel") pursuant to a Bond Purchase Agreement dated _____, 2025. The Underwriter is offering the 2025A Bonds at the initial offering prices set forth on the inside front cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter will purchase the 2025A Bonds at a price equal to $_____, which amount represents the principal amount of the 2025A Bonds, plus a net original issue premium of $_____ and less an Underwriter's discount of $_____. The Underwriter will pay certain of its expenses relating to the offering from the Underwriter's discount.

Stifel and its affiliates comprise a full service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the County or the Authority and to persons and entities with relationships with the County or the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the County or the Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the the County or the Authority

Stifel and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the County or the Authority.

The Municipal Advisor

The material contained in this Official Statement was prepared by the Authority and the County with the assistance of the Municipal Advisor who advised the Authority and the County as to the financial structure and certain other financial matters relating to the 2025A Bonds. The information set forth herein received from sources other than the County has been obtained by the Authority from sources which are believed to be reliable, but such information is not guaranteed by the Municipal Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Municipal Advisor are contingent upon the sale and delivery of the 2025A Bonds.

Continuing Disclosure

The County will provide annually certain financial information and data relating to the County by not later than February 15 in each year commencing February 15, 2026 (the "Annual Report"), and will provide notices of the occurrence of certain other enumerated events in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934 as amended (the "Rule"). The Municipal Advisor will act as Dissemination Agent. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the continuing disclosure obligation are found in the form of the County's Disclosure Certificate attached in "APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The County and certain other entities related to the County have entered into previous undertakings pursuant to the Rule. The County believes it has complied in all material respects with any undertaking made pursuant to the Rule. However, within the last five years, the County has failed to comply with its prior undertakings in the following respects: (i) with respect to the County's 2020-2021 Tax and Revenue Anticipation Notes, the County's final budget was posted on November 10, 2020, 10 days later than required and (ii) with respect to four land-secured financings, the Annual Report for Fiscal Year 2020-21 was filed timely, however, the County's audited financial statements were filed on April 11, 2022 for such issues, 42 days later than required, and a notice of failure to timely file such audited financial statements for the four affected issues was filed on April 11, 2022.

Additional Information

The summaries and references contained herein with respect to the Indenture, the Site Lease, the Lease, the 2025A Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the 2025A Bonds are qualified in their entirety by reference to the form hereof included in the Indenture. Copies of the Indenture, the Site Lease and the Lease may be obtained after delivery of the 2025A Bonds from the County at 701 Ocean Street, Santa Cruz, California 95060, telephone (831) 454-2500.

References

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the 2025A Bonds.

Execution

The execution of this Official Statement by the Assistant Executive Director of the Authority and the Assistant County Executive Officer of the County has been duly authorized by the Authority and by the County, respectively.

SANTA CRUZ COUNTY CAPITAL FINANCING AUTHORITY

By: _____

Assistant Executive Director

COUNTY OF SANTA CRUZ

By: _____

Assistant County Executive Officer

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APPENDIX A

CERTAIN GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION CONCERNING THE COUNTY OF SANTA CRUZ

This Appendix A includes a brief description of the County of Santa Cruz (the "County"), together with current information concerning its governmental organization and economy.

GENERAL INFORMATION

The County is situated at the northern tip of Monterey Bay, 73 miles south of San Francisco, 42 miles north of Monterey, and 35 miles south of the Silicon Valley. The County is the gateway to the Monterey Bay National Marine Sanctuary, has 29 miles of beaches and includes seven state parks and seven state beaches. It is the second smallest county in California in land area, containing a total of 445 square miles. There are four incorporated cities in the County: Capitola, Santa Cruz, Scotts Valley and Watsonville.

The City of Santa Cruz was incorporated as a city in 1866. It is the county seat of the County and is the location of the Santa Cruz campus of the University of California. The City of Watsonville, established in 1868, lies 18 miles southeast of the City of Santa Cruz. The City of Watsonville is the center of the County's agriculture region transporting fresh and processed farm crops to worldwide destinations. The City of Capitola stretches along the coast east of the City of Santa Cruz. It was incorporated in 1949 and is a tourist destination and regional retail center. The City of Scotts Valley, incorporated in 1966, lies north of the City of Santa Cruz and includes community commercial areas serving local residents and a mix of industrial sites that have supported light manufacturing and research development firms predominantly in the electronics and technology industries.

Unincorporated communities in the County include: Live Oak, an urban coastal area, between the City of Santa Cruz and the City of Capitola; Soquel, which lies inland north of Capitola; Aptos, east of Soquel; Felton, Ben Lomond and Boulder Creek, which are located in the San Lorenzo Valley between the City of Santa Cruz and Big Basin State Park; Davenport, which is located on the coast north of the City of Santa Cruz; Corralitos, located east of Aptos and northwest of the City of Watsonville; Freedom, which is adjacent to and northwest of the City of Watsonville; and the Pajaro Valley, an agricultural area surrounding the City of Watsonville.

Government Organization

The County was incorporated in 1850 as one of the original 27 counties of the State with the City of Santa Cruz as the county seat. It has a general law form of government. A five-member Board of Supervisors elected to four-year terms serves as the legislative body. Also elected are the Auditor-Controller-Treasurer-Tax Collector, District Attorney-Public Administrator, Sheriff-Coroner, Registrar of Voters-Clerk and Assessor-Recorder. The County Executive Officer, County Counsel and Public Defender are appointed by the Board of Supervisors.

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The members of the Board of Supervisors (the "Board"), the expiration dates of their terms and key administrative personnel and other elected officials are set forth below.

BOARD OF SUPERVISORS

Board Member	Term Expires
Manu Koenig, *Supervisor, 1st District*	January 2029
Kimberly De Serpa, *Supervisor, 2nd District*	January 2029
Justin Cummings, *Supervisor, 3rd District*	January 2027
Felipe Hernandez, *Supervisor, 4th District*	January 2027
Monica Martinez, *Supervisor, 5th District*	January 2029

KEY ADMINISTRATIVE PERSONNEL AND OTHER ELECTED OFFICIALS

Carlos Palacios*	County Executive Officer
Laura Bowers	Auditor-Controller-Treasurer-Tax Collector
Sheri Thomas	Assessor-Recorder
Jason M. Heath	County Counsel
Elissa Benson	Assistant County Executive Officer
Nicole Coburn	Assistant County Executive Officer
Melodye Serino	Deputy County Executive Officer
Matt Machado	Deputy County Executive Officer/ Director of Community Development and Infrastructure
Marcus Pimentel	County Budget Manager

* Carlos Palacios is retiring as of December 31, 2025.

Governmental Services

The County's departments are grouped by service function for budget and reporting purposes.

General Government

General Government includes the departments of the Assessor-Recorder, Auditor-Controller-Treasurer-Tax Collector, Board of Supervisors, the County Executive Office, County Clerk, County Counsel, General Services, Information Services and Personnel & Risk Management. These departments primarily oversee the administration and financial functions of the County.

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes and distribution of taxes to cities, former redevelopment agencies, special districts, local school districts and the County. A second major function is the County's voter registration and election system. In addition, the County provides contributions to other agencies such as the Association of Monterey Bay Area Governments (AMBAG), the Local Agency Formation Commission of Santa Cruz County (LAFCO), and the Monterey Bay Air Resources District (MBARD).

Health and Human Services

Health and Human Services includes the Health Services Agency, the Human Services Department and the Department of Child Support Services. The County's Health Services Agency was established to provide central administration for various health-related programs operated or sponsored by the County. These programs include mental health, public health, environmental health, medical outpatient clinics, medical care for indigents and drug and alcohol treatment services. The County established a Housing for Health division in Fiscal Year 2020-21 with the aim to support and house chronically unhoused individuals in the County.

Most programs operated by the Health Services Agency are mandated by State law and are funded through State subsidies, grants and fees for services. State and federal laws also mandate that counties provide certain human services including Aid to Families with Dependent Children, CalFresh program, Adult Protective Services, public guardian, Child Protective Services, foster care and adoption services and federal workforce development programs. The Patient Protection and Affordable Care Act is administered by the County's Human Services Department (social services) and by the Health Services Agency. The Department of Child Support Services works with parents and guardians to ensure children and families receive court-ordered financial and medical support. In addition, the County provides funding to community non-profits under the CORE Investments budget.

Public Safety & Justice

The County criminal justice system is supported primarily by local County revenues, and consists of the Sheriff-Coroner, the Probation Department, the District Attorney, the Public Defender and a contribution to the Superior Court. Other Public Safety priorities are supported primarily through fees for service and include fire protection, flood control and water conservation, and animal control services.

In addition to countywide law enforcement services, the Sheriff provides narcotics enforcement, investigation of arson, homicides, consumer fraud and crime scene investigation, and acts as coroner for the County and all incorporated cities. The Sheriff operates three jail facilities throughout the County.

The County coordinates an emergency network to handle floods, fires, earthquakes and other major disasters through the Office of Response, Recovery and Resilience, a division of the County Executive Office. The Santa Cruz County Flood Control and Water Conservation District provides flood control and water conservation planning.

Fire protection services in the County are provided by the cities of Santa Cruz and Watsonville, nine fire protection districts and the University of California, Santa Cruz. The Santa Cruz County Fire Department, operated through the California Department of Forestry and Fire Protection (CALFIRE), is responsible for fire protection and first responder emergency medical services in areas outside the boundaries of the fire protection districts.

The County is a participant in a joint powers emergency communications agency which provides public safety dispatchers who coordinate multi-agency mutual aid response, as well as dispatch the Sheriff's Office, ambulance/paramedic services and most fire protection agencies operating within the County. The Santa Cruz County Animal Services Authority is a joint powers authority that includes the County and the cities of Santa Cruz, Watsonville, Capitola and Scotts Valley to provide animal control services to residents.

Land Use and Community Services

The County departments responsible for Land Use and Community Services include the Agricultural Commissioner, Agricultural Extension, Parks, Open Space and Cultural Services, Community Development and Infrastructure and the Redevelopment Successor Agency. The Agricultural Commissioner provides for the protection of agriculture, enforcement of weights and measures and vector

control. Parks, Open Space and Cultural Services manages the Santa Cruz County Water and Wildfire Protection Act approved by the voters in 2024 that provides funding for land management, cleanup and conservation projects in forests, streams, beaches and other open spaces.

The Department of Community Development and Infrastructure ("CDI") oversees two divisions. The Planning division of CDI develops, implements and enforces land use policies and ordinances, administers environmental review and protection programs, processes and issues building, zoning, and other developmental permits, handles code compliance and oversees affordable housing and community development efforts. The Public Works division of CDI provides for the maintenance of public infrastructure for services associated with transportation, solid waste, sanitation, parking, drainage, and solid waste/recycling.

Education and Community Services

Public school education is available through 36 elementary schools, 20 secondary schools and 10 unified school districts as well as numerous charter and alternative education programs.

The University of California (the "University") established its Santa Cruz campus in 1965. The University is structured into ten independent undergraduate colleges and offers graduate study in numerous academic fields. The Lick Observatory, a multi-campus research facility for astronomers, is headquartered at the University. The 2,000-acre campus, set among redwood groves and meadows, lies on the northwest boundary of the City of Santa Cruz.

Cabrillo Community College ("Cabrillo"), a publicly supported institution, offers a broad curriculum which includes liberal arts, business, engineering, nursing and allied health technologies, and career technical education. Cabrillo is located in the community of Aptos.

The County also hosts the Seymour Marine Discovery Center, the Joseph M. Long Marine Laboratory, the National Oceanic and Atmospheric Administration (NOAA) Fisheries, the Marine Wildlife Veterinary Care and Research Center, and the Monterey Bay National Marine Sanctuary Exploration Center.

There are two full-service hospitals in the County. Dignity Health Dominican Hospital is located east of the City of Santa Cruz and Watsonville Community Hospital is located in Watsonville. The Watsonville Community Hospital was purchased in 2022 by the Pajaro Valley Health Care District. A maternity and outpatient surgery center, Sutter Hospital, is also located in the County.

There are two library systems in the County – Watsonville City Library and the Santa Cruz Public Library system, with 10 branches serving the cities of Santa Cruz, Capitola and Scotts Valley and all unincorporated communities in the County.

Cultural amenities in the area include Open Studios, the Tannery Arts Center, the Santa Cruz County Symphony, the Cabrillo Music Festival, Shakespeare Santa Cruz, the Museum of Art and History, the University of California Performing Arts Center, the Henry J. Mello Performing Arts Center and the Cabrillo College Visual, Applied & Performing Arts Complex.

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Transportation

Six major State highways connect the County with adjacent counties. Highway 1 leads along the coast from San Francisco south to the City of Santa Cruz and on to Monterey. Highways 9 and 17 traverse the County from the City of Santa Cruz across the Santa Cruz Mountains into Santa Clara County. The City of Watsonville is joined with Santa Clara County by Highway 152 and with San Benito County by Highway 129. Highways 17, 152 and 129 connect with U.S. 101, a major north-south route. Highway 236 provides access to Big Basin State Park.

Air cargo and passenger flight services are provided at the San José Mineta International Airport, 32 miles northeast; Monterey Regional Airport, 43 miles south; and San Francisco International Airport, 60 miles north. Watsonville Municipal Airport provides private and executive air transportation facilities and air cargo.

Bus transportation is provided through the Santa Cruz Metropolitan Transit District for inter-urban and local inter-community service. Greyhound Bus Lines provides service to other local areas and additional transcontinental service with connections to Amtrak.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

The following table shows the January 1 State of California Department of Finance estimates of total population in the County of Santa Cruz and the State of California for each year since 2020, and the change from the previous year.

	COUNTY OF SANTA CRUZ		STATE OF CALIFORNIA	
January 1 Year	Population	Percentage Change	Population	Percentage Change
2020[1]	271,259		39,535,623	
2021[2]	265,533	(2.1)%	39,327,868	(0.5)%
2022[2]	264,495	(0.4)	39,114,785	(0.5)
2023[2]	263,338	(0.4)	39,061,058	(0.1)
2024[2]	262,572	(0.3)	39,128,162	0.2

Source: (1) *State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2011-2020, with 2010 Census Benchmark"* Sacramento, California, May 2021.
(2) *State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2021-2024, with 2020 Census Benchmark"* Sacramento, California, May 2024.

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Employment and Industry

Analysis prepared by the Santa Cruz County Workforce Development Board identified five major economic clusters that contribute significantly to the regional economy: education and knowledge creation; tourism, recreation, and hospitality; healthcare; retail; and agriculture and food.

Services

The services sector is the largest economic sector in the County and includes a wide range of activity: hotels, other lodging places, business and finance services, personal services, automotive repair services, amusement and recreation, and health services. The sector includes the Santa Cruz Beach Boardwalk (employing 1,600 in the high season) and Dignity Health Dominican Hospital (about 1,000 employees), as well as very small software development and business service firms employing 10 or fewer.

New information technologies and the County's proximity to Silicon Valley are factors that contribute to growth in the areas of computer, networking services, and software development, and the County's location on the Monterey Bay National Marine Sanctuary contributes to growth in marine sciences research and development.

Agriculture

Agriculture is an important industry in the region. The gross value of crops has increased steadily in recent years, as some segments of the industry have adapted successfully to changing consumer tastes, adopted new technologies and taken advantage of growing overseas markets.

According to the County's Agricultural Commissioner, the largest crops produced (by sales volume) are strawberries, raspberries, nursery stock, miscellaneous vegetables and blackberries. There are approximately 160 registered organic growers in the County.

Tourism

The County continues to be an important vacation and recreation area. Miles of coastline and accessible beaches border one of the nation's largest marine sanctuaries, an amusement park and other attractions, acres of redwood forest land, several State parks and beaches, U-pick farms, wineries, and the presence of a diverse music and art scene, all in close proximity to the San Francisco Bay Area.

Commercial

In addition to traditional commercial and retail businesses, the County has been home to many recreation and personal lifestyle businesses started by local entrepreneurs with nationally-recognized brands and products, including O'Neill Wetsuits, Santa Cruz Skateboards, Annieglass, Driscoll Berries, Santa Cruz Guitar Company, Santa Cruz Bicycles, Blix Electric Bikes, Martinelli's and Joby Aviation.

The Arts

The County also has a diverse and productive arts community anchored by the Tannery Arts Center in Santa Cruz, the Visual, Applied & Performing Arts Division at Cabrillo College, and the Digital Arts and New Media Program at the University.

Civilian labor force, employment and unemployment statistics for the County and the State and the nation, for the years 2020 through 2024 are shown in the following table.

TABLE A-2
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES

Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate
2020				
Santa Cruz County	133,600	120,900	12,700	9.5%
California	18,821,200	16,913,100	1,908,100	10.1
United States	160,742,000	147,795,000	12,947,000	8.1
2021				
Santa Cruz County	133,400	124,200	9,200	6.9%
California	18,923,200	17,541,900	1,381,200	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
2022				
Santa Cruz County	134,200	127,800	6,400	4.8%
California	19,252,000	18,440,900	811,100	4.2
United States	164,278,000	158,291,000	5,996,000	3.6
2023				
Santa Cruz County	133,200	125,600	7,600	5.7%
California	19,308,300	18,388,300	920,000	4.8
United States	167,116,000	161,037,000	6,080,000	3.6
2024				
Santa Cruz County	136,100	128,000	8,100	5.9%
California	19,644,100	18,600,900	1,043,100	5.3
United States	168,106,000	161,346,000	6,761,000	4.0

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: California State Employment Development Department and United States Bureau of Labor Statistics.

The County is located in the Santa Cruz-Watsonville Metropolitan Statistical Area ("MSA"). Wage and salary workers by industry statistics for the Metropolitan Division annual averages for the years 2020 through 2024 are shown in the following table.

SANTA CRUZ-WATSONVILLE MSA
WAGE AND SALARY WORKERS BY INDUSTRY [(1)]

	Calendar Year				
Industry	**2020**	**2021**	**2022**	**2023**	**2024**
Government	21,100	20,200	18,800	19,300	19,100
Other Services	4,400	4,300	4,700	4,700	4,700
Leisure and Hospitality	10,300	11,800	14,000	14,500	14,400
Educational and Health Services	17,100	17,200	17,700	18,500	19,400
Professional and Business Services	10,400	10,600	10,700	9,900	9,500
Financial Activities	3,200	3,200	3,300	3,300	3,400
Information	600	600	600	600	700
Transportation, Warehousing and Utilities	1,700	2,000	2,200	2,100	2,100
Service Producing					
Retail Trade	10,800	11,000	11,000	10,800	10,600
Wholesale Trade	3,300	3,300	3,500	3,300	2,900
Manufacturing					
Nondurable Goods	3,100	3,300	3,700	3,500	3,400
Durable Goods	3,700	4,200	4,300	4,400	4,900
Natural Resources, Mining and Construction	4,400	4,800	5,000	5,100	5,100
Total Nonfarm	93,900	96,500	99,300	99,800	100,200
Farm	8,000	7,200	7,100	6,700	7,400
Total (all industries)	101,900	103,700	106,400	106,500	107,600

[(1)] Annual average.

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: State of California Employment Development Department, Labor Market Information Division, "*Industry Employment & Labor Force - by Annual Average.*"

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Principal Employers

The principal employers operating within the County as of June 30, 2024 are shown in Table A-4.

TABLE A-4
COUNTY OF SANTA CRUZ
MAJOR EMPLOYERS

Employer	Number of Employees[1]	Sector
University of California at Santa Cruz	1,000-4,999	Education
Santa Cruz Government Center	1,000-4,999	County Services
Dominican Hospital	1,000-4,999	Hospital
Santa Cruz Health Center	500-999	County Services
Granite Rock	500-999	Excavating Contractors
Plantronics	500-999	[2]
Watsonville City Sewer Department	500-999	City Services
Source Naturals	500-999	Vitamin Manufacturer
Cabrillo Sesnon House 1	500-999	Education
Monterey Mushrooms [3]	500-999	Agriculture
Larse Farms	500-999	Agriculture
Ameri-Kleen	500-999	Services

(1) Number of Employees reflects an average range based on California Employment Development Department data.
(2) Facility sold to Joby Aviation in November 2022. Joby Aviation specializes in electric vertical takeoff and landing aircraft. The company headquarters are located in Santa Cruz and the facility houses offices and workshops, with approximately 365 employees
(3) Monterey Mushrooms closed its Watsonville facility in December 2024.

Source: County of Santa Cruz Annual Comprehensive Financial Report

Per Capita Personal Income

Per capita personal income information for the County, the State of California and the United States are summarized in the following table.

TABLE A-5
PER CAPITA PERSONAL INCOME
COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA AND UNITED STATES
2019 - 2023

Year	County of Santa Cruz	State of California	United States
2019	$69,402	$64,219	$55,566
2020	77,231	70,098	59,123
2021	88,329	76,882	64,460
2022	83,277	76,941	66,244
2023	88,581	81,255	69,810

Note: All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Commercial Activity

Taxable transactions by type of business for the County are summarized below for 2020 through 2024 (the most recent year for which full-year statistics are available).

TABLE A-6
COUNTY OF SANTA CRUZ
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
(in thousands)
2020 – 2024

	Calendar Year				
	2020	**2021**	**2022**	**2023**	**2024**
Retail and Food Services					
Motor Vehicle and Parts Dealers	$ 411,407	$ 493,363	$ 488,190	$ 613,350	$ 646,498
Home Furnishings and Appliance Stores	106,194	124,045	122,849	106,198	104,922
Building Material, Garden Supplies	405,904	435,731	440,552	428,878	413,520
Food and Beverage Stores	292,589	294,159	298,904	296,050	297,237
Gasoline Stations	210,315	295,589	374,213	328,980	307,864
Clothing and Accessories Stores	129,587	180,481	181,654	181,085	179,808
General Merchandise	278,370	315,253	336,312	327,438	333,200
Food Services and Drinking Places	404,323	569,320	637,266	650,931	660,393
Other Retail Group	749,876	725,819	712,377	694,430	657,285
Total Retail and Food Services	**2,988,564**	**3,433,759**	**3,592,319**	**3,627,341**	**3,600,727**
All Other Outlets	977,196	1,142,227	1,253,953	1,239,195	1,266,831
Total All Outlets	**$3,965,760**	**$4,575,986**	**$4,846,272**	**$4,866,536**	**$4,867,558**

Note: Detail may not compute to total due to rounding.

Source: California Department of Tax and Fee Administration, *"Taxable Sales - Counties by Type of Business."*

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Building Activity

The following table summarizes building activity and valuations for the County unincorporated area for the five calendar years from 2019 through 2023.

TABLE A-7
COUNTY OF SANTA CRUZ
UNINCORPORATED AREA
BUILDING ACTIVITY AND VALUATION
(in $ thousands)
2019 – 2023

	Calendar Year				
	2019	**2020**	**2021**	**2022**	**2023**
Residential [(1)]	$14,743	$16,076	$29,332	$56,450	$19,230
Non-Residential	6,736	2,909	8,144	3,677	1,412
Total Valuation	**$21,789**	**$18,985**	**$37,416**	**$60,127**	**$20,642**
No. of New Dwelling Units:					
Single-Family Units	62	79	141	212	50
Multi-Family Units	13	8	0	137	7
Total New Units	**75**	**87**	**141**	**349**	**57**

(1) New construction only, excludes remodels, additions, etc.

Source: Construction Industry Research Board.

The County's recently updated Housing Element is one of the 10 State-mandated "elements" or chapters of a local jurisdiction's General Plan. It identifies policies and programs to meet existing and projected housing needs for all segments of the community, including various household types, special needs populations, and all income levels of the jurisdiction. For the period 2023 to 2031, the County has been allocated 4,634 housing units at specific affordability levels to accommodate the County's projected housing needs. This allocation is the County's Regional Housing Needs Assessment. The Housing Element must identify "adequate sites" to accommodate this estimated growth. The County is also required to provide the programs, policies, and appropriate zoning to incentivize this growth.

It is important to note that, while the County may assist with the development of affordable housing through various programs and funding sources, it is not the direct role of the County to construct housing. Rather, the County is responsible for ensuring that adequate opportunities exist for housing development through zoning and by removing regulatory impediments to housing production.

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APPENDIX B
COUNTY OF SANTA CRUZ FINANCIAL INFORMATION

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FINANCIAL INFORMATION

The Board of Supervisors (the "Board") has established the fiscal policies and planning documents described below.

Strategic Planning

The Santa Cruz County Strategic Plan for 2018-2024 was approved by the Board on June 26, 2018. In developing the plan, the County Executive Office and the Strategic Plan Steering Committee engaged with thousands of County residents and staff to develop a vision, mission, values, focus areas and goals. The strategic plan has six focus areas:

- Comprehensive Health & Safety
- Attainable Housing
- Reliable Transportation
- Sustainable Environment
- Dynamic Economy
- Operational Excellence

Each of the six focus areas has four individual goals.

The County Executive Office then developed a two-year operational plan with assistance of an Operational Plan Steering Committee and subcommittees. This first of three operational plans in the first strategic plan cycle was approved by the Board in June 2019 and was an important step in changing the County culture and collaborating with departments to achieve the vision of the strategic plan. Adoption of the second of the three operational plans was put on hold as a result of the COVID-19 pandemic (the "Pandemic"). The current two-year operational plan was approved by the Board in June 2023.

The Strategic Plan for the next six-year period and the first two-year operational plan for this second six-year Strategic Plan is being developed and will be adopted in Fiscal Year 2025-26.

Long-Range Facilities Plan

In February 2021, the County approved a Long-Range Facilities Plan ("LRFP") for all County facilities and campus master plans for the County's Government Center located in the City of Santa Cruz and the Freedom Boulevard Campus located in the City of Watsonville. The LRFP supports and implements Strategic Plan goals and provides policy direction for future capital facility management and development. A Master Plan for the Freedom Boulevard Campus was adopted by the Board in December 2022. Master plans for the County Government Center and Emeline Campus within the City of Santa Cruz have not been prepared at this time.

Budgetary Process and Administration

In accordance with the provisions of Chapter 1, Division 3, Title 3, of the Government Code of the State of California, the County prepares and adopts a budget for each fiscal year. The County Executive Officer is required to submit to the Board a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. On or before June 30, public hearings are conducted to obtain public comments. On or before October 2, the final budget is prepared by the Auditor-Controller-Treasurer-Tax Collector and is legally enacted by adoption of a resolution.

The Board approved the Fiscal Year 2025-26 Budget ("Approved Budget") in June 2025. The Approved Budget includes changes approved to the proposed budget during the budget public hearings, and subject to accounting adjustments, is anticipated to be adopted on September 30, 2025.

Budgetary control is maintained at the character level, except for capital assets and other charges which are controlled by line item. Character levels are appropriation totals for salaries and employee benefits, and services and supplies. The Board approves all transfers of budgeted appropriation amounts between budget units within any fund or between expenditures outside of budgetary control limits. Unencumbered appropriations at year-end lapse into fund balance.

Budget Principles

The County has adopted Budget Principles designed to provide overall guidance in the preparation, adoption, implementation and evaluation of the annual budget. The major principles include:

Public Input -

- Proposed budget documents should be made available to the Board and the public as early as possible.
- Public comment is encouraged.

General Budget Principles -

- The County shall adopt a balanced budget.
- The County budget shall conform to all applicable requirements.
- Employees are the most valuable resource in providing public services.
- The budget shall be based on realistic revenue and expenditure projections.
- The County shall target the use of Fund Balances.
- The County should regularly monitor budget conformity.
- The County shall endeavor to maintain a diversified revenue base sufficient to meet priority service needs.

Reserves and Contingencies -

- The County shall maintain prudent reserves for cash flow, designated purposes and unforeseen or emergency events.

Use of Resources -

- The County shall endeavor to maintain a budget which prioritizes the health, safety and welfare of the residents of the County and the preservation of the quality of life in the County and its environment.
- The County shall prioritize funding decisions based on legal requirements, the essential services of the County and discretionary services, as finances allow.
- The County should protect direct services to the public as a priority.

- The County should protect services that comprise the safety net in our community.
- The County should identify community services that might be cut early enough for the community to develop new strategies to fund them.
- The budget must be responsive to changing conditions.
- One-time funds should be allocated to one-time expenses.
- The County should leverage federal and State resources wherever possible.
- The County shall minimize the allocation of local resources to overmatch or replace lost funding from outside revenue sources.
- Resources should be maximized within and across departments, other jurisdictions, and community partners.
- The County should scale back instead of cutting out when appropriate.
- Programs should be regularly evaluated by departments and audits shall be conducted in accordance with generally accepted audit standards.
- The County shall develop strategic approaches to address unfunded future liabilities.
- The County shall maintain a Five-Year Capital Improvement Program.

Cost Recovery -

- When fees for service are appropriate, the County shall seek to recover the cost for providing the services.

Fund Balance Policy

The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the County needs to maintain unrestricted fund balance sufficient to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances (described below under "Financial Statements - GASB Statement No. 54 Fund Balance Reserves") are considered unrestricted.

The purpose of the County's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

The County's fund balance policy targets committed and assigned fund balance categories at 10% of the upcoming year's estimated General Fund budgetary expenditures, with a minimum balance of 7%. The Approved Budget plans for committed and assigned fund balances to be $98.1 million at June 30, 2026, or 12.3% of Fiscal Year 2025-26 General Fund expenditures.

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Other Financial Policies

The County has adopted other financial policies and procedures as follows:

Debt Management Policy - The Board's formally established Debt Management Policy was originally adopted in 2016 and was last amended on March 12, 2024. This policy includes guidelines for the issuance of debt, including the types of debt that may be issued, responsibilities for debt management activities, maintenance of appropriate internal controls, post-issuance compliance, and other related issues. It established a Debt Oversight Committee that will review any financing undertaken by the County.

Continuing Disclosure and Compliance Procedures - The Board adopted Continuing Disclosure and Compliance Procedures, which were most recently updated on June 20, 2016. These procedures identify the staff member of the County with the responsibility for reviewing all reporting requirements for all bond issues, for being familiar with the listed events that require notice and preparation and timely filing of reports and notices.

Investment Policy - The County's current Investment Policy was most recently approved on December 10, 2024. This policy is updated at least annually to reflect current best practices and changes to the law. The Investment Policy imposes certain restrictions on the County's investment management that are consistent with those authorized under State law.

Pension Management Policy. On August 24, 2021, the Board adopted a Pension Management Policy. The policy is designed to maintain the County's sound financial position; ensure the County has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenditures; protect the County's creditworthiness; ensure that all pension funding decisions are structured to protect both current and future taxpayers, ratepayers, employees and residents of the County; and ensure that the structure of the County's pension obligation bonds and future unfunded liability amortization is consistent with the County's strategic planning goals, objectives, capital improvement program, budget, and/or debt policy. The policy allows for the creation of a liability management fund to capture funds, if any, that the County annually budgets toward managing its unfunded liability and ongoing pension costs.

Fiscal Year 2024-25

In Fiscal Year 2024-25, the County continued to deal with lingering unreimbursed disaster costs relating to numerous presidentially declared disasters since 2017. This includes winter storms in 2017 ("2017 Storms"), the Pandemic, the 2020 CZU Complex Lightning Fire and winter storms in Fiscal Year 2022-23 ("2022-23 Winter Storms"). In June 2024, the County issued $71.5 million in lease revenue bonds ("2024 Disaster Recovery Bonds") to reimburse its Off Highway, Road and Transportation Fund (the "Road Fund") for $58.7 million of unreimbursed repair costs or repair costs not expected to be reimbursed (i.e., the County's matching share) for the 2020 CZU Complex Lightning Fire and the 2022-23 Winter Storms funded by the County through June 30, 2024 and to fund additional repair and recovery capital expenditures.

Of these amounts, the County anticipates it will ultimately receive at least $35 million in federal reimbursements from the Federal Emergency Management Agency ("FEMA") and the Federal Highway Administration ("FHWA"). Reimbursements from FEMA and FHWA are expected to redeem up to $35 million of the 2024 Disaster Recovery Bonds prior to their maturity date. The County issued an additional $11 million in lease revenue bonds to fund acquisition of a building office space for administrative staff of the Health Services Agency and other government functions, and to refinance outstanding debt. Since the issuance of the 2024 Disaster Recovery Bonds, the County received $12.3 million in FEMA and FHWA funding, and used the funds to redeem $5.9 million of the 2024 Disaster Recovery Bonds on June 1, 2025 and to repay a $6.4 million internal service fund loan used as interim financing of a portion of the unreimbursed disaster costs.

The County's Pandemic response costs were funded by the General Fund. As of July 1, 2024, the County had received only $15.7 million reimbursement of $61.3 million in claims submitted for all eligible costs from FEMA Public Assistance for the County's Pandemic response. The County received funding of another $35.6 million in claims in Fiscal Year 2024-25. As of June 30, 2025, $10.7 million of the total $61.3 million in claims remain outstanding.

The South County Government Center opened in June 2024, marking one of the largest investments in equitable services in County history. This center establishes a second headquarters building to serve South County residents and will improve the delivery of services while reducing travel generating greenhouse gases for both County staff and the clients the County serves. The County also reopened the Recovery Center, which provides a safe space and point of connection for residents who may be struggling with substance use disorder, while freeing up valuable public safety resources. Construction of the Sheriff's DNA Laboratory is also nearing completion and once accredited will help speed the delivery of justice for sexual assault survivors and others impacted by crime.

The County made progress addressing homelessness in the community, with a 22 percent overall reduction in those experiencing homelessness according to the most recent Point-In-Time Count. The County is implementing a planned shelter expansion that greatly enhances its ability to deliver results to the community and those experiencing homelessness. Under development are three low-barrier navigation shelters in South County, Mid-County and in the City of Santa Cruz. The County is also increasing permanent supportive housing with 62 new units by 2026.

Construction is nearing completion on a new 24-bed Children's Crisis Residential Program & Stabilization Unit that will provide a local option for the County's youth in distress and divert youth from traveling to out-of-county psychiatric hospitalization.

In March 2024, voters approved Measure K, an additional one-half cent sales tax to be collected in the unincorporated area of the County. Collection of Measure K sales tax commenced July 1, 2024 and is expected to generate over $10 million annually. See "Other Local Taxes" herein.

Fiscal Year 2025-26 Overview

The Approved Budget includes a $813.1 million General Fund expenditure plan that prioritizes sustaining existing commitments and capacity, with an increase of $6 million in investments in infrastructure and capital, and modest growth only where it could be financed by new revenue sources.

Financial challenges in the Health Services Agency and Human Services Department result from lower reimbursement rates, new mandates, low health center medical visits, restrictions on billable activities under the CalAIM program, rising personnel costs and inflationary pressure on the cost of supplies and services. Along with Fiscal Year 2024-25 targeted solutions, the Approved 2025-26 Budget will include structural solutions that reduce non-mandated County health programs and services to maintain mandated service levels. The balanced budget includes the loss of 74.40 full-time equivalent positions in the Health Services Agency and reduction of $8.48 million in spending, which will impact community behavioral health, health care, and public health services and resources.

The Approved Budget was guided by an updated forecast of revenues and expenditures in February 2025 as part of the County's mid-year budget review and is able to maintain the County's commitment to sound financial management, with modest projected reserves at 12.3%, and supports the continuation of policies that have helped the County achieve and maintain its bond rating.

The County is facing headwinds in the form of reduced health care funding, delayed disaster reimbursements, state budget uncertainty stemming from larger worldwide economic uncertainty, and uncertainty over shifting priorities in Washington, D.C. and threats to federal funding.

In response, the Approved Budget prioritizes mandated services, protects essential programs, and makes strategic investments in the County's future. And although it is presented amid the headwinds described, it does not yet reflect any budget impacts from changes in federal policy. The County's exposure to federal funding and policy risk is significant. Continued engagement with State and federal partners, local scenario planning, and strategic reserve management will be critical to navigating this uncertain environment. Absent action, federal policy changes could result in multi-million dollar funding losses, operational disruptions, and negative impacts on the health, safety, well-being, and civic participation of tens of thousands of County residents. The County staff expect to return to the Board at such a time when a response is required in alignment with development of the Federal budget.

General Fund Revenues and Expenditures

The County's General Fund Budget includes programs which are provided on a largely countywide basis. The programs and services are financed primarily by the County's share of property tax, sales tax, revenues from the State and federal government, and charges for services provided, as described below.

Budget and Actual Comparisons

A comparison of the General Fund actual revenues and expenditures for Fiscal Years 2023-24, estimated revenues and expenditures for Fiscal Year 2024-25, and the Fiscal Year 2025-26 Approved Budget is shown in Table B-1.

The revenues in Table B-1 are categorized as:

- Taxes, detailed in Table B-5 "Tax Revenues by Source," which includes general property tax, property tax in-lieu of motor vehicle license fees, sales tax, cannabis business taxes and transient occupancy taxes;

- Licenses and Permits, which includes construction and grading permits, franchise fees (cable, utility, trash) and food vendor permits;

- Fines, Forfeits and Penalties, which includes delinquent property tax penalties, delinquent property tax redemption penalties transferred from the tax loss reserve fund, municipal and vehicle code violations and criminal fines;

- Use of Money and Property, which includes interest income and rent and concessions;

- Aid From Other Governments, detailed in Table B-6 "Intergovernmental Revenues" which includes Proposition 172 sales tax, motor vehicle license fees (health realignment portion), and State and federal reimbursements for health and welfare services, including federal, FEMA and State funding relating to COVID-19 emergency response costs;

- Charges for Services, comprised of outpatient clinic fees and patient revenue, County overhead charges, property tax administration fees, consumer fraud penalties and other charges such as booking fees, court filing fees, fees for dispatch services and alarm response, recording fees, plan checking, building inspection, park and recreation fees and other municipal services;

- Other Revenue;

- Other Financing Sources, comprised of sale of assets, bond issuance and inception of capital leases; and

- Transfers In, which historically have included funds from the Flood Control District and other funds for allocated debt service and mosquito abatement operations.

The expenditures in Table B-1 are categorized by governmental function, such as public protection and public assistance. Each function generally includes salaries and benefits, services and supplies and other charges.

- Salaries and Benefits include direct personnel costs, pension and post-retirement benefits, health insurance costs and workers' compensation and unemployment insurance costs. Approximately half of these costs relate to health and social services personnel, a large portion of which are reimbursed with federal and State funding.

- Services and Supplies include non-personnel operating costs and contract professional services. Approximately two-thirds of these costs relate to health and social services programs, a large portion of which are reimbursed by federal and State funding.

- Other Charges primarily consist of non-personnel related costs, of which nearly 85% relate to health and social services programs, a large portion of which are also reimbursed by federal and State funding.
- Operating transfers reflected in the financial statements consist primarily of debt service payments.

Historical General Fund activity is shown in Tables B-15 and B-16.

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TABLE NO. B-1
GENERAL FUND REVENUES AND EXPENDITURES

	2023-24 Actual	2024-25 Estimated	2025-26 Approved Budget
Revenues:			
Taxes	$172,926,545	$189,187,008	$198,273,000
Licenses and Permits	16,915,955	16,772,373	17,483,757
Fines, Forfeits and Penalties	6,625,072	5,311,365	8,552,597
Use of Money and Property	11,623,116	17,693,423	12,509,360
Aid from Other Governments [1]	455,653,741	401,349,650	449,155,177
Charges for Services	79,286,489	99,520,492	104,558,038
Other	10,182,802	8,061,404	5,159,193
Total Revenues	753,213,720	737,895,715	795,691,122
Expenditures:			
General Government	54,670,060	59,233,618	46,413,048
Public Protection	197,536,684	213,664,602	228,162,626
Health and Sanitation	241,190,651	254,280,988	290,331,673
Public Assistance	182,640,611	182,650,776	197,756,214
Education	142,984	241,186	167,992
Recreation and Cultural Services	12,777,891	14,647,128	17,569,027
Debt Service	5,144,948	1,420,176	1,439,336
Contingency	-	-	6,635,731
Total Expenditures	694,103,829	726,138,474	788,475,647
Excess of Revenue Over (Under) Expenditures	59,109,891	11,757,241	7,215,475
Transfers In	3,255,930	2,914,540	4,355,887
Transfers Out[2]	(20,127,888)	(45,859,749)	(24,609,268)
Capital Lease Inception	547,281	-	-
Net Change in Fund Balance	42,785,214	(31,187,968)	(13,037,906)
Beginning Fund Balance	139,412,197	182,197,411	151,009,443
Ending Fund Balance[3]	$182,197,411	$151,009,443	$137,971,537

[1] See Table B-6 for a description of Aid from Other Governments. Significant amounts that qualified for FEMA reimbursement for Pandemic-related expenditures were incurred in Fiscal Year 2020-21, but due to the lengthy reimbursement process, were paid in subsequent years, with the largest amount received in Fiscal Year 2023-24.

[2] In Fiscal Year 2024-25, one-time transfers of $10 million to Internal Service Funds and $11 million to the Debt Service Fund were made.

[3] Includes (i) $1,725,408 nonspendable fund balance and (ii) 43,056,742 restricted fund balance as of June 30, 2024 (see "Financial Statements – Table B-15" below).

Source: County of Santa Cruz.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment in addition to a $20 cost on the second installment. On July 1 of each fiscal year any property which is delinquent will become defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1½% per month to the time of redemption, together with any other charges permitted by law. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll become delinquent if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1½% per month begins to accrue on November 1 of the fiscal year. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Due to the financial impact of the Pandemic, the County announced a waiver of any penalties associated with non-payment of the installment of property taxes that became delinquent if not paid by April 10, 2020 or December 10, 2020. See "The Teeter Plan" below.

The CZU Lightning Complex Fire ignited in the Santa Cruz County mountains on August 16, 2020 as a result of dry lightning strikes (the "CZU Lightning Complex Fire"). The CZU Lightning Complex Fire destroyed or damaged over 900 homes in the mountainous area of the County. An affected property owner could file an Application for Calamity Relief and/or Deferral of Regular Secured Taxes with the County Assessor by December 10, 2020, allowing current property taxes to be reduced for that portion of the property damaged or destroyed. The County initiated calamity reductions on 798 of the affected parcels.

The State backfilled property taxes lost in Fiscal Years 2020-21 and 2021-22 as a result of the CZU Lightning Complex Fire. For the County General Fund, this resulted in $620,771 in backfilled property tax revenue for each of the two fiscal years.

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The Teeter Plan

The County has adopted an alternate procedure authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) commonly referred to as the "Teeter Plan," for distribution of certain property tax levies on the secured roll.

The County adopted Resolution 541-93 on October 5, 1993 to implement the Teeter Plan. Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes are distributed to taxing agencies within the County included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided. Most taxing agencies within the County are participating in the Teeter Plan. The County anticipates property taxes to be apportioned within each Fiscal Year during December, April and June, with the balance of the levy to be apportioned on or before June 30.

The historical and estimated current year and total delinquency rates (including prior years' tax roll delinquencies outstanding) in the County are as follows:

Fiscal Year	Current Year's Delinquency Rate	Total Delinquency Rate
2018-19	1.0%	2.10%
2019-20	1.1	2.11
2020-21	0.9	1.86
2021-22	0.9	1.57
2022-23	1.3	1.89
2023-24	1.1	2.10
2024-25	1.2	2.50 (Estimate)

The total delinquency rates represent the current year delinquencies (see "Table B-3" below) together with past years' delinquencies that continue to accrue interest until paid. The County bases budget estimates for penalties and interest on unpaid taxes on these delinquency rates.

Delinquency rates are generally higher during a recession, and the County anticipates that the delinquency rates may be higher than current rates in future years depending on changing national and regional economic conditions.

Pursuant to the Teeter Plan, the County is required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax-defaulted property (*i.e.,* if the sale price of the property is less than the amount owed). The appropriate amount in the fund is determined by one of two methods: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan.

The County is governed by the second alternative in accordance with its election made October 29, 2013. On June 30, 2025, the County's tax losses reserve fund balance was $3,188,593, in excess of the minimum required balance on that date of $5,572,946. Any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are available to be credited to the County's General Fund. The County makes transfers from the tax losses reserve fund to the General Fund from time to time. When transfers are made, the County recognizes the revenue under the category of Fines, Forfeits and Penalties.

Tax Collections. The County reports tax collection data on a County-wide basis for secured taxes only as set forth in Table B-2.

TABLE B-2
COUNTY OF SANTA CRUZ
SECURED TAX LEVIES AND COLLECTIONS [1]
(in thousands)

Fiscal Year Ended June 30	Total Secured Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Tax Collections	Percentage of Levy
		Amount	Percentage of Levy			
2020	$587,578	$580,758	98.8%	$5,046	$585,804	99.7%
2021	615,206	609,436	99.1	5,997	615,433	100.0
2022	638,000	631,953	99.1	6,554	638,507	100.1
2023	683,093	675,077	98.8	5,932	681,008	99.7
2024	719,922	710,649	98.7	4,989	715,638	99.4

(1) Secured tax levy for the County, school districts, cities and special districts in the County under the supervision of independent governing boards.

Source: County of Santa Cruz Annual Comprehensive Financial Report.

Taxable Property and Assessed Valuation

Set forth in the table below are assessed valuations for secured and unsecured property within the County. Article XIIIA of the California Constitution prescribes the method for determining the full cash value of real property and the maximum ad valorem tax on real property. The full cash value, once established, is subject to annual adjustment to reflect inflation at a rate not to exceed 2% or a reduction in the California Consumer Price Index. There may also be declines in valuations if the California Consumer Price Index is negative.

TABLE B-3
COUNTY OF SANTA CRUZ
GROSS ASSESSED VALUE OF ALL TAXABLE PROPERTY[1]
(INCORPORATED CITIES AND UNINCORPORATED COUNTY AREAS)

Fiscal Year	Secured[2]	Unsecured	Total	Change
2020-21	$49,411,429,654	$1,032,834,114	$50,444,263,768	4.6
2021-22	51,167,425,927[3]	1,035,947,483	52,203,373,410	3.5
2022-23	54,371,265,069	1,138,887,635	55,510,152,704	6.3
2023-24	57,213,435,772	1,291,488,388	58,522,924,160	5.4
2024-25	59,748,541,596	1,352,066,076	61,100,607,671	4.4
2025-26	63,374,367,160	1,360,822,292	64,735,189,452	6.0

(1) The assessed values in the statistical section of the County's Annual Comprehensive Financial Report may be different than the equalized tax roll values above, due to adjustments to the tax roll during the fiscal year.

(2) Including homeowners' exemption values.

(3) As a result of the CZU Lightning Complex Fire's destruction of, or damage to, homes and structures in the County, the Fiscal Year 2021-22 assessed valuation reflects the approximate $220 million reduction in assessed value of improvements for affected properties.

Source: County of Santa Cruz Auditor-Controller-Treasurer-Tax Collector.

Proposition 8 Adjustments. Proposition 8 (see "RISK FACTORS - Constitutional Limitation on Taxes and Appropriations - Proposition 8 Adjustments") provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by an inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. There are approximately 100,000 taxable secured parcels and 11,000 taxable unsecured parcels in the County. The current number of parcels subject to Proposition 8 adjustments is a minor amount. In general, such parcels do not represent a significant portion of the County's assessed values in 2024-25.

In future years, the number of Proposition 8 adjustments may increase as a result of the impact of economic conditions on the housing market.

Largest Taxpayers. The largest taxpayers in the County for the 2023-24 Fiscal Year are shown below.

TABLE B-4
COUNTY OF SANTA CRUZ
LARGEST TAXPAYERS

Taxpayers	Type of Business	2023-24 Assessed Valuation	% of Total Assessed Valuation 2023-24
Pacific Gas & Electric Company	Gas & Electric Utility	$ 543,388,965	0.92%
Dignity Health	Hospital	167,475,127	0.28
Santa Cruz Seaside Company	Amusement Park	138,123,742	0.23
Regency Hilltop LLC	Property management	122,514,600	0.21
MGP XI Capitola LLC	Property management	122,310,468	0.21
LHO Santa Cruz Hotel One LP	Property management	69,968,496	0.12
Anton Santa Cruz LLC	Property management	69,909,901	0.12
S Martinelli & Co	Consumer Goods	69,603,085	0.12
Mt. Hermon Road Association Inc.	Property management	69,334,048	0.12
Rancho Del Mar Center LLC	Property management	62,687,659	0.11
1440 Devco LLC	Real estate investment	57,943,670	0.10
Total		$ 1,493,259,761	2.54%

Source: County of Santa Cruz Annual Comprehensive Financial Report, Fiscal Year ended June 30, 2024.

Redevelopment Agencies. The California Redevelopment Law (Part 1 of Division 24 of the California Health & Safety Code) authorized the redevelopment agency of any city or county to receive an allocation of tax revenues resulting from increases in assessed values of properties within designated redevelopment project areas (the "incremental value") occurring after the year the project area was formed. In effect, local taxing authorities, such as the County, realized tax revenues only on the assessed value of such property at the time the redevelopment project was created for the duration of such redevelopment project, except to the extent a redevelopment agency made payments by agreement or in some cases, pursuant to a statutory formula. There were numerous redevelopment projects formed in the County.

The State Legislature approved a bill, AB X1 26, during the 2011-12 State budget process. AB X1 26 eliminated redevelopment agencies State-wide. On December 29, 2011, the California Supreme Court issued its opinion and upheld AB X1 26. As a result of the decision, all California redevelopment agencies,

including the County's Redevelopment Agency and other redevelopment agencies formed by cities within the County, were dissolved as of February 1, 2012. Certain tax revenues allocable to the County's former Redevelopment Agency will continue to be available to the County, as successor agency to the County's Redevelopment Agency, to pay certain obligations of the former Redevelopment Agency, and any residual amounts available after payment of obligations is redirected to other taxing agencies, such as the County, school districts, and cities. This is also true for the former redevelopment agencies formed by cities within the County. As a result of redevelopment dissolution, the County currently receives approximately $6.8 million in residual taxes. Residual taxes will continue to increase over time as obligations payable by former redevelopment agencies in the County are paid down or paid in full.

Other Local Taxes

In addition to ad valorem taxes on real property, the County receives other local taxes described below. A history of actual tax revenue by source is shown in Table B-5, together with estimated amounts for Fiscal Year 2024-25 and budgeted amounts for Fiscal Year 2025-26.

TABLE B-5
COUNTY OF SANTA CRUZ
TAX REVENUES BY SOURCE

Source	2021-22	2022-23	2023-24	Estimated 2024-25	Budget 2025-26
Regular Property Taxes	$ 77,481,958	$82,654,064	$ 87,215,239	$ 92,833,708	$ 95,539,000
Property Tax In Lieu of VLF	38,333,300	40,762,252	42,974,939	44,868,205	46,701,000
Sales Tax	14,495,818	14,068,904	14,120,856	13,998,920	13,932,000
Sales Tax - Measure G	9,784,275	9,881,255	10,141,572	10,084,963	10,723,000
Sales Tax – Measure K	-	-	-	8,779,924	10,702,000
Transient Occupancy Tax	14,137,276	11,528,137	12,810,683	13,428,319	14,636,000
Cannabis Business Tax	3,014,301	2,583,072	2,764,013	2,179,116	2,380,000
Property Transfer Tax	3,782,314	2,457,021	2,448,352	2,689,570	3,152,000
Other Taxes	71,573	62,595	450,891	324,283	508,000
Total Tax Revenues	**$161,100,815**	**$163,997,300**	**$172,926,545**	**$189,187,008**	**$198,273,000**

Source: County of Santa Cruz.

Property Tax In Lieu of Vehicle License Fees. The payments of property tax in lieu of vehicle license fees ("VLF") are a State backfill from property tax revenues for a portion of the VLF fees collected statewide. The change in these property taxes from year to year is now tied to the change in assessed value.

Sales and Use Taxes. Sales tax is collected and distributed by the State Board of Equalization. Each local jurisdiction receives an amount equal to 1% of taxable sales within their jurisdiction as well as a share of a countywide sales tax pool from online taxable sales.

In November 2018, voters in the County approved "Measure G," the levy of an additional one-half cent sales tax for a 12-year term, commencing April 1, 2019.

In March 2024, voters in the County approved "Measure K," the levy of an additional one-half cent sales tax, commencing July 1, 2024. This tax is expected to generate in excess of $10 million per year, with a partial year starting in Fiscal Year 2024-25 of $8.8 million.

Transient Occupancy Taxes. The County levies a transient occupancy tax on hotel and motel bills of 12%. The County placed "Measure B" on the June 7, 2022 ballot, which was approved by voters. Measure B increased the transient occupancy tax on hotel and motel bills from 11% to 12% and raised the tax on vacation-rental stays from 11% to 14%.

Cannabis Business Tax. In November 2014, voters approved a tax of up to 10% on the gross sales of medical marijuana businesses in the unincorporated County. The initial year tax was established at 7%, and collection began in December 2014. In November 2016, voters approved expanding the tax to apply to all cannabis-related businesses. The Board later reduced the rate applicable to manufacturers and cultivators to 5% for periods beginning January 1, 2018, with future incremental increases to achieve 7% by January 1, 2022.

Property Transfer Taxes. A documentary stamp tax is assessed for recordation of real property transfers.

State, Federal and Other Local Agency Funds

A significant source of the County's revenues comes from State and federal funds. Payment of State funds depends on the adoption by the State of its budget, including the appropriations therein providing for local assistance. These revenues are shown in the accompanying financial statements as "aid from other governments."

The significant categories of State aid include Proposition 172 (sales tax dedicated to public safety uses) and reimbursement for programs such as Aid to Families with Dependent Children (AFDC), In-Home Supportive Services (IHSS), Medi-Cal, food stamps, Short/Doyle medical and mental health services, AB 109 realignment, AB 118 food programs and additional taxes in lieu of VLF for a portion of fees realigned to the Health Services Agency.

As noted above, the County has not received full reimbursement for all eligible costs from FEMA Public Assistance for the County's COVID-19 response.

Other State and federal aid will be realized to the extent that the County has reimbursable expenditures that qualify for the reimbursements (reduced services will result in reduced revenues) and to the extent that the State includes the programs in its budget.

The table on the following page sets forth the State, federal and other local governmental agencies' funds received by the County.

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TABLE B-6
COUNTY OF SANTA CRUZ
INTERGOVERNMENTAL REVENUES

Source	2021-22	2022-23	2023-24	Estimated 2024-25	Budget 2025-26
Local Governmental Agency Funds	$ 1,674,601	$ 2,784,897	$ 2,887,836	$ 2,664,038	$ 2,624,154
State Funds:					
Proposition 172	22,975,337	24,208,212	23,269,879	23,577,078	24,191,150
Medi-Cal	20,672,691	20,109,675	22,864,064	22,780,045	22,030,565
Short/Doyle Reimbursements	61,016,557	62,385,093	87,428,326	74,438,189	80,998,723
Disaster Assistance	2,882,750	1,394,616	39,542,389	106,993	300,000
Realignment Revenues	72,925,138	74,019,292	73,747,138	74,394,605	74,912,890
All Other	78,702,293	125,612,993	116,206,930	110,588,153	137,338,707
Total	**259,174,766**	**307,735,300**	**363,058,726**	**305,885,063**	**339,772,035**
Federal Funds:					
CARES Act Revenue	13,656	-	-	-	-
ARPA Revenue	26,534,211	(303,919)	23,668	-	-
Disaster Cost Reimbursements	2,501,448	3,991,041	537,949	745,496	3,504,953
All Other	95,482,976	90,809,295	89,145,562	92,055,054	103,254,035
Total	**124,532,291**	**94,496,417**	**89,707,179**	**92,800,550**	**106,758,988**
Total All Gov't Agencies	**$385,381,658**	**$405,016,614**	**$455,653,741**	**$401,349,651**	**$449,155,177**

Source: County of Santa Cruz.

Other Revenue Sources

Licenses and Permits. These revenues consist primarily of building construction permit fees, cannabis licenses and franchise fees. The County levies franchise fees on its cable television, trash collection and utility franchises.

Fines, Forfeits and Penalties. These revenues include parking citations, municipal court fines, asset seizure proceeds and other fines for municipal code violations, in addition to delinquent property tax penalties. These revenues also include delinquent tax redemption penalty amounts transferred to the General Fund from the tax losses reserve fund. The amount of the transfer fluctuates from year to year (see "Teeter Plan" above).

Use of Money and Property. These revenues consist primarily of investment earnings and rental/concession income.

Charges for Services. The County charges recording fees, booking fees, court filing fees, fees for dispatch services and alarm response, plan checking, building inspection and other municipal services. Outpatient clinic fees are included in this revenue category. The County realized a significant increase in patient revenue for Fiscal Year 2024-25 due to planned use of clinic capacity.

Short-Term Obligations

The County regularly issues tax and revenue anticipation notes. The County's 2025-26 tax and revenue anticipation notes were issued in the amount of $42,000,000 and mature June 25, 2026.

Long-Term Obligations

General Obligation Debt. As of the date hereof, the County has no long-term general obligation bonded indebtedness outstanding and has never defaulted on any of its bonded indebtedness previously issued. The County has no authorized but unissued general obligation debt.

Lease Obligations. The County has made use of various lease arrangements with joint powers authorities to finance capital projects and purchase equipment through the issuance of certificates of participation and lease revenue bonds. Upon expiration of these leases, title to the projects or equipment vests in the County. There are currently certificates of participation, lease revenue bonds and long-term agreements aggregating $154.6 million in principal amount outstanding as of June 30, 2025. All issues are fixed rate obligations. The County also leases other assets under both operating and capital leases.

The County has pension obligation bonds with $103.1 million in principal amount outstanding as of June 30, 2025.

The County will have outstanding indebtedness shown in Table B-7 as of June 30, 2025 payable from the County's General Fund, exclusive of obligations to be paid from specifically pledged revenues, such as tax allocation bonds and assessment bonds. It includes obligations that the County allocates internally to other special revenue funds, as described in the footnotes to Table B-7.

The County anticipates it will issue approximately $8 million in lease revenue bonds during Fiscal Year 2025-26 to fund improvements to a transfer station. The annual cost is anticipated to be reimbursed by County Service Area 9C. In addition, the County expects to enter into an $20 million equipment lease prior to December 2025 for the purchase of a Regional Interoperable Next Generation Radio System that will support communications for all public agencies throughout the County, the cost of which will be shared among the users.

Table B-7 also includes the 2024 Disaster Recovery Bonds. Of the total original aggregate par amount of all series of 2024 Disaster Recovery Bonds of $82.5 million, $64.3 million relates to the reimbursement for prior damage repair costs. Of the $64.3 million to fund damage repair, the County anticipates FEMA and FHWA reimbursements will be used to redeem $35 million of the 2024 Series A-1 Bonds prior to their scheduled maturity and on June 1, 2025, the County redeemed $5,885,000 of the 2024 Series A-1 Bonds from amounts received from FEMA and FHWA during Fiscal Year 2024-25. A significant portion of interest on the 2024 Bonds is capitalized for Fiscal Year 2025-26.

Information on the County's pension and other post-employment benefits is found below under the captions "Retirement Program" and "Other Post-Employment Benefits."

The County's net pension liability as of June 30, 2023 was $575 million and the net OPEB liability as of June 30, 2023 was $155 million.

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TABLE NO. B-7
SUMMARY OF LONG- AND INTERMEDIATE-TERM OBLIGATIONS
EXCLUDING PENSION AND OTHER POST-EMPLOYMENT BENEFITS
(in $ millions)

	Principal Outstanding as of 6/30/25	2025-26 Payments	Final Maturity
1996 Certificates of Participation	$ 3.125	1.654	2026
2012 Use Payments [1]	0.878	0.137	2034
2014 Refunding Certificates of Participation	3.025	0.497	2031
2015 Lease Revenue Bonds, Series B [3]	7.360	0.594	2045
2016 Refunding Certificates of Participation	5.620	0.579	2036
2017 Taxable Lease Revenue Bonds (CREBs) [4]	4.755	0.634	2035
2020 Lease Revenue Bonds, Series A	8.585	0.573	2051
2020 Lease Revenue Bonds, Series B	3.240	0.352	2036
2021 Lease Revenue Bonds, Series A	21.625	1.267	2051
2021 Lease Revenue Bonds, Series B	3.530	0.195	2051
2021 Taxable Pension Obligation Bonds	103.085	7.632	2047
2023 Lease Revenue Bonds, Series A	17.300	1.085	2051
2024 Lease Revenue Bonds, Series A-1 [5][6]	29.115	0.000	2039
2024 Lease Revenue Bonds, Series A-2 [7]	10.215	1.881	2035
2024 Lease Revenue Bonds, Series B [5]	9.080	0.000	2039
2024 Lease Revenue Bonds, Series C [5]	27.175	0.685	2054
	$257.713	$17.765	
Capital Leases	3.871	0.779	2031
Leases and Subscription-based Information Technology Arrangements	8.485	1.976	2067
TOTAL LONG- AND INTERMEDIATE-TERM OBLIGATIONS	**$270.069**	**$20.520**	

[1] These payments are budgeted in the County's Santa Cruz Regional 9-1-1 Fund, relating to its share of debt obligations of a joint powers authority that operates a regional 9-1-1 communications facility ("911 Center"), in which the County participates.

[2] Approximately $800,000 of the annual debt service is reimbursed by the Santa Cruz County Flood Control and Water Conservation District and the Pajaro Storm Drain Maintenance District.

[3] Approximately $65,000 of annual debt service is reimbursed by County Service Area 11.

[4] The County expects to receive interest payment subsidies to offset a portion of the interest cost on the 2017 Taxable Lease Revenue Bonds (CREBs).

[5] Net of capitalized interest.

[6] The County redeemed $5,885,000 of the Series A-1 Bonds on June 1, 2025.

[7] Approximately $486,000 of annual debt service is reimbursed by County Service Area 9C.

Retirement Program

This caption contains certain information relating to the California Public Employees Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and its actuaries. The County and the Municipal Advisor have not independently verified the information provided by CalPERS and make no representations nor express any opinion as to the accuracy of the information provided by CalPERS.

The Annual Comprehensive Financial Reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The County and the Municipal Advisor cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

Plan Description. The County provides retirement benefits, disability benefits, and death benefits to all qualified permanent and probationary employees (and their beneficiaries as applicable) that are eligible to participate in the County's separate Safety (police and fire), Safety Sheriff and Miscellaneous (all other) retirement plans (collectively, the Plans), through agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions are established by State statute and by County contracts with employee bargaining groups.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which made changes to CalPERS Plans, most substantially affecting new employees hired on or after January 1, 2013 (the "Implementation Date"). For non-safety CalPERS participants hired on or after the Implementation Date, PEPRA changed the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increased the eligibility requirement for the maximum age factor of 2.5% to age 67.

PEPRA also: (i) requires all new participants enrolled in CalPERS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary to a maximum of 8% of salary, (ii) requires CalPERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date, and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

Benefit Tiers. In 2012 the County established two tiers of benefits for employees in each of the employee plans (Miscellaneous, Safety and Safety Sheriff), based on date of hire ("Tier 1" and "Tier 2"). Benefits were reduced for Tier 2 employees in the Safety and Safety Sheriff's Plans hired on or after June 9, 2012. Benefits were reduced for employees in the Tier 2 Miscellaneous Plan hired on or after December 17, 2012.

Due to PEPRA, the County added a benefit tier in each employee group for employees subject to PEPRA ("PEPRA Tier 3"). Ultimately, PEPRA is expected to reduce the County's long-term pension obligation as existing employees retire and new employees are hired to replace them.

The Plans' provisions and benefits in effect on June 30, 2024, are summarized as follows:

	Miscellaneous Plan		
	Tier 1	**Tier 2**	**PEPRA Tier 3**
Benefit Formula	2% at 55	2% at 60	2% at 62
Benefit Vesting Schedule	5 years	5 years	5 years
Earliest Retirement Age	50	50	52
Maximum Benefit Factor	2.418% @ 63	2.418% @ 63	2.5% @ 67
Final Compensation	12 months	36 months	36 months
Required Employee Contribution Rates	7.0%	7.0%	7.75%
2024 Employer Contribution Rates	30.73%	30.73%	30.73%

	Safety Plan		
	Tier 1	**Tier 2**	**PEPRA Tier 3**
Benefit Formula	2% at 50	2% at 50	2.7% at 57
Benefit Vesting Schedule	5 Years	5 Years	5 Years
Earliest Retirement Age	50	50	50
Maximum Benefit Factor	2.7% @ 55	2.7% @ 55	2.7% @ 57
Final Compensation	12 Months	36 Months	36 Months
Required Employee Contribution Rates	9.0%	9.0%	13.25%
2024 Employer Contribution Rates	20.62%	20.62%	20.62%

	Safety Sheriff Plan		
	Tier 1	**Tier 2**	**PEPRA Tier 3**
Benefit Formula	3% at 50	3% at 55	2.7% at 57
Benefit Vesting Schedule	5 Years	5 Years	5 Years
Earliest Retirement Age	50	50	50
Maximum Benefit Factor	3% @ 55	3% @ 55	2.7% @ 57
Final Compensation	12 Months	36 Months	36 Months
Required Employee Contribution Rates	9.0%	9.0%	13.5%
2024 Employer Contribution Rates	33.61%	33.61%	33.61%

Funding Policy. Active members in the Plans are required to contribute a percentage of their annual covered salary as shown in the charts above.

For PEPRA Tier 3 active plan members in the Miscellaneous and Safety plans, the State statute requires a contribution of 6.25% and 11%, respectively of annual covered salary. However, as a result of labor negotiations PEPRA Tier 3 Miscellaneous members contribute 7.75% of annual covered salary up to $155,081. Also, as a result of labor negotiations, Sheriff Safety members in the PEPRA Tier 3 contribute 13.5% of annual covered salary, up to a $186,096 limit.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability. The County's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	Varies [(1)]
Mortality	[(2)]
Post Retirement Benefit Increase	Contract cost of living adjustment up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

(1) Depending on entry age and service and type of employment.

(2) The probabilities of mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP - 2016 published by the Society of Actuaries.

Changes in Actuarial Assumptions. Changes in actuarial assumptions generally take two years to affect the County's contribution rate due to the time required by CalPERS to calculate and implement the change. For example, a change made effective July 1, 2024 will be reflected in the County's contribution rates (normal cost or unfunded liability) for Fiscal Year 2026-27.

The CalPERS Board of Administration has made numerous changes that are reflected in the calculation of the pension liability and the annual contribution toward the unfunded pension liability. The most significant change was a reduction between Fiscal Years 2011-12 and 2018-19 to reduce the discount rate from 7.5% to 7.0%, and then more recently in Fiscal Year 2021-22 to 6.8% as described below. Other assumption changes include a reduction in the payroll growth and inflation and, beginning with the June 30, 2019 calculation, changing the amortization of investment gains or losses to 20 years from 30 years. CalPERS' Chief Actuary stated that the revised approach provides a single measure of funded status and unfunded liabilities, less rate volatility in extreme years, a faster path to full funding and more transparency to employers about future contribution rates. These changes accelerate the repayment of unfunded liabilities of the County's Plans in the near term.

In 2015, the CalPERS Board of Administration also adopted a funding risk mitigation policy (the "Policy") intended to incrementally lower its discount rate. It was first implemented in Fiscal Year 2021-22, resulting in a reduction of the discount rate from 7% to 6.8%. The County anticipates the Policy will ultimately result in a continued lowering of the discount rate, but cannot guarantee when the discount rate will be lowered and at what rate. More information about the Policy can be accessed through CalPERS' web site at the following website address: https://www.calpers.ca.gov/docs/funding-risk-mitigation-policy.pdf. The reference to this Internet website is provided for reference and convenience only. The information

contained within the website may not be current, has not been reviewed by the County and is not incorporated in this Official Statement by reference.

Contribution Rates. The contribution requirements of Plan members and the County are established by CalPERS and labor negotiations. The rates represent only the employer's normal cost as a percentage of payroll and include a dollar amount for the amortization of the unfunded actuarial liability ("UAL"). Shown in Table B-8 are the CalPERS projections of the normal cost rate and amortization of the UAL. These rates do not include the employee's contribution rates.

The County issued pension obligation bonds in September 2021 to prepay a portion of the UAL for the Safety Plan and the Sheriff Safety Plan, which was first reflected in the 2023-24 contributions.

TABLE B-8
ACTUAL AND PROJECTED EMPLOYER RETIREMENT CONTRIBUTIONS [1]

	Miscellaneous		Safety Plan		Sheriff Safety Plan	
Fiscal Year	Normal Cost	Amortize UAL	Normal Cost	Amortize UAL	Normal Cost	Amortize UAL
2021-22 [2]	8.850%	$34,579,181	15.650%	$5,259,294	20.230%	$6,037,900
2022-23 [3]	8.720	39,137,054	15.290	6,104,396	19.860	6,700,521
2023-24 [4]	9.570	38,206,346	16.580	-	22.460	1,393,451
2024-25 [5]	9.260	43,290,166	16.150	1,036,078	21.640	2,403,291
2025-26 [6]	9.110	45,077,446	15.920	2,363,909	21.000	3,183,680
2026-27 [7]	9.000	48,535,000	15.600	3,350,832	20.530	3,556,540

[1] The County allocates a portion of its pension cost to the Superior Court and to the Santa Cruz County Animal Shelter joint powers authority, whose employees are included in the County's pension plans. However, the amounts shown in Table B-10 have not been adjusted for amounts allocated to these other agencies.

[2] Source: California Public Employees' Retirement System annual valuation report dated June 30, 2019.

[3] Source: California Public Employees' Retirement System annual valuation report dated June 30, 2020.

[4] Source: California Public Employees' Retirement System annual valuation report dated June 30, 2021.

[5] Source: California Public Employees' Retirement System annual valuation report dated June 30, 2022.

[6] Source: California Public Employees' Retirement System annual valuation report dated June 30, 2023.

[7] Source: California Public Employees' Retirement System annual valuation report dated June 30, 2024.

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The CalPERS rate of return for its investment portfolio for the Fiscal Year 2021-22 was negative 6.1%. These investment losses (below 6.8%) create a loss that increased future liabilities and began affecting the County's UAL costs starting in Fiscal Year 2024-25. The CalPERS rate of return for its investment portfolio for the Fiscal Year 2022-23 was 5.8%. This investment underperformance (below 6.8%) created a loss that will increase future liabilities and begin affecting the County's UAL costs starting in Fiscal Year 2025-26. The CalPERS rate of return for its investment portfolio for the Fiscal Year 2023-24 was 9.3% and for Fiscal Year 2024-25 was 11.6%. This investment overperformance (above 6.8%) creates a gain that will reduce future liabilities and begin affecting the County's UAL costs starting in Fiscal Year 2026-27. The 2023-24 and 2024-25 investment results are not reflected in Table B-8. Pursuant to CalPERS methodology, the net investment gain credits or losses will increase annually during the first five years and then level out for the remaining 15 years over which to amortize any net investment gains or losses. The new unfunded liability created by the reduction in the discount rate will be amortized in level payments over 20 years.

Annual Pension Contributions. A five-year history of the County's required annual pension contributions is shown in Table B-9. The required contribution was determined as part of an annual actuarial valuation. The County has funded 100% of the actuarially determined contribution ("ADC"). The most recent actuarial assumptions are described under the caption "Actuarial Methods and Assumptions Used to Determine Total Pension Liability."

TABLE B-9
FIVE-YEAR TREND INFORMATION FOR ANNUAL PENSION CONTRIBUTIONS

Fiscal Year	ADC for Miscellaneous Plan	ADC for Safety Plan	ADC for Safety Sheriff Plan	Total ADC
2019-20	$38,999,757	$6,670,471	$7,753,959	$53,424,187
2020-21	42,429,388	7,599,933	8,762,077	58,791,398
2021-22	45,370,797	8,624,596	9,959,735	63,955,128
2022-23	49,660,268	6,720,634	6,418,679	62,799,581
2023-24	56,030,307	4,247,435	6,247,504	66,525,246

Source: County of Santa Cruz.

CalPERS recently reported that the UAL as of June 30, 2024 for all of the County's plans was $629 million. This amount is somewhat different from the net pension liability calculated for the purpose of the County's financial statements, due to a slightly different methodology and measurement focus in the calculation. As noted in Table B-10, the County allocates a portion of its pension liability and cost to the Superior Court and to the Santa Cruz County Animal Shelter joint powers authority, whose employees are included in the County's pension plans.

Pension Liabilities. The County's net pension liability for the Plans is measured as the total pension liability, less the pension plan's fiduciary net position. The County's changes in net pension liability for the Plans (combined) between July 1, 2020 and June 30, 2023 are shown in Table B-10.

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TABLE B-10
CHANGES IN NET PENSION LIABILITY [1]
ALL PLANS

	Measurement Date Fiscal Year Ended June 30			
	2023	**2022**	**2021**	**2020**
Total pension liability				
Service cost	$ 41,397,260	$ 40,918,415	$ 37,683,949	$ 35,399,318
Interest on the total pension liability	139,489,454	133,401,929	129,153,211	122,582,421
Changes in benefits	2,193,712	-	-	-
Changes in assumptions	-	58,296,501	-	-
Differences between expected and actual experience	11,515,224	(7,271,529)	5,231,217	10,584,015
Benefit payments, including refunds of employee contributions	(106,579,499)	(99,551,466)	(93,562,725)	(86,335,503)
Net change in total pension liability	88,016,151	125,793,850	78,505,652	82,230,251
Prior Period Adjustment	-	-	-	57,746,930
Total pension liability - beginning	2,028,450,709	1,902,656,859	1,824,151,207	1,684,174,026
Total pension liability - ending (A)	$ 2,116,466,860	$2,028,450,790	$1,902,656,859	$1,824,151,207
Plan fiduciary net position				
Contributions from the employer	$ 65,069,947	$ 181,375,430	$ 60,298,896	$ 54,587,924
Contributions from employees	18,072,350	16,197,418	16,115,090	15,848,201
Net investment income	89,358,816	(120,096,800)	271,983,495	62,646,746
Benefit payments, including refunds of employee contributions	(106,579,499)	(99,551,466)	(93,562,725)	(86,335,503)
Administrative expense	(1,093,947)	(939,248)	(1,244,141)	(1,680,627)
Net change in plan fiduciary net position	64,827,667	(23,014,666)	253,590,615	45,066,741
Plan fiduciary net position - beginning	1,476,590,592	1,499,605,258	1,246,014,643	1,160,912,525
Prior Period Adjustment	-	-	-	40,035,377
Plan fiduciary net position - ending (B)	1,476,590,592	1,499,605,258	1,246,014,643	1,200,947,902
Net pension liability - ending (A) - (B)	$1,541,418,259	$1,476,590,592	$1,499,605,258	$1,246,014,643
Plan fiduciary net position as a % of the total pension liability	72.83%	72.79%	78.82%	68.31%
Covered payroll	$241,034,857	$216,317,127	$ 215,128,914	$ 202,152,155
Net pension liability as a % of covered payroll	238.57%	255.12%	187.35%	285.99%

[1] The County allocates a portion of its pension liability and cost to the Superior Court and to the Santa Cruz County Animal Shelter joint powers authority, whose employees are included in the County's pension plans. Therefore, the amounts shown in Table B-11 are net of approximately 5% of Miscellaneous Plan, Safety Plan and Safety Sheriff Plan total pension liability and Plan fiduciary net position.

See "Required Supplementary Information (Unaudited)" section in the County's Annual Comprehensive Financial Report included in "APPENDIX C" for a breakdown of the pension liabilities by individual Plan.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's UAL on June 30, 2024, calculated using the discount rate of 6.90%, as well as what the County's UAL would be if it were calculated using a discount rate and price inflation that is 1% lower or 1% higher than the current rate, assuming the rate of return is 4.5%:

	Miscellaneous Plan	Safety Plan	Safety Sheriff Plan	Total
1% Decrease in Discount Rate and Price Inflation	$591,546,481	$53,816,130	$59,609,806	$704,972,417
June 30, 2024 Discount Rate and Price Inflation	536,042,734	43,688,561	48,971,335	628,702,630
1% Increase in Discount Rate and Price Inflation	417,072,611	23,377,623	28,572,847	469,023,081

Source: California Public Employees' Retirement System; not adjusted for the portion of pension cost allocated to the Superior Court and to the Santa Cruz County Animal Shelter joint powers authority.

See Note 14 of the County's Annual Comprehensive Financial Report included in "APPENDIX C" for further information about the Plan.

Deferred Compensation Plan

The County offers all of its employees a deferred compensation plan (the "Deferred Compensation Plan") created in accordance with Section 457 of the Internal Revenue Code. The Deferred Compensation Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or emergency. Employees direct the investment of plan assets into certificates of deposits and various mutual funds. The County has insignificant administrative duties.

As of June 30, 2025, the Deferred Compensation Plan's assets were on deposit with a third-party administrator independent of the County.

Other Post-Employment Benefits

Plan Description. Employees of the County who retire through CalPERS, their spouse, and eligible dependents may receive health plan coverage through the Public Employees' Medical & Hospital Care Program Plan ("OPEB Plan"). The OPEB Plan is a defined benefit plan which provides the retirees a monthly medical contribution that is not to exceed the cost of the plan selected. The cost of the OPEB Plan to the County for each bargaining group will be determined through CalPERS' regulations and requirements. For the Physicians Bargaining Unit, the County contributes fixed dollar amounts that vary by coverage. For all other bargaining units, the County contributions are based on longevity schedules with fixed dollar scaling that varies by bargaining unit. The OPEB Plan does not issue a financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Funding Policy. The contribution requirements for the County are established by a Memorandum of Understanding as negotiated by each group or bargaining unit. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2023-24, the County contributed $7,746,808 to the OPEB Plan (of which $1,273,000 was implicit subsidy). The County's estimated contribution was $8,337,000 (including an implicit subsidy of $1,374,000) for Fiscal Year 2024-25.

Changes in OPEB Liability. The changes in OPEB liability as of June 30, 2023 and related ratios are shown in Table B-11. The schedule of changes in total OPEB liabilities and related ratios, included in the required supplementary information section of the County's Annual Comprehensive Financial Report, will present comparative year by year information about the total OPEB liability.

TABLE B-11
CHANGES IN TOTAL OPEB LIABILITY

	Measurement Date			
	June 30, 2023	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**
Service cost	$ 7,315,290	$ 10,812,207	$ 10,755,256	$ 8,885,901
Interest on total OPEB liability	6,178,938	3,936,054	5,047,732	5,649,710
Changes in assumptions[(1)]	(4,569,300	(41,006,803)	3,569,076	16,761,397
Difference between actual and expected experience	(10,395,164)	-	(12,691,709)	-
Benefit payments	(7,839,062)	(7,752,833)	(7,774,781)	(7,502,010)
Net change in total OPEB liability	(9,309,298)	(34,012,375)	(1,094,426)	23,794,998
Total OPEB liability - beginning	164,055,184	198,067,559	199,161,983	175,366,985
Total OPEB liability - ending	$154,745,886	$164,055,184	$198,067,559	$199,161,983
Covered payroll	$261,656,768	$242,721,718	$230,823,941	$230,343,320
Net OPEB liability as a percentage of covered payroll	59.14%	67.59%	85.81%	86.46%

(1) The accounting discount rate increased to 3.69% in 2022 from 1.92% in 2021; decreased to 1.92% in 2021 from 2.45% in 2020; and decreased to 2.45% in 2020 from 3.13% in 2019.

Source: County of Santa Cruz Annual Comprehensive Financial Report.

Annual OPEB Contributions. The County's required annual OPEB contributions for the last five Fiscal Years are shown in the table below. The required ADC was determined as part of an annual actuarial valuation. The County has funded 100% of the ADC. The most recent actuarial assumptions are described below under the caption "Actuarial Methods and Assumptions."

TABLE B-12
TREND INFORMATION FOR ANNUAL OPEB CONTRIBUTIONS

Fiscal Year	**ADC**	**ADC as a % of Covered Payroll**
2019-20	$7,526,724	3.27%
2020-21	7,798,262	3.38
2021-22	7,778,586	3.20
2022-23	7,872,181	3.01
2023-24	7,746,808	2.96

Source: County of Santa Cruz Annual Comprehensive Financial Report.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the ADC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the June 30, 2023 actuarial valuation, the entry age normal actuarial cost method was used to value liabilities. Under the entry age normal cost method, an average age at hire and average retirement age are determined for eligible employees. The actuarial assumptions included (1) a 3.86% discount rate, (2) inflation of 2.5%, (3) 2.75% payroll increases and (4) retirement and mortality probabilities based on the CalPERS 2000-2019 Experience Study.

See Note 15 in the County's Annual Comprehensive Financial Report included in "APPENDIX C" for further information about the OPEB Plan.

Employee Relations and Collective Bargaining

County employees are represented by ten bargaining units. The largest unit is the Service Employees International Union (Local 521), which represents approximately 70% of all County employees. Most County employees are covered by negotiated agreements.

Bargaining Unit	Expiration Date
Middle Management	September 16, 2025[(1)]
Government Attorneys Association	June 30, 2025[(1)]
Sheriff's Correctional Officers	November 30, 2025
Law Enforcement Middle Management	June 30, 2026
Law Enforcement	June 30, 2026
Sheriff Supervisory	June 30, 2026
General Representation Unit (SEIU)	September 18, 2027
District Attorney Inspectors	June 30, 2027
Physicians' Representation Unit	November 11, 2026
Probation Association	December 31, 2027

[(1)] Under negotiation.

Risk Management

The County is self-insured for its general and auto liability, workers' compensation, property and employees' dental coverage as described below. Excess coverage is purchased through PRISM, a member-directed risk sharing pool of public agencies providing risk coverage programs.

Workers' Compensation. Under the Workers' Compensation Self-Insurance Program the County is liable for the first $500,000 and carries catastrophic insurance coverage for any amount required by statute. As of June 30, 2024, this program had estimated future liabilities of $37.7 million. No significant changes are anticipated to have occurred during Fiscal Year 2024-25.

Dental. The County's self-insurance dental program had estimated future liability for dental benefits of $369,733 as of June 30, 2024.

Liability and Property. The County has a $1 million self-insured retention per occurrence with excess insurance for the general liability program with excess liability insurance through PRISM. The County purchases commercial property insurance through PRISM with an all risk and flood limit of $600,000,000 and an earthquake limit of $565,000,000. As of June 30, 2024, the County had estimated future liabilities totaling $21.8 million which included estimates for known claims and losses incurred but not reported. No significant changes are anticipated to have occurred during Fiscal Year 2024-25.

Unemployment Insurance. The estimated future liabilities as of June 30, 2024 were $59,235.

Claims Liabilities. The change in the balance of claims liabilities during the fiscal years ended June 30, 2024, and two prior years for all Self-Insurance Internal Service Funds combined is as follows:

	2022	**2023**	**2024**
Unpaid claims and claim adjustment expenses, beginning of the fiscal year	$52,745,464	$52,706,649	$57,647,829
Incurred claims and claim adjustment expenses	10,929,583	11,192,103	14,522,677
Increase (decrease) in provision of insured events for prior years	(38,814)	4,941,180	2,340,139
Claim payments	(10,929,584)	(11,912,103)	(14,522,677)
Unpaid claims and claim adjustment expenses, end of the fiscal year	$52,706,649	$57,647,829	$59,987,968

Source: County of Santa Cruz Annual Comprehensive Financial Report.

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Self-Insurance Funds. The County has established separate self-insurance funds for risk management, dental and health insurance, liability and property insurance, workers' compensation insurance, employee benefits staffing and the State unemployment insurance program. Summary financial information for the self-insurance funds is shown in Table B-13. The County's Workers' Compensation Self-Insurance Fund accounts for the negative fund balance shown in Table B-13. However, of the $34.9 million of estimated future liabilities in the Workers' Compensation Self-Insurance Fund, the County expects that almost half of such claims, if required to be paid, will be charged to the applicable State or federal government program, because the claims relate to employees whose programs are funded by the State or federal government.

As of June 30, 2024, the self-insurance funds held a total of $29.8 million in cash. In Fiscal Year 2023-24, the County made a loan of approximately $6.4 million from the Workers' Compensation Self-Insurance Fund to the Road Fund to fund certain expenditures relating to the road repairs. The County repaid the loan from the Workers' Compensation Self-Insurance Fund from the receipts of federal reimbursements for damage repair costs in Fiscal Year 2024-25.

TABLE B-13
COUNTY OF SANTA CRUZ
SELF-INSURANCE FUNDS

	2021-22	2022-23	2023-24
Operating Revenues:			
Charges for Services	$ 24,084,225	$32,084,135	$40,075,259
Other Revenues	2,065,079	3,402	293
Total Operating Revenues	26,149,304	32,087,537	40,075,552
Operating Expenses:			
Salaries and Employee Benefits	1,448,334	1,318,792	1,839,055
Services and Supplies	23,158,715	23,835,522	25,930,911
Insurance and Compensation Claims	10,968,398	11,192,103	14,522,677
Depreciation and Amortization	1,038	-	-
Total Operating Expenses	35,576,485	36,346,417	42,292,643
Operating Income (Loss)	(9,427,181)	(4,258,880)	(2,217,091)
Non-Operating Revenues:			
Intergovernmental Revenue	-	48,221	77,225
Interest and Investment Income	(458,413)	639,990	1,278,608
Interest expense	(35)	-	-
Other	3,900	135,290	4,907,174
Total Non-Operating Revenues	(448,744)	823,501	6,263,007
Net Income (Loss)	(9,875,925)	(3,435,379)	4,045,916
Transfers In	4,000,000	8,347,110	-
Transfers Out	-	(3,397,166)	-
Change in Net Position	(5,875,925)	1,514,565	-
Beginning net position	(23,469,171)	(29,345,096)	(27,830,531)
Ending net position	$(29,345,096)	$(27,830,531)	$(23,784,615)

Source: County of Santa Cruz Annual Comprehensive Financial Reports.

County Treasurer's Investment Pool

As of June 30, 2025, the market value of the County Treasurer's investment pool was $1.63 billion. The diversification of the County Treasurer's investment pool's assets as of such date is shown in the following table.

TABLE B-14
COUNTY OF SANTA CRUZ
TREASURER'S PORTFOLIO
as of June 30, 2025

Type of Investment	% of Combined Pool
U.S. Government Agencies	15.4%
U.S. Treasuries	32.4
Money Market Mutual Funds	19.6
Medium-Term Notes	14.7
Supranationals	5.4
Negotiable CDs	9.3
Municipal Bonds	3.2
	100.0%

Source: County Auditor-Controller-Treasurer-Tax Collector.

The weighted average maturity of all County Treasurer's investment pool moneys was 431 days. The current yield of the County Treasurer's investment pool as of June 30, 2025 was 4.19% and the June 30, 2025 apportionment rate was 4.20%.

In general, all depositors in the County Treasurer's investment pool are required by law to deposit their funds in the County Treasurer's investment pool. This includes the County, school districts and other special districts in the County.

Financial Statements

The County's accounting policies conform to generally accepted accounting principles and reporting standards set forth by the State Controller. The audited financial statements also conform to the principles and standards for public financial reporting established by the National Council of Government Accounting and the Governmental Accounting Standards Board.

Basis of Accounting and Financial Statement Presentation. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The County retained the firm of Brown Armstrong Certified Public Accountants, Bakersfield, California, to examine the general purpose financial statements of the County as of and for the year ended June 30,

2024. The following Tables B-15 and B-16 summarize the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance of the County's General Fund for the last five fiscal years. The County received a Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year ended June 30, 2023.

GASB Statement No. 54 Fund Balance Reserves. GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definition, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, which are amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. GASB Statement No. 54 also provides for additional classification as "restricted," "committed," "assigned," and "unassigned" based on the relative strength of the constraints that control how specific amounts can be spent.

Restricted - Restricted fund balance includes amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Committed fund balance includes amounts that can only be used for a specific purpose determined by formal action of the Board and that remain binding unless removed in the same manner. The establishment of a "committed" fund balance requires (in accordance with the County's Fund Balance Policy) the passage of a resolution by a simple majority vote before June 30 of the applicable fiscal year.

The Board established a separate committed fund balance account known as the Reserve for Working Capital. Funding of the Reserve for Working Capital is established by resolution during the annual budget process. The purpose of the reserve is to assist the County in maintaining a minimal fund balance. In accordance with the County's Fund Balance Policy, any use of funds requires a four-fifths vote of the Board appropriating the funds and a resolution of the Board declaring a Fiscal Emergency.

The Board has also established a separate Committed fund balance account known as the Reserve for Economic Uncertainty. Funding of the Reserve for Economic Uncertainty is established by resolution during the annual budget process. The reserve is to be used only during recessions or periods of economic distress as measured by periods of time when the local unemployment rate exceeds 8% and/or the rate of inflation exceeds the growth in property taxes. In accordance with the County's Fund Balance Policy, any use of funds requires a four-fifths vote of the Board appropriating the funds.

The Board has also established a separate Committed fund balance account known as the Reserve for Natural Disasters. Funding of the Reserve for Natural Disasters is established by resolution during the annual budget process. The purpose of the reserve is to fund extraordinary operating costs, legal costs and cashflow associated with delays in State and federal reimbursements for any natural disaster. In accordance with the County's Fund Balance Policy, any use of funds requires a four-fifths vote of the Board appropriating the funds.

As of June 30, 2024, the County has Committed fund balances as follows:

Committed to:	
Natural Disasters	$ 2,000,000
Working Capital	6,000,000
Economic Uncertainty	10,000,000
MHSA Prudent Reserve	2,997,367
Total Committed fund balance	$20,997,367

Assigned - Assigned fund balance includes amounts that are constrained by the County's intent to be used for specific purposes. In accordance with the County's Fund Balance Policy, the Board has the authority to assign funds for a specific purpose, or change or remove an assignment, with a simple majority vote.

The County Executive Officer also has the authority to assign funds for specific purposes, and to change or remove the assignment, which action is to be reported to the Board at their next meeting. An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget may be classified as Assigned fund balance.

The County Executive Officer has established and the Board has approved establishment of Assigned fund balance for federally qualified health programs. The amount assigned is for revenue already recognized in the General Fund but assigned to (1) provide a cushion to mitigate risk associated with mental health managed care programs, (2) provide an audit reserve for disallowed mental health costs under State or federal programs, and (3) hold for possible future repayment of grant funds.

As of June 30, 2024, the County has Assigned fund balances as follows:

Assigned to:	
Federally qualified health programs	$ 51,231,211
Budgeted structural deficit	11,646,039
Eliminate projected budgetary deficit in subsequent year's budget	39,395,363
Unanticipated liabilities	2,000,000
Human services	7,440,174
Salary savings	1,174,177
Other	3,530,930
Total Assigned fund balance	$116,417,894

GASB Statement No. 84. GASB No. 84 establishes criteria for identifying fiduciary activities. It narrows the existing definition of a fiduciary fund and clarifies how these funds should be treated in the financial statements. The County determined that approximately $60 million of fiduciary fund balances at June 30, 2021 could no longer be accounted for separate and apart from the County's General Fund in connection with the implementation of GASB No. 84 for the Fiscal Year ending June 30, 2021.

The increase in the General Fund fund balance for the inclusion of the former fiduciary funds fund balances will be treated as a prior period adjustment in the County's audited financial statements for the Fiscal Year ending June 30, 2021. Some of these amounts will be classified as restricted, committed or assigned, as appropriate (see "GASB Statement No. 54 Fund Balance Reserves" above).

TABLE B-15
COUNTY OF SANTA CRUZ
GENERAL FUND
BALANCE SHEET
As of June 30

	2019	2020	2021	2023	2024
ASSETS					
Cash and investments	$105,100,778	167,107,613	$205,556,336	$200,829,393	$213,657,848
Receivables, net	63,733,509	65,845,879	64,231,579	88,460,364	143,663,800
Due from other funds	3,032,093	5,355,066	-	-	-
Due from other governments	-	2,451	-	-	-
Inventory	-	157,128	-	-	-
Leases receivable	-	-	79,880	46,443	17,161
Deposits with others	90,000	70,000	70,000	70,000	70,000
Prepaids	1,387,970	1,669,110	1,402,075	1,974,189	1,655,408
Advances to other entities	128,000	28,247	-	-	-
Total assets	$173,472,350	$240,235,494	$271,339,870	$291,380,389	$359,064,217
LIABILITIES					
Accounts payable	$ 29,389,338	$ 38,120,550	$ 40,092,126	$ 42,897,167	$ 49,533,812
Salaries and benefits payable	-	15,285,776	15,825,755	18,709,913	25,390,772
Deposits payable	-	1,622,674	1,743,883	1,928,920	1,968,681
Tax and revenue anticipation notes payable	46,795,000	47,581,124	49,467,305	50,353,333	64,041,528
Due to other governments	-	64,372	86,720	42,364	39,143
Due to other funds	612,324	-	-	-	-
Advances from other funds	-	1,668,121	1,486,962	1,341,821	1,165,546
Unearned revenues	38,982,671	24,174,166	27,009,235	23,867,850	22,514,855
Total liabilities	115,779,333	128,516,783	135,711,986	139,141,368	164,654,337
Deferred Inflow of Resources					
Opioid Settlement	-	-	-	12,781,750	12,195,990
Lease related	-	-	78,742	45,074	16,479
Total inflow of resources	-	-	78,742	12,826,824	12,212,469
FUND BALANCES [1]					
Nonspendable	1,547,245	1,695,653	1,402,075	1,974,189	1,725,408
Restricted	-	25,483,811	33,022,061	34,740,568	43,056,742
Committed	19,755,898	20,955,898	20,955,898	20,997,367	20,997,367
Assigned	36,389,874	63,583,349	80,169,108	81,700,073	116,417,894
Total fund balance	57,693,017	111,718,711	135,549,142	139,412,197	182,197,411
Total liabilities and fund balances	$173,472,350	$240,235,494	$271,339,870	$291,380,389	$359,064,217

[1] See "GASB Statement No. 54 Fund Balance Reserves" above.

Source: County of Santa Cruz Annual Comprehensive Financial Reports.

TABLE B-16
COUNTY OF SANTA CRUZ
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended June 30

	2020	2021	2022	2023	2024
REVENUES:					
Taxes	$135,762,874	$153,164,299	$161,100,815	$163,997,300	$172,926,545
Licenses and permits	12,797,928	13,745,928	16,724,487	16,152,951	16,915,955
Fines, forfeits and penalties	8,709,559	12,883,101	9,788,183	13,030,762	6,625,072
Use of money and property	4,378,270	2,430,342	(3,004,171)	7,934,806	11,623,116
Aid from other governments	275,261,391	355,005,187	385,381,658	405,016,614	455,623,741
Charges for services	64,622,109	65,906,474	70,059,899	81,563,806	79,286,489
Other	25,693,433	21,017,104	8,790,849	6,504,070	10,182,802
Total Revenues	527,225,564	624,152,435	648,841,720	694,200,309	753,183,720
EXPENDITURES:					
Current:					
General government	42,736,817	42,889,342	41,093,575	75,551,653	54,670,060
Public protection	167,631,772	177,449,162	297,393,244[1]	182,058,696	197,536,684
Public ways and facilities	267,970	227,242	1,390	-	-
Health and sanitation	164,212,383	181,786,750	195,962,924	214,846,774	241,190,651
Public assistance	144,843,557	186,809,661	178,108,823	165,040,520	182,640,611
Education	138,940	122,647	140,467	150,857	142,984
Recreation and cultural services	9,009,544	9,009,839	9,100,463	11,243,040	12,777,891
Debt service	1,235,408	917,880	11,425,099	7,260,307	5,144,948
Total expenditures	530,076,391	599,212,523	733,225,985	656,151,847	694,103,829
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,850,827)	24,939,912	(84,384,265)	38,048,462	59,109,891
OTHER FINANCING SOURCES (USES):					
Loan proceeds	-	-	2,000,000	-	-
Bonds issued	-	-	124,195,000[1]	-	-
Operating transfers in	2,325,367	2,313,389	2,425,869	5,677,464	3,255,930
Operating transfers out	(12,502,480)	(13,222,635)	(21,269,432)	(40,171,772)	(20,127,888)
Inception of capital lease	894,471	-	863,259	308,901	547,281
Total other financing uses	(9,282,642)	(10,909,246)	108,214,696	(34,185,407)	(16,324,677)
Net change in fund balance	(12,133,469)	14,030,666	23,830,431	3,863,055	42,785,214
Fund balance - beginning	69,826,486	57,693,017	111,718,711	135,549,142	139,412,197
Prior period adjustment[2]	-	39,995,028	-	-	-
Fund balance as restated	69,826,486	97,688,045	111,718,711	135,549,142	139,412,197
Fund balance - ending	$ 57,693,017	$111,718,711	$135,549,142	$139,412,197	$182,197,411

(1) Pension obligation bond proceeds used to pay a portion of public safety retirement plans unfunded liability.

(2) See "GASB Statement No. 84" above.

Source: County of Santa Cruz Annual Comprehensive Financial Reports.

STATE OF CALIFORNIA BUDGET

Information about the State budget and State spending is available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the State Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst ("LAO") at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. *None of the websites or webpages referenced above are in any way incorporated into this Official Statement. They are cited for informational purposes only. The County makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites, and such information is not incorporated herein by these references.*

According to the State Constitution, the Governor is required to propose a budget to the State Legislature (the "Legislature") by no later than January 10 of each year, and a final budget must be adopted by the vote of each house of the Legislature no later than June 15, although this deadline has been routinely breached in the past. The State budget becomes law upon the signature of the Governor, who may veto specific items of expenditure.

The State budget must be adopted by a majority vote of each house of the Legislature. Voters of the State passed Proposition 25 in November 2010, which provides that there will be no appropriation from the current budget or future budget to pay any salary or reimbursement for travel or living expenses for members of the Legislature for the period during which the budget was presented late to the Governor.

Enacted State Budget for Fiscal Year 2025-26

In January, the 2025-26 Governor's Budget projected modest but slow economic growth with a slight surplus in the budget window. This was followed by continued positive signs early in the year, as revenues came in substantially higher than projected, reflecting strong performance in California's economy and the stock market in 2024 and early 2025. The imposition of federal policy changes significantly slowed growth in the California economy. Most notably, broad-based tariffs blunted this growth and drove a downgrade to California's economic and revenue forecasts at the 2025-26 May Revision. At the same time, California also experienced substantial cost and caseload growth in several core state programs - most notably, in Medi-Cal - which combined to create a General Fund shortfall of $11.8 billion. The Enacted Budget ("Enacted Budget") closes this gap through a range of solutions - including difficult but necessary actions that reduce ongoing expenditure growth to maintain budget resilience and provide long-term stability for critical state programs. At the same time, the Enacted Budget maintains critical funding for multiple initiatives that continue to improve the lives of millions of Californians.

Because the Enacted Budget was approved in late June, it does not reflect the impact of the substantial cuts in federal spending included in the federal omnibus tax and spending bill signed in early July (otherwise known as "reconciliation"). The State's Administration continues to evaluate the impacts of this measure and will work with the State Legislature if any changes to the Enacted Budget are necessary.

The Enacted Budget solves an $11.8 billion General Fund deficit for 2025-26 through the following categories of solutions. Similar to the 2025-26 May Revision, these solutions include a significant number of reductions to ongoing programs that will provide even greater fiscal stability in future years.

• **Reductions** - $2.8 billion in total solutions in 2025-26 - growing to $11.9 billion by 2028-29.

  ◦ *Enrollment Freeze for Full-Scope Medi-Cal Expansion for Undocumented Adults, Adults 19 and Older* - $77.9 million in 2025-26, growing to $3.3 billion in 2028-29.

  ◦ *Medi-Cal Premiums, Adults Ages 19-59 with Unsatisfactory Immigration Status* - Implementation cost of $30 million in 2026-27, growing to savings of $675 million in 2028-29.

◦ *Medi-Cal Asset Test Limits* - $61.3 million in 2025-26, growing to $827.4 million in 2028-29, inclusive of In-Home Supportive Services (IHSS) impacts.

◦ *Elimination of Dental Benefits, Adults 19 and Older with Unsatisfactory Immigration Status* - $308 million in 2026-27, growing to $336 million in 2027-28.

◦ *Prospective Payment System Payments to Federally Qualified Health Centers and Rural Health Clinics* - $1.0 billion in 2026-27, growing to $1.1 billion in 2027-28.

◦ *Eliminate Specialty Drug Coverage for Weight Loss* - $85 million in 2025-26, growing to $790 million in 2028-29.

◦ *Pharmacy Drug Rebates* - $370 million in 2025-26, growing to $600 million in 2027-28.

◦ *Require Provider Mandates for Quality Incentive Payment Program Eligibility* - $221.7 million ongoing beginning in 2026-27

• **Revenue/Borrowing**—$7.8 billion in total solutions in 2025-26.

◦ *Proposition 35 Support for Medi-Cal Rate Increases* - $1.3 billion in 2025-26 and $263.7 million in 2026-27.

◦ *Medical Providers Interim Payment Fund Loan* - $4.4 billion across the budget window, of which $1 billion is for a new loan in 2025-26.

◦ *Unfair Competition Law Fund Loan* - $150 million in 2025-26.

◦ *Labor and Workforce Development Fund Loan* - $400 million in 2025-26.

◦ *Additional special fund and internal borrowing* - $1.5 billion.

• **Fund Shifts**—$1.2 billion total solutions in 2025-26.

◦ Greenhouse Gas Reduction Fund for Department of Forestry and Fire Protection (CAL FIRE) Operations - $1.0 billion in 2025-26, $1.3 billion in 2026-27, and $500 million in 2027-28 and in 2028-29.

In addition to these solution categories, the Enacted Budget makes two future commitments (subject to appropriation) totaling $456.1 million in 2027-28:

• **California Food Assistance Program Expansion** - $117.2 million in 2027-28, growing to $163.2 million in 2028-29.

• **Foster Care Tiered Rate Structure Trigger** - $338.9 million in 2027-28, growing to $522.1 million in 2028-29.

Potential Impact of State Budget and Federal Policy on County's Financial Condition

There can be no assurances regarding present or future State fiscal challenges or the effects State efforts to address such challenges might have on the County. As noted, in its Enacted Budget, the State did not incorporate any effect of federal cuts that are included in the federal omnibus tax and spending bill signed in early July, any of which may have implications for the State budget and the County's budget, particularly in the areas of health, housing and transportation.

Federal policies involving taxation, appropriations, borrowing (including the debt ceiling), trade (including tariffs), immigration, climate change, clean energy, and other topics can shift, sometimes dramatically, from one presidential administration or Congress to another. From time to time, such shifts can result in reductions to the level of federal funding for a variety of policy priorities, including transportation, housing, healthcare, social services, and other federally funded programs. Recently, several such policy shifts, including delays in grants and other appropriations, have been proposed or promulgated through presidential executive orders, and other official and unofficial actions at the federal level. The County cannot predict the outcome of such proposals and other actions, nor the potential impacts of any future changes in federal policy. However, such changes could in the future have adverse effects on revenues, operations or capital funding requirements. See "APPENDIX B – Fiscal Year 2025-26 Overview."

The County staff expects to return to the Board at such a time when a response is required in alignment with development of the Federal budget or any subsequent changes in the State budget.

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APPENDIX C

ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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THE COUNTY OF SANTA CRUZ
STATE OF CALIFORNIA

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2024

Santa Cruz County's Pajaro Valley has a long history of cut flower cultivation. The bright and hardy Marigold is a feature of the local flower industry, a spiritual symbol for some area residents and a source of nourishment for the Monarch Butterfly. Thick bands of marigolds, growing tall along the roadsides in rural Santa Cruz County, are a welcome sight each autumn. Their color palate is just right for pumpkin-spice season and their appearance aligns with the annual migration of Monarch butterflies to the region. Just when the flowers reach their peak magnificence, they are cut and sold in flower shops and roadside stalls to aid in both the celebration of Dia de los Muertos and in leading the souls of departed loved ones back home to be honored and remembered by their families.

County of Santa Cruz, California

Annual Comprehensive Financial Report
For the Fiscal Year Ended
June 30, 2024

Prepared Under the Direction
of Edith Driscoll
Auditor-Controller-Treasurer-Tax Collector

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Introductory Section

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

EDITH DRISCOLL
AUDITOR-CONTROLLER / TREASURER-TAX COLLECTOR
701 OCEAN STREET, SUITE 100, SANTA CRUZ, CA 95060-4073
(831) 454-2500

December 20, 2024

The Honorable Board of Supervisors

County of Santa Cruz

701 Ocean Street

Santa Cruz, CA 95060

Members of the Board and Fellow Citizens:

The Annual Comprehensive Financial Report (ACFR) of the County of Santa Cruz (the County) for the fiscal year ended June 30, 2024 is hereby submitted in accordance with the statutes of the State of California. The ACFR represents the culmination of all budgeting and accounting activities during the year and covers all funds of the County, its component units, and its financial transactions.

Management assumes full responsibility for the completeness and reliability of the information contained in this report which is based upon a comprehensive internal control framework established for this purpose. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the various funds and account groups of the County.

The independent auditors, Brown Armstrong Accountancy Corporation, who have rendered an unmodified ("clean") opinion thereon for the fiscal year ended June 30, 2024, have audited these statements. Their report is provided herein.

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

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 (with amendment in 1996) and U.S. Office of Management and Budget (OMB) *Uniform Guidance*, the OMB Circular. A single audit is intended to provide a cost-effective audit for non-federal entities that receive federal assistance awards in that one audit is conducted in lieu of multiple audits of individual programs. These reports are available in the County's separately issued Single Audit Report.

FINANCIAL INFORMATION

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the County 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 Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide a reasonable, rather than an absolute, assurance that the financial statements are free of any material misstatements.

PROFILE OF THE COUNTY

The County of Santa Cruz was established by an act of the State Legislature in 1850 as one of the original 27 counties of the State of California. The County is a general law county and is governed by a five-member Board of Supervisors who are elected by district to serve alternating four-year terms. The Board of Supervisors appoints a County Administrative Officer (Chief Executive) to carry out its policies as set forth by County Ordinance. The Assessor-Recorder, Auditor-Controller/Treasurer-Tax Collector, County Clerk, District Attorney and Sheriff-Coroner are elected officials and all other department heads are appointed officials.

The County's principal functions include seven major areas: general government, public protection, public ways and facilities, health and sanitation, public assistance, recreation and cultural services, and education. In the public assistance and health areas, the state and federal governments mandate certain minimum levels of service. These functions are required by County ordinance or by state or federal law.

Santa Cruz is located on the Central Coast of California, and is bordered by San Mateo County to the North, Santa Clara County to the East, San Benito and Monterey Counties to the South and the Monterey Bay National Marine Sanctuary to the West. The County of Santa Cruz is the second smallest county in California in terms of land mass and the 25th of 58 counties in terms of population. Approximately half of the County residents live in one of the County's four cities (Capitola, Santa Cruz, Scotts Valley, and Watsonville) with the other half living in the unincorporated area.

In accordance with the County Budget Act in the California Government Code, the County must adopt a budget on or before October 2 for each fiscal year. The County maintains budgetary controls, whose objective is to ensure compliance with legal provisions embodied in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for each budgeted unit within each budgeted fund is at the character level for salaries and benefits and also for services and supplies, while other charges, land, plant and improvements, and equipment are controlled at their respective line items.

The encumbrance system is employed by the County to record amounts committed for purchase orders or contracts. If appropriations are not sufficient, the Board of Supervisors must approve amendments or transfers of appropriations between funds or departments.

Factors Affecting Financial Conditions

The following highlights are evidence of the changing economy on a Countywide basis that includes both the unincorporated area and the four incorporated cities.

Important indicators of the local economy are retail sales and the hospitality industry. During fiscal year 2023-2024, Transient Occupancy Taxes and Sales and Use Taxes both increased from the prior year as the impact of the COVID-19 pandemic continued to decrease throughout the State:

- The County's Transient Occupancy Tax increased by $1.3 million, or 11.13%, to $12.8 million during the fiscal year.
- The County's Sales and Use Tax increased overall by $0.7 million, or 3.15%, to $24.3 million. In 2019, Santa Cruz voters passed Measure G, a half-cent sales tax, bringing the unincorporated sales tax rate to 9.0%.

Property-related tax revenues in Santa Cruz County have continued to experience steady growth. Property taxes are determined based upon assessed values. The assessed values of secured property in Santa Cruz County increased by 5.3% in 2023-2024 and has had an annual increase over the last five years of 27.7%. Current property tax revenues increased during the fiscal year by $6.3 million, or 5.1%. These revenues comprised approximately 73.6% of the County's total tax revenues in the fiscal year 2023-2024.

The County voters passed a Cannabis Business Tax effective November 2014. The County's Cannabis Business Tax increased in fiscal year 2023-2024 by approximately $0.5 million, or 20.70%, to $3.2 million.

Based on the California's Department of Finance Price Factor and Population information published in May 2024, the County's population is estimated to be 262,572 as of January 2024, which is a decrease of 766, or -0.3%, from the prior year estimated population at January 2023 of 263,338. Compared to the actual April 2020 Census count of 270,861, the January 2024 estimated population count is a decrease of 8,289 persons, or -3.1%.

The County's unemployment rate at June 30, 2024, was 5.6%, 0.3% higher than it was one year ago at 5.3%, and much lower than the high of 17.8% in April 2020 and 7.7% in June 2014. Additionally, the number of workers in the labor force decreased by 730, or 0.54%, to 133,467 at June 30, 2024.

The Santa Cruz County real estate market experienced an increase in value during the fiscal year 2023-2024. According to Zillow.com's Home Value Index, home values increased by 3.9%, from $1,102,597 in June 2023 to $1,145,538 in June 2024.

Long-Term Financial Planning

The County is committed to building and maintaining a strategic reserve. The County has maintained its General Fund reserves within the minimum level.

- Total General Fund balance was $182.2 million at June 30, 2024, an increase of $42.8 million from $139.4 million at June 30, 2023.
- General Fund Committed and Assigned designations totaled $137.4 million at June 30, 2024, an increase of $34.7 million from $102.7 million at June 30, 2023. Additionally, General Fund restricted fund balances were $43.1 million, an increase of $8.3 million from $34.7 million at June 30, 2023. Of the current $137.4 million committed and assigned fund balance at June 30, 2024, $39.4 million is assigned to fund next year's budget.

The County's fund policy states the minimum total Committed and Assigned General Fund balances shall be no less than 7.0% of the upcoming budget year's estimated revenues. The policy does not include the assignment to eliminate the projected budgetary deficit in the subsequent year's budget. Although not policy, the Board directed during the 2023-2024 budget hearings to have no less than 10% of the Assigned and Committed General Fund's fund balance, excluding the portion reserved to fund the following year's budget. The policy allows the County to preserve necessary flexibility.

At June 30, 2024, the total adopted budgeted Assigned and Committed General Fund balances, which excludes the portion reserved to fund the following year's budget, was $98.1 million and is equal to 11.95% of the General Fund estimated operating revenues in the 2024-2025 budget.

Employees' Retirement Plan

The California Public Employees Retirement System (CalPERS) pension fund, in which Santa Cruz County employees participate, has made significant and important changes in costs and benefits. In August 2012, the State Legislature adopted changes including an increased retirement age and a lowered benefit formula for new employees, a cap on the annual pension payout, and a requirement for workers to pay half of their costs. CalPERS realized a gain of 5.8% on its investments for the fiscal year ended June 30, 2023, following gains of (6.1%), 21.3%, 4.7%, 6.7%, 8.6%, 11.2%, 0.6%, 2.4%, 18.4%, and 12.5% for the years ended June 30, 2022 June 30, 2021, June 30, 2020, June 30, 2019, June 30, 2018, June 30, 2017, June 30, 2016, June 30, 2015, June 30, 2014 and June 30, 2013, respectively.

On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.5% to 7.0% using a three-year-phase-in beginning with the June 30, 2016, actuarial valuations. The phase-in of the discount rate changes occurred in the following order: 7.375% for fiscal year 2018-19, 7.25% for fiscal year 2019-20, and 7.0% for fiscal years 2020-21 and thereafter. These discounts rates were also used to determine the minimum employer contributions for the said fiscal years. As such, the minimum employer contributions for the County of Santa Cruz for fiscal year 2022-2023 was 7.75%.

Beginning with fiscal year 2017-18, CalPERS collected employer contributions toward the plan's unfunded liability as dollar amounts instead of the prior method of a contribution rate. This change addresses potential funding issues that could arise from a declining payroll or reduction in the number of active members in the plan. The plan's normal cost contribution continues to be collected as a percentage of payroll.

County employees also participate in the CalPERS health insurance program, whose average premiums increased by 7.93% in 2024, and increased by 10.75% in 2025.

MAJOR INITIATIVES

During the 2023-2024 fiscal year, under the leadership of the Board of Supervisors, several key programs and projects were successfully undertaken by the County. These items were a part of the County's six-year strategic plan approved by the Board of Supervisors in 2018. The Board subsequently approved the first of three, two-year operational plans in 2019 which added countywide strategies, department objectives and key steps for achieving the 24 strategic plan goals. The first of the three, two-year operational plans was for 2019-2021. The 2019-21 operational plan had 147 objectives, of which 134 were completed and 13 were withdrawn. The second two-year operational plan is for 2021-23. The plan includes 140 objectives of which 124 have been completed and 16 have been consolidated. The third two-year operations plan is for 2023-25. The plan includes 149 objectives of which 48 have been amended and 137 are in progress.

The County tracks progress on each objective through the website www.SCCVision.us.

The following items were completed as of June 30, 2024:

- Community Development and Infrastructure (CDI)-Public Works completed the acquisition and development of the South County Service Center located at 500 Westridge, Watsonville. The County's Human Services, Tax-Collector, Recorder, County Clerk, and Agriculture departments will provide services from that location.
- The Agricultural Extension reported a 25 percent increase in participation in 4H by area youth and adult volunteers countywide.
- The Auditor-Controller-Treasurer-Tax Collector hosted four interns from local colleges to promote the County as an employer and to provide a foot in the door opportunity for local students to gain valuable experience.
- CDI-Public Works swept 1,000 lane miles of County roads, prioritizing bicycle commuter routes and safety, particularly in areas prone to having debris and sediment buildup on roadways.
- CDI-Public Works resurfaced 25 miles of roadway that was in a substandard condition, prioritizing resurfacing projects sites based on existing poor road condition, locations linking high population densities to services, and improvement in traffic flows.
- County Fire implemented a year-round recruitment and onboarding strategy, increasing active volunteers by 10 percent.
- The District Attorney Neighborhood Court Program implemented a pilot program in collaboration with Watsonville Police Department and the Public Defender to focus more on South County, increasing the number of Spanish speaking conferences by 10 percent and holding conferences in the geographic locations where incidents occurred.
- The District Attorney reduced the time between a crime incident and outreach to survivors by 10 percent to ensure access to services, including exploration of a Family Justice/Survivor Center model.
- Health Services Agency redesigned its website to meet local Americans with Disabilities Act (ADA) and language requirements, including but not limited to use of color, text alternatives, and alternate web-navigation options.
- Human Services expanded technology access by providing a free tablet, internet service, and training to 70 home-bound seniors and/or adults with disabilities in the county which will reduce the effects of isolation and increase their access to resources.
- Human Services and the County Administrative Office, in collaboration with partners, conducted a Community Needs Assessment that surveyed at least 1,000 residents, with representation from underserved populations, to inform the Master Plan on Aging.
- Human Services reviewed eligibility for over 90,000 county residents currently enrolled, with the goal of retaining Medi-Cal health benefits for a minimum of 90 percent of all eligible families and individuals.
- The County's Office of Response, Recover, and Resilience (OR3) improved information sharing for the community before, during and after disasters, with a 10 percent increase in County resident enrollment in emergency communication notifications using the new alert and warning platform.
- OR3 developed three sites as "Community Resilience Centers" (CRCs) and applied for at least one grant to fund development of CRCs to build resilience capacity for community and vulnerable populations impacted during extreme weather or disasters.

- Parks increased recreational programs enrollment by 15 percent among low-income and minority County residents.
- Parks updated its Strategic Plan through a process with equitable geographic inclusion of community voices, in line with County demographics.
- The Public Defender's Office now offers Youthful Offender Parole advocacy to 90 percent of potentially eligible clients (disproportionately Hispanic/Latino and Black youth) in prison for convictions originating in Santa Cruz County.

The following items are in-process as of June 30, 2024:

- The Agricultural Extension will work with at least 20 local berry growers to reduce irrigation water use by at least a total of 50 million gallons.
- The Assessor's Office will mail homeowners' exemption claim forms, in both English and Spanish, to all property owners who might qualify for but are not receiving the exemption.
- The Auditor-Controller-Treasurer-Tax Collector will send representatives from the Property Tax Administrative Division to at least two local senior center events to educate the aging population on property tax programs that would benefit them.
- Child Support Services will increase current support collections by 1 percent above the Prior Year through outreach that promotes access to services.
- CDI-Planning will support housing options by implementing a Vacation Rental Enforcement Program to reduce the number of unpermitted short term rentals by 25 percent and enforce regulations on problematic permitted rentals.
- CDI-Planning will increase to 85 percent the number of building residential permits meeting review time goals, which will benefit the public and staff by expediting the permitting process.
- CDI-Public Works will replace 100 percent of the hydraulic oil grinders in Sanitation District pump stations with electric technology to reduce noise, eliminate oil waste, and reduce staff hours for required maintenance.
- Human Services will provide 90 CORE Institute events targeting organizations that serve underrepresented populations. This will support cross-sector collaboration and systemwide application of the CORE Investments framework and tool with an equity lens.
- CDI-Planning will submit the proposed Housing Element to the State for certification with recommendations from a community panel that includes those most burdened by the housing crisis.
- The County Administrative Office, in collaboration with County departments, will target affordable and workforce housing projects on at least two publicly-owned sites at the maximum allowed units per acre made available to people of all income ranges.
- General Services will expand electric vehicle (EV) charging infrastructure in North and South County, allowing for an increase of 40 charging ports available for both public and County uses.
- Environmental Health will test a bilingual online drought response and water quality testing portal for reporting dry wells and accessing water quality resources by working with 25 households in Domestic Well Service Areas, including at least 20 percent of households with Spanish as the main language.
- Behavioral Health will develop and operationalize a plan to utilize the CalAIM transition tool to transition clients to lower levels of care as indicated by improved client outcome measures.
- Behavioral Health will open the Children's Crisis Center including Crisis Stabilization Program (CSP) with eight beds and Crisis Residential Program (CRP) with 16 beds to serve youth, regardless of insurance status.
- HSA-Behavioral Health will assess 90 percent of all Medi-Cal beneficiaries requesting specialty services for mental health and/or substance use disorder who are not currently receiving services, and link for unmet needs with mental health, substance use, primary care, and dental care.
- Human Services, in collaboration with community partners, will increase the number of dedicated, building-specific supportive housing slots for individuals experiencing homelessness by at least 150 units and at least 150 individuals will be housed in these slots. Several affordable housing developments with designated supportive housing units in the County have completed or are near completing construction and accepting referrals. These include Casa Azul (City of Santa Cruz), Cedar Street Apartments (City of Santa Cruz), Bienestar Plaza (Live Oak), Veterans Village (Ben Lomond), Tabasa Gardens (Watsonville), and Park Haven Plaza (Soquel). Other projects are in the pipeline including the planned Harvey West studios project in the City of Santa Cruz with a plan for 120 supportive housing units.
- OR3 will lead two tabletop and two functional emergency management exercises to improve County and partner agencies disaster preparedness, response and recovery with key County departments and agency partners (including testing of a new earthquake hazard plan and Alert and Warning tool).
- The Parks Department will replace sand in five playgrounds with a safer and more user-friendly material to improve safety for children and families in County Parks.
- The Sheriff-Coroner will complete the replacement of the current 30-year-old Main Jail control monitoring system which will provide modern equipment to help ensure the safety and security of inmates, staff, and the public.
- The Sheriff-Coroner will reduce by 40% the time it takes to process DNA from Property Crime compared to the California Department of Justice. As of June 30, 2024, construction is complete, and the 18-month accreditation process is underway.
- Human Services will ensure at least 80 percent of the households that receive eviction legal services through Tenant Sanctuary will avoid a formal eviction judgment on their housing record.
- The Parks Department, in partnership with the Regional Transportation Commission and City of Capitola, will complete the final design and right of way for 4.2 miles of multi-use path along the Santa Cruz Branch Rail Line from 17th Ave to State Park Drive.

OTHER INFORMATION

State statutes require an annual audit by independent Certified Public Accountants. The firm of Brown Armstrong Accountancy Corporation was selected to audit the financial statements of the County's various funds and account groups and has issued an unmodified ("clean") opinion thereon. In addition to meeting the requirements of State law, the audit was also designed to comply with the federal Single Audit Act of 1984 (with amendment in 1996) and U.S. Office of Management and Budget (OMB) *Uniform Guidance*, the OMB *Compliance Supplement* and *Government Auditing Standards*. The auditors' report on the financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in a separate Single Audit Report.

Awards and Acknowledgments

We are very proud of this ACFR and all of the County's award-winning financial reporting publications. Each publication has been prepared with great care and expertise with a goal of meeting the highest level of financial reporting preparation standards.

GFOA Financial Reporting Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Santa Cruz for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards 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 Annual Comprehensive Financial Report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

GFOA Budget Presentation Award

The County received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning July 1, 2023. To receive this prestigious award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

Acknowledgments

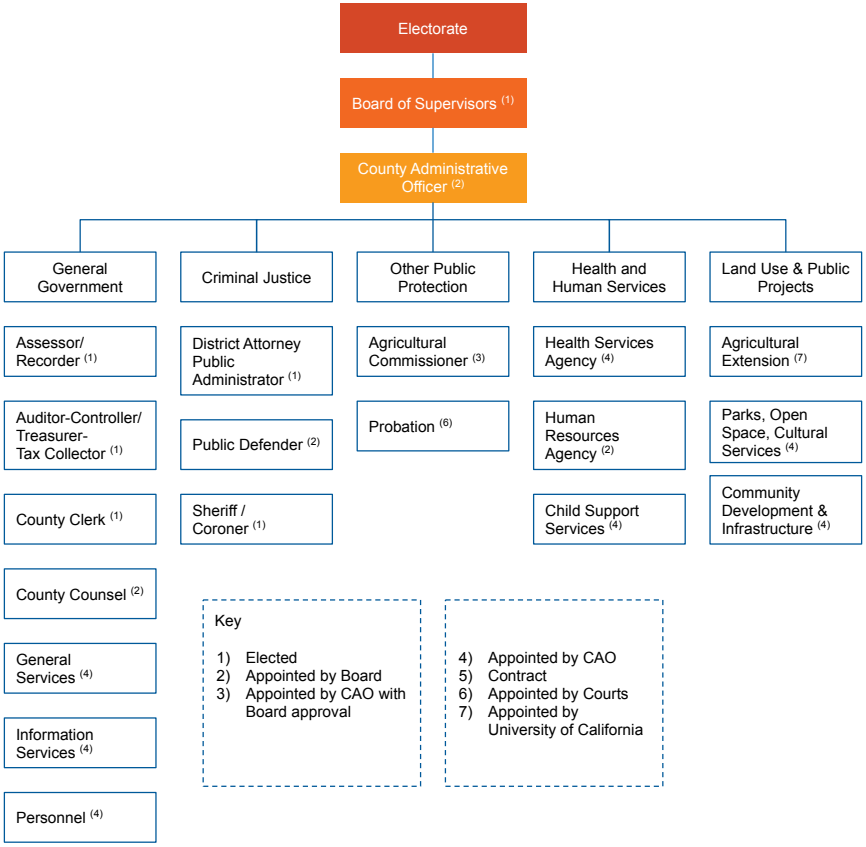
I wish to express my appreciation to the staff of the Accounting Division and Audit Division, the County departments that participated in the audit process, and Brown Armstrong Accountancy Corporation for their contributions, assistance, and guidance in the preparation of this report.

Respectfully submitted,

Edith Driscoll

Auditor-Controller-Treasurer-Tax Collector

COUNTY OF SANTA CRUZ
ORGANIZATION CHART



Directory of Public Officials

Elected Officers

		Term ends
Supervisor, 1st District	Manu Koenig	January 2025
Supervisor, 2nd District	Zach Friend	January 2025
Supervisor, 3rd District	Justin Cummings	January 2027
Supervisor, 4th District	Felipe Hernandez	January 2027
Supervisor, 5th District	Bruce McPherson	January 2025
State Senator, 17th District	John Laird	December 2026
State Assembly, 28th District	Gail Pellerin	December 2026
State Assembly, 29th District	Robert Rivas	December 2026
State Assemblyman, 30th District	Dawn Addis	December 2026
U.S. Congressman, 19th District	Jimmy Panetta	January 2027
U.S. Senator	Adam Schiff	January 2031
U.S. Senator	Alex Padilla	January 2029
U.S. Congresswoman, 18th District	Zoe Lofgren	December 2026
Assessor-Recorder	Sheri Thomas	January 2027
Auditor-Controller-Treasurer-Tax Collector	Edith Driscoll	January 2027
County Clerk-Elections	Tricia Webber	January 2027
District Attorney-Public Administrator	Jeff Rosell	January 2027
Sheriff-Coroner	Jim Hart	January 2027

Appointed Officers

Administrative Officer	Carlos J. Palacios
Agricultural Commissioner	David Sanford
Chief Probation Officer	Fernando Giraldo
County Counsel	Jason Heath
Director of Agricultural Extension	Mark Bolda
Director of Child Support Services	Jamie Murray
Director of General Services	Michael Beaton
Director of Information Services	Tammie Weigl
Director of Human Services Department	Randy Morris
Director of Community Development & Infrastructure	Matt Machado
Director of Parks, Recreation and Cultural Services	Jeff Gaffney
Health Officer	Dr. Lisa Hernandez
Health Services Agency Director	Monica Morales
Personnel Director	Ajita Patel
Veteran's Services Officer	Xavier Bianchi

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Santa Cruz
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO

Financial Section

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
of the County of Santa Cruz
Santa Cruz, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Santa Cruz, California (the County), as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

BAKERSFIELD
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Bakersfield, CA 93309
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FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95207
209-451-4833

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; the respective Budgetary Comparisons for the General Fund, the Off Highway, Road, and Transportation Fund, and the Housing Fund; the County's Retirement Plans' Schedule of Changes in the Net Pension Liability and Related Ratios and the Schedule of Contributions; and the County's Other Postemployment Benefit (OPEB) Plan Schedule of Changes in Total OPEB Liability and Related Ratios and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2024, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 20, 2024

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Management's Discussion and Analysis

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

This section of the County of Santa Cruz (the "County") Annual Comprehensive Financial Report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

Over the past 2023-24 fiscal year, the County of Santa Cruz saw an increase in its net position, which is defined as its assets and deferred outflows of resources less its liabilities and deferred inflows of resources, of $87.5 million, or 33%, to $355.1 million. The change includes an increase of net position for governmental activities of $76.0 million, and an increase of net position for business-type activities of $10.4 million including an increase of $11.5 million for current year activities and a restatement for correction of an error that decreased net position by $1.1 million. The increase is primarily a result of the following:

- An increase of $92.9 million in total government-wide accounts receivable and a decrease in accounts payable of $8.8 million. The increase in accounts receivable is primarily attributable to revenue accruals in the General Fund for COVID-19 Relief, in the Off Highway, Road and Transportation Fund for revenue related to road repairs for damage caused by the 2017 and 2022-23 storms, and revenue accruals in Freedom County Sanitation District and Davenport Sanitation District for grants.
- Nondepreciable assets decreased by $32.2 million, while depreciable assets net of accumulated depreciation increased by $102.7 million. The decrease in nondepreciable assets is primarily due to the completion of construction-in-progress, which are transferred to other asset categories, such as buildings upon completion. The increase in depreciable assets is related to completed capital projects of $68.5 million, which includes the purchase of 500 Westridge Drive in Watsonville for a new government center to serve the South County. The infrastructure increases are primarily a result of completed projects undertaken to repair damage caused by the 2023 winter storms. Spending on assets is expensed in governmental fund statements, but capitalized and depreciated in government-wide statements.
- Pension and OPEB related liabilities, deferred inflows of resources, and deferred outflows of resources also saw significant changes during the fiscal year.
    - Deferred outflows of resources related to pension and OPEB decreased by $12.4 and $4.3 million, respectively. The changes are primarily related to changes in actuarial assumptions and the differences between actual and expected experiences.
    - The OPEB liability decreased by $9.3 million, while deferred inflows of resources related to OPEB increased by $1.9 million. Both changes are primarily related to the differences between expected and actual experiences and changes in actuarial assumptions, the most significant of which was a change in medical trends for both medicare and non-medicare plans due to an increase in premiums.
    - The net pension liability increased by $23.2 million while deferred inflows of resources related to pensions decreased by $2.2 million. The increase in the net pension liability was primarily a result of net investment income. The decrease in pension related deferred inflows of resources is primarily attributable to the differences between expected and actual experiences.
- An increase in bond payable of $66.3 million primarily related to the issuance of lease revenue bonds in the amount of $82,515,000 which includes the 2024 Series A-1 in the amount of $35,000,000, the 2024 Series A-2 in the amount of $11,260,000, the 2024 Series B in the amount of $9,080,000, and the 2024 Series C in the amount of $27,175,000. Retirement of debt was approximately $16 million.

- Leases liabilities decreased by $12.0 million as a result of the purchase of 500 Westridge Drive in Watsonville. The County was able to cancel multiple leases and move operations into the new facility.
- An increase of $5.9 million from County Disposal Sites CSA 9C is due to an increase in disposal fee revenue related to increased disposal fee rates and an increase in activity.

Government-wide general revenue, including governmental activities and business-type activities, was $240.6 million, which includes $204.2 million in government-wide tax revenue collections. The remaining general revenues include interest and investment earnings, gain on disposal of capital assets, and miscellaneous revenues. Program revenues less program expenses for the fiscal year were negative $163.1 million for governmental activities and $10.0 million for business-type activities or negative $153.1 million government-wide.

Total government-wide net position increased by $87.5 million. Restatement for correction of an error impacted the net position of both governmental activities and business-type activities.

Total program and general revenues for governmental activities were $894.5 million, an increase of $78.0 million, or 9.6%, over the prior fiscal year. Expenses for governmental activities were $818.5 million, an increase of $30.7 million, or 3.9%, over the prior fiscal year. Primary causes for the changes are explained in more detail later in this discussion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.

The ***statement of net position*** presents information on all County assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference in assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the County is improving or deteriorating.

The ***statement of activities*** presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, recreation and cultural services, and education. The business-type activities of the County can be found under Proprietary funds below.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same Board as the County or provide services entirely to the County. The Santa Cruz County Sanitation District (the Sanitation District) is reported as a discretely presented component unit of the County. The Sanitation District is managed by the County Department of Public Works and provides sanitation services to a portion of the unincorporated areas of the County. For more detail, please refer to the Sanitation District's separately issued financial statements.

The government-wide financial statements can be found on pages 30-33 of this report.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related funds which are used to account for resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are reported in the governmental funds. The governmental funds financial statements focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the County's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The County maintains several individual governmental funds organized according to their type (general, special revenue, capital projects and debt service). Information is presented separately in the governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances for the General Fund; Off Highway, Road and Transportation Fund; Housing Fund; Capital Projects Fund; and the Debt Service Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 40-43 of this report.

Proprietary funds are used to account for services either outside customers or internal units or departments of the County. Proprietary funds provide the same type of information as shown in the government-wide financial statements only in more detail. The County maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The County enterprise funds used to account for the operations of the County include the following operations: County Disposal Sites CSA 9C, Boulder Creek CSA 7, Rolling Woods CSA 10, Septic Tank Maintenance CSA 12, Freedom County Sanitation District, Davenport County Sanitation District, Place de Mer CSA 2, Sand Dollar Beach CSA 5, and Trestle Beach CSA 20.
- **Internal Service funds** are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its central duplicating, information services, public works, service center, and insurance (risk management, dental and health, liability and property, workers' compensation, employee benefit staffing, and state unemployment insurance) functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary funds financial statements can be found on pages 48-52 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The fiduciary funds the County maintains are custodial, investment trust

funds, and private purpose trust funds. As these funds are custodial in nature, they do not involve the measurement of results of operations.

The fiduciary funds financial statements can be found on pages 55-56 of this report.

Notes to the Basic 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 60-125 of this report.

Required Supplementary Information (other than MD&A)

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's general fund budgetary comparison schedule and progress in funding its obligation to provide pension benefits to its employees and other post-employment obligations to retirees.

The County adopts an annual budget which is a compilation of operating budgets from individual functional units within the General Fund, Special Revenue Funds, Capital Projects Funds and Proprietary Funds. Budgets are adopted for all funds except for the Geological Hazard Abatement Districts. A budgetary comparison schedule has been provided for the General Fund, Off Highway, Road and Transportation Fund, Housing Fund, Capital Projects Fund and Debt Service Fund to demonstrate compliance with these budgets. These can be found on pages 130-175 of this report.

Combining Statements and Schedules

The combining and individual fund statements and schedules referred to earlier in connection with nonmajor governmental funds, enterprise and internal service funds and fiduciary funds are presented immediately following the required supplementary information.

Analysis of Net Position

	Governmental Activities		Business-Type Activities		Total		
	2024	2023 as restated	2024	2023 as restated	2024	2023 as restated	Dollar Change
Assets:							
Current and other assets	$ 656,275,540	$ 550,166,269	$ 41,727,376	$ 33,318,333	$ 698,002,916	$ 583,484,602	$ 114,518,314
Capital assets	833,490,165	763,026,764	47,850,832	42,364,178	881,340,997	805,390,942	75,950,055
Total assets	1,489,765,705	1,313,193,033	89,578,208	75,682,511	1,579,343,913	1,388,875,544	190,468,369
Deferred outflows of resources	193,552,611	210,331,949	-	-	193,552,611	210,331,949	(16,779,338)
Liabilities:							
Current and other liabilities	273,340,818	257,945,786	4,411,413	2,062,513	277,752,231	260,008,299	17,743,932
Long-term liabilities	1,061,426,553	992,829,934	23,759,487	23,890,663	1,085,186,040	1,016,720,597	68,465,443
Total liabilities	1,334,767,371	1,250,775,720	28,170,900	25,953,176	1,362,938,271	1,276,728,896	86,209,375
Deferred inflows of resources	54,677,059	54,869,306	179,244	-	54,856,303	54,869,306	(13,003)
Net position:							
Net investment in capital assets	657,074,123	642,444,451	37,935,743	32,265,893	695,009,866	674,710,344	20,299,522
Restricted	182,936,786	110,108,288	605,605	14,985,976	183,542,391	125,094,264	58,448,127
Unrestricted	(546,137,023)	(534,672,783)	22,686,716	2,477,466	(523,450,307)	(532,195,317)	8,745,010
Total net position as restated	$ 293,873,886	$ 217,879,956	$ 61,228,064	$ 49,729,335	$ 355,101,950	$ 267,609,291	$ 87,492,659

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the County, assets plus deferred outflows of resources exceed liabilities plus deferred inflows of resources by $355,101,950 at the close of the 2023-24 fiscal year.

The County's net investment in capital assets of $695,009,866, or 196% of total net position, reflects investments in capital assets (e.g., land, building and structures, and equipment), net of accumulated depreciation, in the amount of $881,340,997, less the related outstanding debt used to acquire those assets of $186,331,131. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources as the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, $183,542,391, or 52% of total net position, represents resources that are subject to external restrictions on how they may be used. Of the total, 19% is restricted for capital asset acquisition, 69% is dedicated to public ways and facilities, 11% is restricted for public safety and the rest is restricted for debt service, health and various County imposed purposes.

The County's unrestricted net position of negative $523,450,307 increased by $8,745,010 from the prior year. This amount consists of net position that does not meet the definition of restricted net position or net investment in capital assets. The majority of negative unrestricted net position is primarily the result of the County's unfunded pension and OPEB obligations, due to the implementation of GASB Statement Nos. 68 and 75, offset by positive unrestricted net position predominantly in the County's General Fund.

The amounts presented above include restatement for correction of an error to the beginning balance of net position. Please refer to Note 20 for more detail related to the restatement for correction of an error..

Change in Net Position

	Governmental Activities		Business-Type Activities		Total			
	2024	2023 as restated	2024	2023 as restated	2024	2023 as restated	Dollar Change	%
Revenues:								
Program Revenues:								
Charges for services	$ 119,442,236	$ 139,995,451	$ 32,717,763	$ 28,655,289	$ 152,159,999	$ 168,650,740	$ (16,490,741)	(9.8%)
Operating grants and contributions	488,720,331	447,171,463	6,493,729	725,907	495,214,060	447,897,370	47,316,690	10.6%
Capital grants and contributions	47,180,018	16,015,475	1,296	3,797	47,181,314	16,019,272	31,162,042	194.5%
General Revenues:								
Property taxes	152,963,082	145,670,620	53,400	52,584	153,016,482	145,723,204	7,293,278	5.0%
Other taxes	51,233,013	48,352,063	-	-	51,233,013	48,352,063	2,880,950	6.0%
Investments earnings	18,190,874	10,785,933	1,216,491	523,035	19,407,365	11,308,968	8,098,397	71.6%
Miscellaneous	16,531,346	8,355,245	241,514	381,912	16,772,860	8,737,157	8,035,703	92.0%
Gain on sale of assets	189,327	53,991	16,975	-	206,302	53,991	152,311	282.1%
Total revenues	894,450,227	816,400,241	40,741,168	30,342,524	935,191,395	846,742,765	88,448,630	10.4%
Expenses:								
General government	59,377,045	81,906,818	-	-	59,377,045	81,906,818	(22,529,773)	(27.5%)
Public protection	230,280,705	222,981,605	-	-	230,280,705	222,981,605	7,299,100	3.3%
Public ways and facilities	44,314,477	31,111,842	-	-	44,314,477	31,111,842	13,202,635	42.4%
Health and sanitation	250,821,034	226,020,804	-	-	250,821,034	226,020,804	24,800,230	11.0%
Public assistance	194,718,771	191,421,806	-	-	194,718,771	191,421,806	3,296,965	1.7%
Education	8,013,903	7,525,058	-	-	8,013,903	7,525,058	488,845	6.5%
Recreation and cultural services	18,098,705	15,067,940	-	-	18,098,705	15,067,940	3,030,765	20.1%
Interest and fiscal charges	12,831,657	11,757,140	-	-	12,831,657	11,757,140	1,074,517	9.1%
County Disposal Sites CSA 9C	-	-	23,506,754	18,515,098	23,506,754	18,515,098	4,991,656	27.0%
Boulder Creek CSA	-	-	632,180	464,386	632,180	464,386	167,794	36.1%
Rolling Woods CSA	-	-	27,212	16,296	27,212	16,296	10,916	67.0%
Septic Tank Maintenance CSA	-	-	2,010,957	1,531,658	2,010,957	1,531,658	479,299	31.3%
Freedom County Sanitation District	-	-	1,710,841	1,289,278	1,710,841	1,289,278	421,563	32.7%
Davenport County Sanitation District	-	-	763,403	800,071	763,403	800,071	(36,668)	(4.6%)
Place De Mer CSA	-	-	154,773	93,911	154,773	93,911	60,862	64.8%
Sand Dollar Beach CSA	-	-	352,064	381,205	352,064	381,205	(29,141)	(7.6%)
Trestle Beach CSA	-	-	84,255	67,970	84,255	67,970	16,285	24.0%
Total expenses	818,456,297	787,793,013	29,242,439	23,159,873	847,698,736	810,952,886	36,745,850	4.5%
Revenues over/(under) expenses	75,993,930	28,607,228	11,498,729	7,089,687	87,492,659	35,696,915	51,795,744	145.1%
Transfers	-	(92,964)	-	92,964	-	-	-	100%
Change in Net Position	75,993,930	28,514,264	11,498,729	7,182,651	87,492,659	35,696,915	51,795,744	145.1%
Net Position, beginning, as restated	217,879,956(1)	189,365,692 (1)	49,729,335(1)	42,546,684(1)	267,609,291(1)	231,912,376(1)	35,696,915	15.4%
Net Position, end of year	$ 293,873,886	$ 217,879,956 (1)	$ 61,228,064	$ 49,729,335(1)	$ 355,101,950	$ 267,609,291(1)	$ 87,492,659	32.7%

(1) Net position balances have been restated based on Restatements of Beginning Balances described in Note 20

Analysis of Change in Net Position

During the current fiscal year, the County's net position increased by $87.5 million which includes an increase of $87.5 million in current activities less $0.4 million related to restatements for error corrections.

- ***Governmental activities*** increased the County's net position by $76.0 million. The total increase accounts for a 34.9% change to the Governmental activities net position.

  Revenues for governmental activities and general revenues increased by $78.0 million, or 9.6%, from the prior year primarily due to increases in operating and capital grants and contributions of $72.7 million, property taxes of $7.3 million, other taxes of $2.9 million, investment earnings of $7.4 million, and miscellaneous revenues of $8.2 million, offset by decreases in charges for services of $20.6 million. Causes of the change are discussed in more detail following the table titled *Revenues Classified by Source*.

  Overall governmental expenditures increased by $30.7 million, or 3.9%, from the prior year. The increases were in public protection, public ways and facilities, health and sanitation, public assistance, recreation and cultural services and debt service, which increased by $7.3 million, $13.2 million, $24.8 million, $4.1 million, $3.0 million and $1.1 million respectively. The increases were partially offset by a decrease in general government spending of $22.5 million. Causes of the changes are discussed in more detail following the table titled *Expenditures Classified by Source*.

  Overall expense increase (decrease) by function follows:

	Amount	Percentage increase (decrease)
General government	$ (22,529,773)	(27.5%)
Public protection	7,299,100	3.3%
Public ways and facilities	13,202,635	42.4%
Health and sanitation	24,800,230	11.0%
Public assistance	3,296,965	1.7%
Education	488,845	6.5%
Recreation and cultural services	3,030,765	20.1%
Interest and fiscal charges	1,074,517	9.1%
	$ 30,663,284	3.9%

- ***Business-type activities*** increased the County's net position by $11.5 million partially offset by a negative restatement for correction of an error of $1.1 million, resulting in a net increase of $10.4 million over the prior year.

Please see the following section for a more detailed analysis on the governmental and business-type activities.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

At June 30, 2024, the County's governmental funds reported combined ending fund balances of $365,134,199, an increase of $81,127,639 in comparison with the prior year. The components of total fund balance are as follows (see Note 19 – Fund Balances).

- Nonspendable fund balance of $1,725,408 consists of amounts that are not spendable in form, or are legally or contractually required to be maintained intact and is currently made up of prepaids. Nonspendable fund balance decreased by $248,781 from the prior year due to a decrease in prepaid expenditures.
- Restricted fund balance of $226,715,469 consists of amounts with externally imposed constraints put on their use by creditors, grantors, contributors, laws, regulations or enabling legislation. Examples of restrictions on funds are those for (1) purpose of fund (i.e., flood control, library) of $149,376,140, (2) amounts restricted for capital asset acquisition of $2,163,871, (3) amounts restricted for debt service of $32,118,716, and (4) other various restricted balances related to state, federal, grant-related and other enabling legislation. Total restricted fund balance increased by $26,082,562 due to an increase in restrictions related to the purpose of the fund of $24,221,417 resulting from an increase in restricted fund balance in the Off Highway, Road and Transportation and an increase of $5,270,706 in the Nonmajor Governmental Funds, and various restrictions (i.e. County Recorder, District Attorney, Health Care Programs, Probation, Public Defender and Sheriff programs) of $8,316,174 offset by a decrease in fund balance restricted for capital projects of $1,345,461.
- Committed fund balance of $20,997,367 consists of amounts for specific purposes determined by the Board of Supervisors which includes (1) Natural Disasters of $2,000,000, (2) Working Capital of $6,000,000, (3) Strategic Reserve of $10,000,000 and (4) Mental Health Services Act (MHSA) Prudent Reserve of $2,997,367. Committed fund balance increased by $41,469 due to an increase to the MHSA Prudent Reserve.
- Assigned fund balance of $116,417,894 represents amounts that are intended for specific purposes and are established by the Board of Supervisors or an official or body delegated by the governing body. Examples of assigned fund balances are federally qualified health programs of $51,231,211 and human services programs of $7,440,174. Assigned balance increased by $34,717,821 from the prior year largely due to the restoration of the Assignments for Unanticipated Liabilities, Budgeted Structural Deficit, and Salary Savings totaling $10,820,216, offset by decreases in the Assignment to Eliminate Projected Budgetary Deficit in Subsequent Year's Budget of $10,208,192. Additionally, there were increases in the amounts assigned for a federally qualified health program, human services programs, and assignments for other purposes totaling $918,941.
- Unassigned fund balance is currently negative $721,939, an increase of $20,576,037 from prior year. The current year negative fund balance relates to the Santa Cruz Flood Control and Water Conservation Zone 7 Nonmajor Governmental Fund cash needs for emergency response related to the 2022-2023 winter storms.

Revenues for governmental functions totaled $888,328,394 in fiscal year 2023-2024, which represents an increase of $85,832,815, or 10.7%, from fiscal year 2022-2023. Expenditures for governmental functions totaling $892,548,304 increased by $63,143,872, or 7.61%, from fiscal year 2022-2023. In the fiscal year 2023-2024, other financing sources exceeded other financing uses by $83,821,463.

The General Fund is the primary operating fund of the County. At June 30, 2024, the General Fund's total fund balance was $182,197,411, of which $1,725,408 was nonspendable and $180,472,003 was spendable. The spendable fund balance consists of $20,997,367 in committed fund balance, $116,417,894 in assigned fund balance, and $43,056,742 in restricted fund balance. As a measure of the General Fund's liquidity, it may be useful to compare both total fund balance and spendable fund balance to total General Fund expenditures of $694,103,829. Total fund balance is 26.2% of total General Fund expenditures while spendable fund balance is 26.0% of total General Fund expenditures.

Changes to General Fund Balances

Nonspendable fund balance decreased by $248,781 from the prior year due to a decrease in prepaid expenditures.

The General Fund's total fund balance increased by 30.69%, or $42,785,214 at June 30, 2024. The primary cause of the increase was the recognition of a receivable of $39 million for Public Assistance Grant revenue from the State of California, Office of Emergency Services for the COVID-19 pandemic. Claims for expenditures related to the COVID-19 disaster were still under review in prior years and were finally approved in fiscal year 2023-24.

Spendable balances increased $41,341,336 from $139,412,197 to $180,472,003 primarily in the following areas:

Restricted fund balance:

- Restricted fund balance increased by $8,316,174 primarily due to:
  - An increase of $871,913 for Emergency Watershed Projects,
  - An increase of $4,216,442 for Health Care Programs,
  - An increase of $2,226,311 million for juvenile probation funding, and
  - an increase of $937,098 for Sheriff Programs

Assigned fund balance:

- General Fund assigned balance increased by $34,717,832 from the prior year largely due to:
  - An increase in the assignment for Federally qualified health programs of $13,516,110,
  - An increase in the assignment for Budgeted structural deficit of $4,000,000,
  - An increase in the assignment to Eliminate Projected Budgetary Deficit in Subsequent Year's Budget of $16,022,355,
  - An increase in the Assignment for Human Services Programs of $118,480 due to revenues exceeding expenses for these funds, and
  - increases in assignments for other purposes of $1,060,876

The Off Highway, Roads, and Transportation Fund is a major fund of the County. At June 30, 2024, the fund had a total fund balance of $17,830,371, an increase of $38,752,424 compared to the prior fiscal year. The increase in fund balance was due to an increase in revenues of $42.5 million, primarily in aid from other governments as a result of accruals for revenue from the Federal Highways Administration for damages caused by the 2023 winter storms and an increase in operating transfers-in of $50.2 million primarily from bond proceeds. The increase in revenue was partially offset by an increase in expenditures of $30.6 million related to the 2023 winter storms. The primary source of revenue for the Off Highway, Roads and Transportation Fund is from state and federal reimbursement grants, therefore it is not unusual for the fund to have a negative fund balance related to unreimbursed expenditures.

The Housing Fund is a major fund of the County. At June 30, 2024, the Housing Fund's total fund balance was $89,886,979, all of which is spendable (restricted) for the purpose of the fund. An increase in fund balance of $1,120,340 was primarily a result of a restatement for correction of an error of $1,526,086 offset by a decrease of $405,746 related to expenditures exceeding revenue for the fiscal year. The restatement for correction of an error was a result of the reclassification of loans issued and recorded as expenditures in the prior year. The decrease caused by expenditures exceeding revenue, while only $405,746, was a result of a decrease in revenue from aid from other governments of $10.6 million compared to the prior year and a decrease in expenditures of $10.4 million. The decrease in revenues and expenditures is related to Project Homekey which was carried out in the prior fiscal year. Project Homekey is a program administered by the California Department of Housing and Community Development to create opportunities for agencies to acquire hotels, motels, apartments, and other buildings to provide long-term homes for people experiencing or at risk of homelessness. The decrease in expenditures is directly related to Project Homekey for the purchase of property and related costs.

The spendable (restricted) fund balance for the Capital Projects Fund is $2,163,871 at June 30, 2024. The fund balance was $5,964,539, or 73.4% lower than the prior fiscal year. Since most of the revenue in the Capital Projects Fund is from drawdowns for project costs, increases and decreases in fund balance are primarily a result of timing differences between project costs and reimbursements for those costs.

The Debt Service Fund is a fund type used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The unspent cash balance of bonds issued is also reported in the Debt Service Fund. The Debt Service Fund had a total spendable (restricted) fund balance of $32,118,716 at

June 30, 2024, a decrease of $490,490 from the prior fiscal year. Fund balance in the Debt Service Fund is related to the unspent portions of bond proceeds.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year for all governmental funds:

Revenues Classified by Source

Governmental Funds

	2024	% of Total	2023	% of Total	Change
Taxes	$ 204,196,096	22.99%	$ 194,022,683	24.18%	$ 10,173,413
Licenses and permits	16,939,055	1.91%	16,175,061	2.02%	763,994
Fines, forfeits and penalties	6,638,126	0.75%	13,059,294	1.63%	(6,421,168)
Use of money and property	16,855,264	1.90%	10,090,599	1.26%	6,764,665
Aid from other governments	535,645,455	60.28%	462,948,637	57.70%	72,696,818
Charges for services	96,450,815	10.86%	97,979,347	12.21%	(1,528,532)
Other	11,603,583	1.31%	8,219,958	1.02%	3,383,625
Total	$ 888,328,394	100.00%	$ 802,495,579	100.02%	$ 85,832,815

Overall revenues increased by $85.8 million over the prior year. The increase in revenue consisted of the following:

The majority of the increase was in aid from other governments which increased by $72.7 million over the prior fiscal year primarily due to the following:

- Public Assistance Grant revenue of $39 million was received from the State of California, Office of Emergency Services for the COVID-19 disaster. Claims for expenditures related to the COVID-19 disaster, which were still under review in prior years, were approved in the 2023-24 fiscal year.
- An increase of $25.4 was realized as a result of changes to the way California Advancing and Innovating Medi-Cal (CalAIM) pays the County for providing Medi-Cal services.

Use of money and property increased by $6.8 million as a result of increased interest rates over the prior year as the average annual interest rate increased from 1.788% for fiscal year 2022-23 to 3.742% for fiscal year 2023-24.

Taxes increased by $10.2 million due to an increase in assessed property values of 5.43% and other revenue increased by $3.4 million, resulting from increased proceeds from health insurance payments caused by the CalAIM restructuring discussed above. Increases were partially offset by decreases in fines, forfeits and penalties of $6.4 million as a result of a one time transfer from the tax loss reserve fund in the prior year and charges for services decreased due to the receipt of district election charges in the prior year.

The following table presents expenditures by function compared to prior year amounts for all governmental funds:

Expenditures Classified by Source

Governmental Funds

	2024	% of Total	2023	% of Total	Change
General government	$ 55,578,995	6.23%	$ 75,856,613	9.15%	$ (20,277,618)
Public protection	218,488,875	24.48%	205,226,126	24.74%	13,262,749
Public ways and facilities	99,165,483	11.11%	69,522,578	8.38%	29,642,905
Health and sanitation	241,221,578	27.03%	214,862,675	25.92%	26,358,903
Public assistance	189,472,146	21.23%	183,050,885	22.07%	6,421,261
Education	7,168,291	0.80%	6,670,919	0.80%	497,372
Recreation and culture	16,947,685	1.90%	13,716,349	1.65%	3,231,336
Capital outlay	35,859,678	4.02%	37,113,803	4.47%	(1,254,125)
Debt Service - bond redemption	18,299,723	2.05%	14,255,727	1.72%	4,043,996
Debt Service -Interest and fiscal charges	10,345,850	1.16%	9,128,757	1.10%	1,217,093
Total	$ 892,548,304	100.01%	$ 829,404,432	100.00%	$ 63,143,872

Overall expenditures increased by $63,143,872.

General government expenditures were $20.3 million lower in the current year compared to the prior year. The primary cause of the decrease was due to a contribution of $25 million to Pajaro Valley Healthcare District Project toward the purchase of Watsonville Community Hospital in the prior year. In December 2021, the for-profit owners of the hospital filed for bankruptcy. In an effort to save the hospital, the non-profit Pajaro Valley Healthcare District was created in February 2022 through community efforts and fast-tracked state legislation. In September 2023, the County of Santa Cruz contributed $25 million toward the purchase of the hospital. The funds had been received from the State of California Department of Health Care Services for that purpose. The decrease was partially offset primarily by an increase in salaries and benefits of $3.4 million as a result of a cost of living increase of 3% and step increases.

Expenditures in public protection were $13.3 million higher in 2023-24 than 2022-23. Expenditures for salaries and benefits, services and supplies, and intrafund transfers increased by $6.5 million, $4.4 million and $4.2 million respectively. Salaries and benefits increased due to a cost of living increase of 3.0% and step increases. Services and supplies increased primarily as a result of higher cost for mental health services provided by California Forensic Medical Group Inc. whose costs increased due to increased staff provided to the County, staff wage increases, and increased costs related to staffing standards required to obtain National Commission on Correctional Health Care accreditation. The increase of $4.2 million in intrafund transfers is related to transfers to other County departments within the general fund for overhead and other services.

The $29.6 million increase in spending in public ways and facilities was in the Off Highway Road and Transportation fund for damages caused by the 2023 winter storms which is estimated to cost the County over $140 million and take years to complete.

Expenditures for health and sanitation increased by $26.4 million due to the expansion of services primarily as a result of Medi-Cal reforms through CalAIM.

Public assistance expenditures increased by $6.4 million primarily as a result of increased salaries and benefits due to negotiated salary increases, filling vacant positions, and adding positions. Otherwise, spending for public assistance saw very little change.

Capital outlay expenditures decreased by $1.3 million from $37.1 million to $35.7 million, remaining relatively consistent with the prior year which had increased $9.0 million over the prior year. Capital outlay remained around the same primarily due to the purchase and development of 500 Westridge Drive in Watsonville for a new government center to serve the south county. With the opening of the new South County Government Center in June 2024 citizens

in the south county have access to services they had to travel to Santa Cruz for in the past. Other projects include a new DNA Laboratory on Soquel Drive in Santa Cruz and the purchase of 150 Westridge Drive for administrative offices.

Other financing sources and uses are presented below including changes from the prior year. The most significant difference in other financing sources and uses was in bond proceeds. Proceeds from bonds issued were $17.3 million in 2022-23 and $78.5 million in fiscal year 2023-24. The 2024 Lease Revenue bonds issued in fiscal year 2023-24 were used to reimburse the county for improvements to certain roads and facilities, to fund the acquisition of and improvements to an office building and parking lot in Watsonville, CA, to capitalize interest on the bonds for a limited period and to pay for costs of issuance.. Refer to Note 10 for more information on long-term debt.

Transfers in and out are detailed in Note 5.

Other Financing Sources and Uses
Governmental Funds

	2024	% of Total	2023	% of Total	Change
Issuance of debt	$ 1,140,000	1.36%	$ -	-%	$ 1,140,000
Bond proceeds	78,462,568	93.61%	17,300,000	138.44%	61,162,568
Bond premium	2,971,258	3.54%	619,673	4.96%	2,351,585
Bond discount	(62,995)	(0.08%)	-	-%	(62,995)
Lease inception	547,281	0.65%	308,901	2.47%	238,380
Transfers in	102,290,538	122.03%	46,655,278	373.36%	55,635,260
Transfers out	(101,527,187)	(121.12%)	(52,387,649)	(419.23%)	(49,139,538)
Total	$ 83,821,463	100.00%	$ 12,496,203	100.00%	$ 71,325,260

The current year excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses is presented below:

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

	Major Funds						
	General Fund	Off Highway, Road and Transportation Fund	Housing Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues	$ 753,213,720	$ 78,665,381	$ 7,097,115	$ 1,491,329	$ 1,577,485	$ 46,283,364	$ 888,328,394
Expenditures	(694,103,829)	(94,491,152)	(6,831,535)	(35,859,678)	(21,250,232)	(40,011,878)	(892,548,304)
Net other financing sources/(uses)	(16,324,677)	54,578,195	(671,326)	28,403,810	19,182,257	(1,346,796)	83,821,463
Net change in fund balances	42,785,214	38,752,424	(405,746)	(5,964,539)	(490,490)	4,924,690	79,601,553
Fund balances, beginning as restated	139,412,197	(20,922,053)	90,292,725	8,128,410	32,609,206	36,012,161	285,532,646
Fund balances, ending	$ 182,197,411	$ 17,830,371	$ 89,886,979	$ 2,163,871	$ 32,118,716	$ 40,936,851	$ 365,134,199

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Business-type activities had a total net position of $58,200,447 at June 30, 2024, of which $19,659,097 was unrestricted.

The following table shows the Enterprise Funds' actual revenues, expenses, and results of operations for the current fiscal year:

	Major Funds County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues	$ 27,556,216	$ 5,348,247	$ 32,904,463	$ 125,267,494
Operating expenses	(23,174,607)	(5,625,023)	(28,799,630)	(126,686,842)
Net operating income/(loss)	4,381,609	(276,776)	4,104,833	(1,419,348)
Net nonoperating revenues/(expenses)	1,581,730	5,913,733	7,495,463	6,436,088
Net transfers in/(out)	-	-	-	(763,351)
Change in net position	5,963,339	5,636,957	11,600,296	4,253,389
Net position - beginning, as restated	17,961,221 (1)	28,638,930 (1)	46,600,151	(61,751,608) (1)
Net position - end of year	$ 23,924,560	$ 34,275,887	$ 58,200,447	$ (57,498,219)

(1) Net position has been restated based on Restatements of Beginning Balances described in Note 20

Total Enterprise Fund net position increased by $11,600,296 million and was partially offset by a decrease in net position for a negative restatement for correction of an error of $1,138,835 resulting in a net increase of $10,461,462. The increase in net position was attributable to grant funding of $5.7 million received for water projects, operating income of $4.4 million, and interest income of $1.2 million. Water project grants were awarded by the State Water Resources Control Board to Freedom County Sanitation District and Davenport Sanitation District in the amounts of $3.9 million and $1.8 million for phase II of the Freedom Sewer Rehabilitation Project and for water storage tanks at the Davenport Water Treatment Plant. Grant revenue and a receivable were accrued as of June 30, 2024. Operating income exceeded operating expenses by $4.4 million primarily as a result of increased revenue from refuse disposal fees which were higher as a result of clean up related to damage caused by the 2023 winter storms. Interest income increased net position by $1.2 which was $0.7 million more that the prior year due to higher interest rates and higher cash balances resulting from higher revenue discussed above. Interest rates increased from an average of 1.788% in fiscal year 2023 to 3.74% in fiscal year 2024. Increases were partially offset by a decrease of $1.1 million from a restatement for correction of an error resulting from the denial of part of an insurance claim to rebuild the Boulder Creek treatment plant which was damaged in the CZU Lightning Fire. Revenue and a receivable had been recognized for the claim in fiscal year 2022.

Internal Service Funds net position increased by $4,253,389 for current year activities. The increase was primarily due to insurance proceeds of $4.9 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original vs Final Budget: The final General Fund budget for revenues was $71.8 million higher than the original budget. A budget increase of $65.3 million in aid from other governments accounted for the majority of the change followed by increases in the budgets for charges for services and other revenue of $3.3 million and $2.8 million respectively.

The increase in the budget for aid from other governments of $65.3 million was primarily due to a budget adjustment for unanticipated revenue of $51.1 million for health and sanitation, $8.0 million for general government, $2.6 million for public protection, $2.0 million for public assistance, and $1.6 million for recreation and cultural services.

Budget increases of $51.1 million to health and sanitation were primarily caused by the Health Services Agency CalAIM Behavioral Health Initiative, which is a State wide initiative focused on restructuring health services throughout the State to improve services, quality of life, and health outcomes through reform to delivery systems, programs, and payment structure.

Increases in the general government budget of $8.0 million were from approved grant applications as a result of continuous efforts to identify and apply for new funding sources. Several grant applications were approved during the fiscal year including, but not limited to, a grant for $3.8 million from the U.S Department of Agriculture's Natural Resources Conservation Service for watershed protection and a grant of $2.0 million from the U.S Environmental Protection Agency Community Grants Program for watershed protection.

The increase of $2.6 million in budgeted revenue for public protection was a result of unanticipated revenue from multiple sources including unanticipated revenue of $1.25 million related to the budget increase in health and sanitation caused by the Health Services Agency CalAIM Behavioral Initiative discussed above and unanticipated revenue of $780,000 from the California Coastal Commission PCP Grants Program for rise in sea level assessment.

The increase of $2.0 million for public assistance was also the result of multiple small increases including amounts related to the increase in health and sanitation caused by the Health Services Agency CalAIM Behavioral Initiative discussed above.

Recreation and cultural services budget increased for unanticipated revenue of $1.0 from the California Transportation Commission for the non-infrastructure component of the Coastal Rail Trail Segments 10 and 11 and unanticipated revenue of $0.6 million from the California State Coastal Conservancy for the Santa Cruz Coastal Lagoons and East Cliff Drive Coastal Resiliency Project.

The General Fund budget for expenditures was $53.2 million, or 7.3%, higher than the original budget and the budget for General Fund transfers out increased by $18.0 million for a total increase in outflows of $71.2 million. Increases in budgeted expenditures are related to planned spending of increases in budgeted revenue discussed above.

Final Budget vs Actual: General Fund actual expenditures were approximately $93.5 million below final budget amounts. The variance was primarily made up of unspent appropriations of $21.3 million for salaries and employee benefits, $49.2 million for services and supplies, $12.7 million for other charges, $2.0 million for capital assets, $9.0 million for appropriations for contingencies, $4.0 million for principal, and $1.9 million for interest. The differences between budgeted vs actual salaries and employee benefits, services and supplies, and other charges are related to unspent appropriations in health and sanitation and general government, which received unanticipated revenue discussed briefly above. The majority of the budget adjustments discussed above were made a few months before year-end. The main cause of the difference between budgeted and actual expenditures is related to timing differences between projects being budgeted and actual expenditures. When such timing differences occur unspent appropriations for budgeted projects are rolled over to the subsequent fiscal year.

Fund balance: As a result of factors and circumstances explained above the General Fund's fund balance increased by $42.8 million versus an estimated decrease of $29.7 million.

For additional information, readers should refer to the letter of transmittal.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2024 totaled $881,340,997 (net of accumulated depreciation of $682,129,661). Capital assets include land, construction-in-progress, infrastructure, buildings and structures, and equipment. There was an 9.4% increase in total activities for the 2023-2024 fiscal year in the amount of $75,950,055.

For the government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the 2023-2024 fiscal year.

Fund financial statements record capital asset purchases as expenditures.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-Type Activities		Total Activities	
	2024	2023	2024	2023	2024	2023
Land	$ 66,572,447	$ 64,262,447	$ 1,858,849	$ 1,858,849	$ 68,431,296	$ 66,121,296
Construction-in-progress	18,586,403	53,097,069	7,855,814	789,440	26,442,217	53,886,509
Infrastructure	924,980,600	842,097,373	-	-	924,980,600	842,097,373
Buildings and structures	371,459,060	302,498,338	73,980,396	73,346,245	445,439,456	375,844,583
Equipment	66,334,993	63,787,556	12,435,460	11,869,552	78,770,453	75,657,108
Buildings - ROU	13,162,758	23,668,745	-	-	13,162,758	23,668,745
Land - ROU	46,290	-	-	-	46,290	-
Machinery and equipment - ROU	2,488,727	2,486,241	-	-	2,488,727	2,486,241
SBITAs	3,708,861	5,180,782	-	-	3,708,861	5,180,782
Accumulated depreciation	(633,849,974)	(594,051,787)	(48,279,687)	(45,499,908)	(682,129,661)	(639,551,695)
Total	$ 833,490,165	$ 763,026,764	$ 47,850,832	$ 42,364,178	$ 881,340,997	$ 805,390,942

Governmental Activities

Net capital assets in governmental activities increased by $70.5 million. The total increase in nondepreciable, depreciable and amortizable assets was $124.9 million, which includes right-of-use (ROU) lease assets of $641.3 million related to GASB 87 accounting. The remaining increase of $124.3 million includes additions to construction-in-progress, infrastructure, buildings, and machinery and equipment. The total increase is offset by depreciation and amortization expense of $45.0 million, and disposals of $14.66 million, net of related depreciation of $5.21 million. The total increase in buildings was $69.0 million, which includes $70.9 million in completed building projects reclassified from construction-in-progress. Additionally, infrastructure increased by $82.9 million.

The total increase in machinery and equipment was $2.5 million which includes $4.6 million in new machinery and equipment and $2.1 million in retirements.

Construction-in-progress decreased by $34.5 million, which includes increases in construction-in-progress of $36.4 million and an increase of $70.9 million due to completed projects. The majority of the completed projects related to Education (Libraries), Parks and Recreation, and General Government.

Business-Type Activities

Net capital assets for business-type activities increased by $5.5 million. The net increase includes additions of nondepreciable and depreciable assets of $8.3 million offset by added depreciation of $2.8 million. The total increase in buildings was $634.2 thousand.

The total increase in machinery and equipment was $565.9 thousand which includes additions of $623.2 thousand and disposals of $57.3 thousand in the current fiscal year. Additional information on the County's capital assets can be found in Note 7 on pages 85-87 of this report.

Long-Term Debt

The County's long-term debt for governmental and business-type activities is presented below to illustrate changes from the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Refunding certificates of participation	$ 14,827,719	$ 18,646,792	$ -	$ -	$ 14,827,719	$ 18,646,792
Lease revenue bonds	149,668,983	73,944,242	4,467,214	4,861,483	154,136,197	78,805,725
Lease revenue refunding bonds	4,521,124	4,846,530	-	-	4,521,124	4,846,530
Certificates of participation	-	253,412	-	-	-	253,412
Taxable pension obligation bonds	108,310,000	113,505,000	-	-	108,310,000	113,505,000
Loans payable	3,870,623	3,477,216	5,447,874	5,236,802	9,318,497	8,714,018
Leases	10,413,275	20,948,184	-	-	10,413,275	20,948,184
Subscription Based Information Technology Agreements	1,283,284	3,688,272	-	-	1,283,284	3,688,272
Total	$ 292,895,008	$ 239,309,648	$ 9,915,088	$ 10,098,285	$ 302,810,096	$ 249,407,933

For the governmental activities, the County had total long-term debt outstanding of $292,895,008 as compared to $239,309,648 the prior year (excluding compensated absences, estimated claims and other postemployment benefits liability), increased by $53,585,360. Four Lease Revenue Bonds were issued in the current fiscal year. Series A-1 in the amount of $35,000,000 to reimburse the County for improvements to certain roads and facilities, to capitalize interest on the 2024 A-1 Series bonds for a limited period and to pay for the cost of issuance. Series A-2 in the amount of $7,207,568 for the County's portion ($11,260,000 total bond including those funds allocated to CSA 9) to reimburse the County for improvements to certain roads and facilities, to refinance the 2014 Lease Revenue Bonds and to pay for the cost of issuance. Taxable Series B in the amount of $9,080,000 to reimburse the County for improvements to certain roads and facilities, to capitalize interest on the Series A-2 bonds for a limited time and to pay for cost of issuance. Series C bonds in the amount of $27,175,000 to reimburse the County for improvements to certain roads and facilities, to finance the acquisition of and improvements to an office building and parking lot in Watsonville, CA., to capitalize interest on the Series C bonds for a limited period and to pay for cost of issuance. An additional increase of $12,939,897 is attributable to right of use lease assets and subscription-based information technology agreements related to GASB 87 and GASB 96 implementation. This was offset by retirement of debt in the amount of $16.0 million.

For the business-type activities, the County had total long-term debt outstanding of $9,915,088 as compared to $10,098,285 in the prior year (excluding postclosure liability and other post-employment benefits liability), a decrease of $183,197. This decrease is due to the refunding of the 2014 Lease Revenue Bonds which had a balance prior to refunding of $3,285,000, the issuance of the 2024 Series A-2 bonds in the amount of $4,052,432 used in the refunding, a finance purchase of an excavator in the amount of $602,236 and retirement of debt.

The County's total debt for all primary government activities increased by $53,402,163, or 21.4%, during the current fiscal year (excluding compensated absences, estimated claims, postclosure liability and other post-employment benefits liability).

The County maintains a Standard & Poor's 'SP-1+' and a Moody's 'MIG 1' rating for short-term notes. Moody's has assigned its long-term rating on the County's general fund certificates of participation and lease revenue bonds of "A1" and its Issuer Rating of "Aa3." These ratings were last reviewed by Moody's in November 2022. Standard & Poor's has assigned its long-term rating on the County's general fund certificates of participation and lease revenue bonds of "AA+". This rating was last reviewed by Standard & Poor's in May 2024. Such ratings reflect only the views of the rating agency and any desired explanation of the significance of such ratings should be obtained from the rating agency.

The component unit, Santa Cruz County Sanitation District, had total long-term debt outstanding of $66,112,120 as compared to $37,729,698 in the prior year. This amount consists of $16,980,720 of Loans Payable and $49,131,400 of Bonds payable including the issuance of the 2024 Revenue Bonds in the amount of $27,990,000. Retirement of debt amounted to $1,268,422.

Additional information on the County's long-term debt can be found in Note 10 on pages 92-104 of this report.

RETIREMENT COSTS AND OBLIGATIONS

Retirement Costs

The County's current retirement costs consist of several components including pension costs, other post-employment benefits (OPEB) costs, and social security costs. For the 2023-2024 fiscal year, total retirement costs for the County were $125,601,889. Of the $125.6 million in retirement costs, the County contributed $90.2 million. Employee contributions account for the remaining $35.4 million. Total retirement costs included pension costs of $83.1 million, other post-employment benefits of $7.9 million and social security costs of $34.6 million. These costs reflect a decrease of $111.8 million, or 47.1% compared to the prior year. The change resulted from a decrease in Pension costs over the prior year of $114.4 million, an increase in OPEB and social security costs over the prior year of $93.6 thousand and $2.5 million, respectively.

Retirement Obligations

Obligations to pay pension and OPEB benefits in the future make up the County's retirement obligation. Total retirement obligations of the County were $729,794,489 as of June 30, 2024; $575.0 million was the liability for pension benefits and $154.7 million was the liability for OPEB. Total retirement obligations increased by $13.9 million, or 1.9%, over the prior year. The total increase was made up of an increase in pension liability of $23.2 million and a decrease in OPEB liability of $9.3 million, respectively.

Pension plan costs and obligations are presented below to illustrate changes from the prior four years.

Annual Summary of Total Retirement Costs and Obligations

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Total Pension Cost	$ 70,436,125	$ 76,413,986	$ 197,572,848	$ 83,142,297
Total OPEB Cost	7,502,010	7,798,262	7,778,586	7,872,181
Total Social Security Cost	28,004,288	29,700,358	32,076,641	34,587,411
Total Retirement Cost	$ 105,942,423	$ 113,912,606	$ 237,428,075	$ 125,601,889
Total Employee Contribution	$ 29,850,345	$ 30,965,269	$ 32,235,738	$ 35,366,056
Total County Contribution	76,092,078	82,947,337	205,192,336	90,235,834
Total Retirement Cost	$ 105,942,423	$ 113,912,606	$ 237,428,074	$ 125,601,890
Unfunded County Pension Liability Obligation	$ 578,136,564	$ 403,051,601	$ 551,860,117	$ 575,048,602
Unfunded County OPEB Liability Obligation	199,161,983	198,067,557	164,055,184	$ 154,745,887
Total County Unfunded Liabilities	$ 777,298,547	$ 601,119,158	$ 715,915,301	$ 729,794,489
Miscellaneous Pension Plan Funded Ratio Market Value of Assets (MVA)	67.3%	76.8%	67.2%	67.00%
Safety Pension Plan Funded Ratio MVA	67.0%	67.9%	86.0%	84.20%
Safety Sheriff Pension Plan Funded Ratio MVA	61.3%	77.1%	82.8%	81.40%

Additional information on Pension Plans and Post-Retirement Health Care Benefits can be found in Notes 14 and 15 of this report.

Fund financial statements record contributions to the County's pension and OPEB liabilities as expenditures.

ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET

The following factors were considered in preparing the County's recommended budget for FY 2024-25:

The recommended 2024-25 budget was presented to the Board of Supervisors (Board) on April 9, 2024. It incorporated the Board's priorities for the coming year based on the County's adopted six-year Strategic Plan for 2018-24 and the proposed two-year Operational Plan for 2023-25. The $1.126 billion recommended governmental fund budget included a balanced $754.2 million general fund that prioritized community services through support for our workforce and careful investments in programs consistent with the Strategic Plan. The development of the budget was influenced by the then $144 million in unreimbursed disaster costs that accumulated beginning with the storm disasters within Fiscal Year 2016-17 and limited overall by the nearly $85 million in disaster debt financing that was issued to maintain cash balances and assure the continuity of services to the community.

The final and total adopted 2024-25 governmental fund budgeted revenues of $1.313 billion reflected an increase of 3.1%, or $39,309,251 comparing 2024-25 budget to 2023-24 actual revenues. The adopted 2024-25 budget appropriations for governmental fund expenditures of $1,404 billion included a 19.4%, or $228,249,310, increase when compared to 2023-24 actual expenditures. The primary reasons for the increase was continued increases in budgeted expenditures in the Road Fund from the 2024 disaster financing for road repairs remaining from 2017 storm disasters and towards partial repairs from the 2023 Storms. Additionally, there were increases in expenditures carried over from the prior year from the Capital Projects Funds and from Health and Human Services.

The adopted 2024-25 budget for the general fund reflected an increase of $64,938,108 and $149,764,317 in revenue and expenditures respectively over 2023-24 actuals. The increases were due largely to year-end routine concluding actions to carry over revenue and budget appropriations for multi-year contracts and projects, routine personnel cost increases, and the addition of new sales tax revenue from Measure K in 2024-25.

The adopted 2024-25 budget included $141.3 million that had been reserved (obligated) in the general fund for specific purposes. The total committed and assigned obligations of $98.1 million in the adopted budget represented 11.9% of the general fund operating revenues in accordance with the County's Fund Balance Policy, which states the minimum fund balance in the County general fund's committed and assigned fund balance categories shall be no less than a total of 7% of the upcoming budget year's estimated revenues. In addition, the general fund appropriations included a contingency of $10.5 million of which $2.0 million is planned to be used for road projects and housing initiatives supported by new sales tax revenue.

The County's interactive budget and the County's Two-Year Operational Plan can be found at the County of Santa Cruz Strategic Plan website: Vision Santa Cruz (santacruzcountyca.gov). The County's adopted budget document can be found on the County's Budget and Financial Reports website: Budget and Financial Reports (santacruzcountyca.gov).

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor-Controller's Office, County of Santa Cruz, 701 Ocean Street, Room 100, Santa Cruz, CA 95060.

Basic Financial Statements

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

Government-Wide Financial Statements

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
JUNE 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments	$ 332,736,151	$ 20,567,535	$ 353,303,686	$ 19,439,889
Restricted cash and investments	32,124,961	15,546,942	47,671,903	39,595,033
Receivables, net	203,044,285	6,892,753	209,937,038	-
Due from other funds	4,592,906	(4,592,906)	-	-
Leases receivable	17,161	-	17,161	-
Deposits with others	875,000	46,274	921,274	-
Inventory	664,317	234,110	898,427	-
Prepaid items	1,687,593	-	1,687,593	-
Land held for resale	1,166,891	-	1,166,891	-
Loans receivable	82,393,892	5,051	82,398,943	-
Internal balances	(3,027,617)	3,027,617	-	-
Capital Assets:				
Nondepreciable assets	85,158,850	9,714,663	94,873,513	9,661,292
Depreciable assets, net	748,331,315	38,136,169	786,467,484	154,169,276
Total assets	1,489,765,705	89,578,208	1,579,343,913	222,865,490
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on bond refunding	364,490	-	364,490	-
Deferred pensions	174,178,528	-	174,178,528	-
Deferred OPEB	19,009,593	-	19,009,593	-
Total deferred outflows of resources	193,552,611	-	193,552,611	-

See accompanying Notes to Basic Financial Statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
JUNE 30, 2024

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
LIABILITIES				
Accounts payables	$ 71,128,775	$ 3,077,375	$ 74,206,150	$ 6,028,974
Salaries and benefits payable	26,377,451	-	26,377,451	-
Deposits payable	2,683,362	221,500	2,904,862	-
Accrued interest payable	850,680	16,654	867,334	174,353
Tax and revenue anticipation notes payable	64,041,528	-	64,041,528	-
Unearned revenues	47,666,592	-	47,666,592	-
Due to other governments	39,143	-	39,143	-
Long-term liabilities:				
Due within one year				
Compensated absences	33,508,611	-	33,508,611	-
Estimated claims	12,327,968	-	12,327,968	-
Leases & SBITAs payable	3,211,863	-	3,211,863	-
Bonds and loans payable	11,504,845	1,095,884	12,600,729	1,693,661
Due in more than one year				
Compensated absences	5,793,766	-	5,793,766	-
Estimated claims	47,660,000	-	47,660,000	-
Leases & SBITAs payable	8,484,696	-	8,484,696	-
Bonds and loans payable	269,693,604	8,819,204	278,512,808	64,418,459
Postclosure care costs	-	14,940,283	14,940,283	-
Total OPEB liability	154,745,886	-	154,745,886	-
Net pension liability	575,048,601	-	575,048,601	-
Total liabilities	1,334,767,371	28,170,900	1,362,938,271	72,315,447
DEFERRED INFLOWS OF RESOURCES				
Lease related	16,479	-	16,479	-
Gain on bond refunding	136,078	179,244	315,322	-
Deferred pensions	2,975,346	-	2,975,346	-
Deferred OPEB	51,549,156	-	51,549,156	-
Total deferred inflows of resources	54,677,059	179,244	54,856,303	-
NET POSITION				
Net investment in capital assets	657,074,123	37,935,743	695,009,866	137,305,489
Restricted for:				
Debt service	-	605,605	605,605	-
Capital asset acquisition	34,282,587	-	34,282,587	-
Public safety	20,150,301	-	20,150,301	-
Health and public assistance	1,905,541	-	1,905,541	-
Public ways and facilities	126,598,357	-	126,598,357	-
Unrestricted	(546,137,023)	22,686,716	(523,450,307)	13,244,554
Total net position	$ 293,873,886	$ 61,228,064	$ 355,101,950	$ 150,550,043

See accompanying Notes to Basic Financial Statements.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Program Revenues: Total
Primary government:					
Governmental activities:					
General government	$ 59,377,045	$ 24,832,656	$ 43,538,136	$ -	$ 68,370,792
Public protection	230,280,705	26,768,083	67,943,467	657,892	95,369,442
Public ways and facilities	44,314,477	7,214,150	25,735,800	46,522,126	79,472,076
Health and sanitation	250,821,034	54,436,197	185,703,230	-	240,139,427
Public assistance	194,718,771	1,424,266	165,497,586	-	166,921,852
Education	8,013,903	2,543	92,866	-	95,409
Recreation and cultural services	18,098,705	4,764,341	209,246	-	4,973,587
Debt service	12,831,657	-	-	-	-
Total governmental activities	818,456,297	119,442,236	488,720,331	47,180,018	655,342,585
Business-type activities:					
County Disposal Sites CSA 9C	23,506,754	27,369,499	767,342	-	28,136,841
Boulder Creek CSA 7	632,180	592,056	-	-	592,056
Rolling Woods CSA 10	27,212	81,109	-	-	81,109
Septic Tank Maintenance CSA 12	2,010,957	2,062,575	-	-	2,062,575
Freedom County Sanitation District	1,710,841	1,446,720	3,917,318	-	5,364,038
Davenport County Sanitation District	763,403	625,748	1,809,069	1,296	2,436,113
Place de Mer CSA 2	154,773	112,662	-	-	112,662
Sand Dollar Beach CSA 5	352,064	342,721	-	-	342,721
Trestle Beach CSA 20	84,255	84,673	-	-	84,673
Total business-type activities	29,242,439	32,717,763	6,493,729	1,296	39,212,788
Total primary government	$ 847,698,736	$ 152,159,999	$ 495,214,060	$ 47,181,314	$ 694,555,373
Component unit:					
Santa Cruz County Sanitation District	$ 30,925,409	$ 33,042,893	$ -	$ -	$ 33,042,893

	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Business-Type Activities	Total	Component Unit
	$ 8,993,747	$ -	$ 8,993,747	
	(134,911,263)	-	(134,911,263)	
	35,157,599	-	35,157,599	
	(10,681,607)	-	(10,681,607)	
	(27,796,919)	-	(27,796,919)	
	(7,918,494)	-	(7,918,494)	
	(13,125,118)	-	(13,125,118)	
	(12,831,657)	-	(12,831,657)	
	(163,113,712)	-	(163,113,712)	
	-	4,630,087	4,630,087	
	-	(40,124)	(40,124)	
	-	53,897	53,897	
	-	51,618	51,618	
	-	3,653,197	3,653,197	
	-	1,672,710	1,672,710	
	-	(42,111)	(42,111)	
	-	(9,343)	(9,343)	
	-	418	418	
	-	9,970,349	9,970,349	
	$ (163,113,712)	$ 9,970,349	$ (153,143,363)	
				$ 2,117,484
General Revenues:				
Taxes:				
Property taxes	$ 152,963,082	$ 53,400	$ 153,016,482	$ -
Property transfer fees	2,448,352	-	2,448,352	-
Sales and use taxes	28,240,804	-	28,240,804	-
Transient occupancy taxes	12,810,683	-	12,810,683	-
Other taxes	7,733,174	-	7,733,174	-
Total taxes	204,196,095	53,400	204,249,495	-
Interest and investment earnings	18,190,874	1,216,491	19,407,365	1,680,572
Gain on disposal of capital assets	189,327	16,975	206,302	6,125
Miscellaneous	16,531,346	241,514	16,772,860	-
Total general revenues and transfers	239,107,642	1,528,380	240,636,022	1,686,697
Change in net position	75,993,930	11,498,729	87,492,659	3,804,181
Net position - beginning, as previously reported	216,353,870	50,868,170	267,222,040	146,745,862
Restatement for correction of an error	1,526,086	(1,138,835)	387,251	-
Net position - beginning, as restated	217,879,956	49,729,335	267,609,291	146,745,862
Net position - end of year	$ 293,873,886	$ 61,228,064	$ 355,101,950	$ 150,550,043

See accompanying Notes to Basic Financial Statements.

The County Of Santa Cruz
Fiscal Year ended June 30, 2024
FINANCIAL SECTION

GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

See accompanying Notes to Basic Financial Statements.

Fund Financial Statements

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

Governmental Funds Financial Statements

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

General Fund – The General Fund is used to account for sources and uses of financial resources traditionally associated with governments, which are not required to be accounted for in another fund.

Off Highway, Road, and Transportation Fund – The Off Highway, Road, and Transportation Fund provides for the construction and maintenance of County roads, along with transportation planning activities. Revenues consist primarily of State and Federal grants, State taxes, and a State subvention from vehicle license fees.

Housing Fund – The Housing Fund is primarily used to account for Community Development Block Grant Programs. The principal sources of revenues are State grants and housing rehabilitation loan repayments.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition of land, and acquisition and construction of major facilities other than those financed by the proprietary funds.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Nonmajor Governmental Funds – Nonmajor Governmental Funds is the aggregate of all the nonmajor governmental funds.

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2024

	Major Funds						
	General Fund	Off Highway, Road, and Transportation Fund	Housing Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	$ 213,657,848	$ -	$ 14,110,208	$ 6,646,356	$ 6,622	$ 43,152,394	$ 277,573,428
Restricted cash and investments	-	-	-	-	32,124,961	-	32,124,961
Receivables, net	143,663,800	55,976,189	631,157	-	-	2,168,886	202,440,032
Due from other funds	-	-	-	12,867	-	-	12,867
Leases receivable	17,161	-	-	-	-	-	17,161
Loans receivable	-	-	82,393,892	-	-	-	82,393,892
Deposits with others	70,000	-	-	-	-	-	70,000
Prepaids	1,655,408	-	-	-	-	-	1,655,408
Land held for resale	-	-	1,166,891	-	-	-	1,166,891
Total assets	$ 359,064,217	$ 55,976,189	$ 98,302,148	$ 6,659,223	$ 32,131,583	$ 45,321,280	$ 597,454,640
LIABILITIES							
Accounts payable	$ 49,533,812	$ 10,391,129	$ 390,048	$ 4,495,352	$ -	$ 3,117,710	$ 67,928,051
Salaries and benefits payable	25,390,772	-	-	-	-	783	25,391,555
Deposits payable	1,968,681	-	-	-	-	-	1,968,681
Tax and revenue anticipation notes payable	64,041,528	-	-	-	-	-	64,041,528
Due to other governments	39,143	-	-	-	-	-	39,143
Due to other funds	-	9,306,054	-	-	12,867	1,221,656	10,540,577
Advances from other funds	1,165,546	1,366,300	-	-	-	-	2,531,846
Unearned revenues	22,514,855	17,082,335	8,025,121	-	-	44,280	47,666,591
Total liabilities	164,654,337	38,145,818	8,415,169	4,495,352	12,867	4,384,429	220,107,972
Deferred inflows of resources							
Opioid settlement	12,195,990	-	-	-	-	-	12,195,990
Lease related	16,479	-	-	-	-	-	16,479
Total deferred inflows of resources	12,212,469	-	-	-	-	-	12,212,469
FUND BALANCES							
Nonspendable	1,725,408	-	-	-	-	-	1,725,408
Restricted	43,056,742	17,830,371	89,886,979	2,163,871	32,118,716	41,658,790	226,715,469
Committed	20,997,367	-	-	-	-	-	20,997,367
Assigned	116,417,894	-	-	-	-	-	116,417,894
Unassigned	-	-	-	-	-	(721,939)	(721,939)
Total fund balances	182,197,411	17,830,371	89,886,979	2,163,871	32,118,716	40,936,851	365,134,199
Total liabilities and fund balances	$ 359,064,217	$ 55,976,189	$ 98,302,148	$ 6,659,223	$ 32,131,583	$ 45,321,280	$ 597,454,640

See accompanying Notes to Basic Financial Statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2024

Total Fund Balances - Total Governmental Funds		$ 365,134,199
Amounts reported for Governmental Activities in the Statement of Net Position were different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. (Net of $11,910,015 of internal service fund capital assets.)		818,975,833
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.		
Deferred outflows - pension related	154,428,005	
Deferred outflows - OPEB related	16,602,612	
Deferred inflows - pension related	(2,616,272)	
Deferred inflows - OPEB related	(45,022,038)	123,392,307
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Position:		
Internal service funds included in governmental activities		(57,498,219)
Transfer of internal service funds to business-type activities		(3,027,617)
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds.		
Refunding certificates of participation, including premium	(14,827,719)	
Lease revenue bonds	(149,668,983)	
Lease revenue refunding bonds, including premium	(4,521,124)	
Pension obligation bonds	(108,310,000)	
Net pension liability	(505,650,171)	
Total other post-employment benefits (OPEB) liability	(135,152,072)	
Compensated absences	(33,747,085)	
Other long-term liabilities	(3,870,625)	
Lease related	(8,987,004)	(964,734,783)
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds.		(792,236)
Governmental funds report revenue when it is measurable and available, whereas revenue that is collectible, but not available is recognized immediately in the statement of activities.		
Deferred inflows - Opioid settlement		12,059,912
Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Deferred amount on refunding		364,490
Net Position of Governmental Activities		$ 293,873,886

See accompanying Notes to Basic Financial Statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Major Funds						
	General Fund	Off Highway, Road, and Transportation Fund	Housing Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Taxes	$ 172,926,545	$ 3,978,376	$ -	$ -	$ -	$ 27,291,175	$ 204,196,096
Licenses and permits	16,915,955	-	-	-	-	23,100	16,939,055
Fines, forfeits and penalties	6,625,072	-	-	-	-	13,054	6,638,126
Use of money and property	11,623,116	559,448	1,624,737	94,498	1,577,485	1,375,980	16,855,264
Aid from other governments	455,653,741	71,221,880	4,130,977	1,100,283	-	3,538,574	535,645,455
Charges for services	79,286,489	2,585,894	795,567	-	-	13,782,865	96,450,815
Other	10,182,802	319,783	545,834	296,548	-	258,616	11,603,583
Total revenues	753,213,720	78,665,381	7,097,115	1,491,329	1,577,485	46,283,364	888,328,394
EXPENDITURES:							
Current:							
General government	54,670,060	-	-	-	-	908,935	55,578,995
Public protection	197,536,684	-	-	-	-	20,952,191	218,488,875
Public ways and facilities	-	92,401,670	-	-	-	6,763,813	99,165,483
Health and sanitation	241,190,651	-	-	-	-	30,927	241,221,578
Public assistance	182,640,611	-	6,831,535	-	-		189,472,146
Education	142,984	-	-	-	-	7,025,307	7,168,291
Recreation and cultural services	12,777,891	-	-	-	-	4,169,794	16,947,685
Debt service:							
Principal	3,677,363	-	-	-	14,546,539	75,821	18,299,723
Interest	2,001,377	2,089,482	-	-	5,877,523	85,090	10,053,472
Bond issuance costs	-	-	-	-	829,165	-	829,165
Fiscal charges	(533,792)	-	-	-	(2,995)	-	(536,787)
Capital outlay	-	-	-	35,859,678	-	-	35,859,678
Total expenditures	694,103,829	94,491,152	6,831,535	35,859,678	21,250,232	40,011,878	892,548,304
REVENUES OVER (UNDER) EXPENDITURES	59,109,891	(15,825,771)	265,580	(34,368,349)	(19,672,747)	6,271,486	(4,219,910)
OTHER FINANCING SOURCES (USES):							
Issuance of debt	-	-	-	-	-	1,140,000	1,140,000
Bonds issued	-	-	-	-	78,462,568	-	78,462,568
Bond premium	-	-	-	-	2,971,258	-	2,971,258
Bond discount	-	-	-	-	(62,995)	-	(62,995)
Lease inception	547,281	-	-	-	-	-	547,281
Transfers in	3,255,930	54,578,195	-	28,403,810	16,052,603	-	102,290,538
Transfers out	(20,127,888)	-	(671,326)	-	(78,241,177)	(2,486,796)	(101,527,187)
Total other financing sources (uses)	(16,324,677)	54,578,195	(671,326)	28,403,810	19,182,257	(1,346,796)	83,821,463
Net change in fund balance	42,785,214	38,752,424	(405,746)	(5,964,539)	(490,490)	4,924,690	79,601,553
Fund balances - beginning, as previously reported	139,412,197	(20,922,053)	88,766,639	8,128,410	32,609,206	36,012,161	284,006,560
Restatement for correction of an error (Note 20)	-	-	1,526,086	-	-	-	1,526,086
Fund balances - beginning, as restated	139,412,197	(20,922,053)	90,292,725	8,128,410	32,609,206	36,012,161	285,532,646
Fund balances - ending	$ 182,197,411	$ 17,830,371	$ 89,886,979	$ 2,163,871	$ 32,118,716	$ 40,936,851	$ 365,134,199

See accompanying Notes to Basic Financial Statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances - Total Governmental Funds		$ 79,601,553
Amounts reported for governmental activities in the Statement of Activities were different because:		
Governmental funds reported acquisitions of capital assets as part of capital outlay expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense:		
Expenditures for general capital assets, infrastructure, and other related capital assets	122,373,345	
Retirement of capital assets	(114,929)	
Less current year depreciation and amortization	(40,413,547)	81,844,869
Issuance of long-term debt provided current financial resources to the governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Also, the governmental funds report the effect of issuance costs, premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Lease revenue bonds issued	(78,462,568)	
Discounts	62,995	
Premiums	(2,971,259)	
Issuance of debt	(1,140,000)	
Lease inception	(547,281)	(83,058,113)
Repayment of debt principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position:		
Refunding certificates of participation	3,755,000	
Certificates of participation	250,000	
Lease revenue bonds	5,060,000	
Lease revenue refunding bonds	328,177	
Pension obligation bonds	5,195,000	
Loan principal payments	746,592	
Lease related	2,951,984	18,286,753
Some revenues reported in the Government-Wide Statement of Activities are not available to fund current operations. Therefore, they are not reported as revenues in the governmental funds:		
Change in deferred inflows - Opioid settlement		(585,759)
Some expenses reported in the Government-Wide Statement of Activities do not require the use of current financial resources. Therefore, they are not reported as expenditures in the governmental funds:		
Amortization of bond premium/discount	650,804	
Change in accrued interest payable	155,568	
Change in compensated absences	(1,406,981)	
Change in deferred loss on bond refunding	(106,000)	
Change in deferred gain on bond refunding	(136,078)	
Change in total OPEB liability and related deferred outflows and inflows of resources	2,667,334	
Change in net pension liability and related deferred outflows and inflows of resources	(26,274,976)	(24,450,329)
Internal service funds were used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds was reported with governmental activities.		4,253,389
Reverse of prior year transfer of internal service funds to business-type activities.		3,129,184
Transfer of internal service funds to business-type activities.		(3,027,617)
Change in Net Position of Governmental Activities		$ 75,993,930

See accompanying Notes to Basic Financial Statements.

Proprietary Funds Financial Statements

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

Proprietary Funds – Proprietary Funds consist of Enterprise Funds and Internal Service Funds.

Enterprise Funds – The Enterprise Funds are used to account for County operations that are financed and operated in a manner similar to private business enterprises. The intent of the County in using this type of fund is to determine that the costs (expenses, including depreciation) of providing these services to the general public on a continuing basis are financed or recovered primarily through user charges.

County Disposal Sites CSA 9C – The County Disposal Sites CSA 9C Fund is used to account for the activities of the County's refuse utility, which provides refuse pick-up services, recycling services, and a sanitary landfill for residents of the County.

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	$ 16,848,828	$ 3,718,707	$ 20,567,535	$ 55,162,725
Restricted cash and investments	15,546,942	-	15,546,942	-
Receivables	1,242,482	5,650,271	6,892,753	604,253
Due from other funds	-	-	-	15,196,311
Deposits with others	46,274	-	46,274	805,000
Inventory	234,110	-	234,110	664,317
Prepaid items	-	-	-	32,185
Advances to other funds	-	-	-	2,531,845
Total current assets	33,918,636	9,368,978	43,287,614	74,996,636
Noncurrent assets:				
Loans receivable	-	5,051	5,051	-
Capital Assets:				
Land	1,858,849	-	1,858,849	97,087
Construction-in-progress	585,336	7,270,478	7,855,814	-
Depreciable:				
Buildings and structures	33,465,707	40,514,689	73,980,396	4,646,328
Equipment	12,353,874	81,586	12,435,460	41,597,304
ROU Equipment	-	-	-	2,234,469
Subscription based information technology	-	-	-	3,194,334
Accumulated depreciation	(35,297,634)	(12,982,053)	(48,279,687)	(37,255,190)
Capital assets, net	12,966,132	34,884,700	47,850,832	14,514,332
Total noncurrent assets	12,966,132	34,889,751	47,855,883	14,514,332
Total assets	46,884,768	44,258,729	91,143,497	89,510,968
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension	-	-	-	19,750,525
Deferred OPEB	-	-	-	2,406,981
Total deferred outflows of resources	-	-	-	22,157,506

See accompanying Notes to Basic Financial Statements.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Internal Service Funds
LIABILITIES				
Current liabilities:				
Payables	$ 1,905,402	$ 1,171,974	$ 3,077,376	$ 3,200,377
Accrued salaries and benefits payable	-	-	-	985,897
Deposits payable	221,500	-	221,500	715,021
Due to other funds	-	4,592,906	4,592,906	75,695
Current portion of long-term liabilities	996,927	98,956	1,095,883	-
Leases	-	-	-	1,267,429
Claims liabilities	-	-	-	12,327,968
Compensated absences, due within one year	-	-	-	4,033,908
Accrued interest payable	16,648	6	16,654	58,444
Total current liabilities	3,140,477	5,863,842	9,004,319	22,664,739
Noncurrent liabilities:				
Long-term liabilities	4,700,204	4,119,000	8,819,204	-
Leases	-	-	-	1,442,127
Claims liabilities	-	-	-	47,660,000
Closure and postclosure care costs liability	14,940,283	-	14,940,283	-
Compensated absences, due in more than one year	-	-	-	1,521,386
Total OPEB liability	-	-	-	19,593,816
Net pension liability	-	-	-	69,398,433
Total noncurrent liabilities	19,640,487	4,119,000	23,759,487	139,615,762
Total liabilities	22,780,964	9,982,842	32,763,806	162,280,501
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on bond refunding	179,244	-	179,244	-
Deferred pension	-	-	-	359,074
Deferred OPEB	-	-	-	6,527,118
Total deferred inflows of resources	179,244	-	179,244	6,886,192
NET POSITION				
Net investment in capital assets	7,269,001	30,666,744	37,935,745	11,804,776
Restricted for:				
Debt service	522,805	82,800	605,605	459,787
Unrestricted	16,132,754	3,526,343	19,659,097	(69,762,782)
Total net position	$ 23,924,560	$ 34,275,887	58,200,447	$ (57,498,219)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			3,027,617	
Net Position of Business-Type Activities per Government-Wide Financial Statements			$ 61,228,064	

See accompanying Notes to Basic Financial Statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES:				
Charges for services	$ 27,369,500	$ 5,348,247	$ 32,717,747	$ 122,706,563
Other revenues	186,716	-	186,716	2,560,931
Total operating revenues	27,556,216	5,348,247	32,904,463	125,267,494
OPERATING EXPENSES:				
Salaries and employee benefits	-	-	-	57,601,018
Services and supplies	21,367,431	4,595,078	25,962,509	49,966,919
Insurance and compensation claims	-	-	-	14,522,677
Depreciation and amortization	1,807,176	1,029,945	2,837,121	4,596,228
Total operating expenses	23,174,607	5,625,023	28,799,630	126,686,842
Operating income (loss)	4,381,609	(276,776)	4,104,833	(1,419,348)
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	767,342	5,727,683	6,495,025	254,893
Interest and investment income	1,040,017	176,474	1,216,491	1,335,613
Property taxes	-	53,417	53,417	-
Gain on disposal of capital assets	16,975	-	16,975	189,327
Cost of issuance	(23,395)	-	(23,395)	-
Interest expense	(219,209)	(98,641)	(317,850)	(271,508)
Other nonoperating revenue	-	54,800	54,800	4,927,763
Total nonoperating revenues (expenses)	1,581,730	5,913,733	7,495,463	6,436,088
Income (loss) before transfers	5,963,339	5,636,957	11,600,296	5,016,740
Transfers in	-	-	-	25,000
Transfers out	-	-	-	(788,351)
Change in net position	5,963,339	5,636,957	11,600,296	4,253,389
Net position - beginning, as previously reported	17,961,221	29,777,765	47,738,986	(61,751,608)
Restatement for correction of an error (Note 20)	-	(1,138,835)	(1,138,835)	-
Net position - beginning, as restated	17,961,221	28,638,930	46,600,151	(61,751,608)
Net position - ending	$ 23,924,560	$ 34,275,887	$ 58,200,447	$ (57,498,219)

Change in Net Position of Business-Type Activities	$ 11,600,296
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(101,567)
Change in Net Position of Business-Type Activities per Government-Wide Financial Statements	$ 11,498,729

See accompanying Notes to Basic Financial Statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	$ 26,132,467	$ 5,349,309	$ 31,481,776	$ 121,951,146
Payments to suppliers for goods and services	(20,522,832)	(3,866,646)	(24,389,478)	(49,762,922)
Payments to employees for salaries and benefits	-	-	-	(50,979,754)
Payments for judgments and claims	-	-	-	(12,182,538)
Closure and postclosure reserves increase (decrease)	542,098	-	542,098	-
Other receipts	186,716	-	186,716	2,560,931
Net cash provided (used) by operating activities	6,338,449	1,482,663	7,821,112	11,586,863
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grants	767,342	-	767,342	-
Deposits with others	16,353	-	16,353	(345,213)
Accounts receivable	-	1,030,642	1,030,642	-
Loans receivable	-	1,316	1,316	-
Intergovernmental receipts	-	78,371	78,371	254,893
Due from other funds	-	-	-	(2,020,564)
Deferred gain on bond refunding	179,244	-	179,244	-
Matured interest payable	(76,207)	(32)	(76,239)	-
Debt issuance costs	(23,395)	-	(23,395)	-
Property taxes	-	53,417	53,417	-
Due to other funds	-	3,492,907	3,492,907	(150)
Transfers from other funds	-	-	-	25,000
Transfers to other funds	-	-	-	(788,351)
Net cash provided (used) by noncapital financing activities	863,337	4,656,621	5,519,958	(2,874,385)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(448,087)	(6,913,620)	(7,361,707)	(123,134)
Acquisition of equipment	(623,253)	-	(623,253)	(2,329,272)
Insurance proceeds	-	54,800	54,800	4,927,763
Bonds and loans payable	(72,866)	-	(72,866)	-
Principal paid on lease agreements	-	(110,330)	(110,330)	(1,311,383)
Interest payable	-	-	-	(5,547)
Interest paid on capital debt	(219,209)	(98,641)	(317,850)	(271,508)
Proceeds from sale of capital assets	16,975	-	16,975	203,169
Net cash provided (used) by capital and related financing activities	(1,346,440)	(7,067,791)	(8,414,231)	1,090,088
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	1,040,017	176,474	1,216,491	1,335,610
Net cash provided by investing activities	1,040,017	176,474	1,216,491	1,335,610
Net increase (decrease) in cash and cash and investments equivalents	6,895,363	(752,033)	6,143,330	11,138,176
CASH AND CASH AND INVESTMENTS EQUIVALENTS:				
Beginning of year	25,500,407	4,470,740	29,971,147	44,024,549
End of year	$ 32,395,770	$ 3,718,707	$ 36,114,477	$ 55,162,725

See accompanying Notes to Basic Financial Statements.

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities
	County Disposal Sites CSA 9C	Nonmajor Enterprise Funds	Total	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 4,381,609	$ (276,776)	$ 4,104,833	$ (1,419,348)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	1,807,176	1,029,945	2,837,121	4,596,228
Changes in assets and liabilities:				
(Increase) decrease in:				
Receivables	(1,242,482)	1,062	(1,241,420)	(112,523)
Inventory	(17,762)	-	(17,762)	(126,271)
Prepaid items	-	-	-	(19,568)
Increase (decrease) in:				
Payables	862,361	728,432	1,590,793	349,836
Deposits payable	5,449	-	5,449	(642,894)
Claims liabilities	-	-	-	2,340,139
Accrued salaries and benefits	-	-	-	6,621,264
Closure and postclosure care liability	542,098	-	542,098	-
Total adjustments	1,956,840	1,759,439	3,716,279	13,006,211
Net cash provided (used) by operating activities	$ 6,338,449	$ 1,482,663	$ 7,821,112	$ 11,586,863
Schedule of non-cash capital and related financing activities:				
Purchase of capital assets on account	-	5,269,935	5,269,935	$ 2,463,683
Lease and SBITA inception	-	-	-	$ 94,073
Reconciliation of cash and cash equivalents to the Statement of Net Position				
Cash and investments per Statement of Net Position	$ 16,848,828	$ 3,718,707	$ 20,567,535	$ 55,162,725
Restricted cash per Statement of Net Position	15,546,942	-	15,546,942	-
Total cash and cash equivalents per Statement of Net Position	$ 32,395,770	$ 3,718,707	$ 36,114,477	$ 55,162,725
Schedule of non-cash capital and related financing activities:				
Purchase of capital assets on account	-	5,269,935	5,269,935	2,463,683
Lease and SBITA inception	-	-	-	94,073

See accompanying Notes to Basic Financial Statements.

Fiduciary Funds Financial Statements

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

Fiduciary Funds – The Fiduciary Funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

Investment Trust Funds – The Investment Trust Funds are used to report fiduciary activities from the external portion of an investment pool and individual investment accounts that are held in a trust. Participants include school and community college districts, other special districts governed by local boards, regional boards and authorities and cities that are required to keep cash in the County Treasury.

Private-Purpose Trust Funds – The Private-Purpose Trust Funds are used to report all fiduciary activities that (a) are not required to be reported in pension (and other employee benefits) trust funds or investment trust funds and (b) are held in a trust. These include the Public Guardian and the Redevelopment Successor Agency.

Custodial Funds – The Custodial Funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. These include unapportioned property taxes and other custodial funds.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2024

	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ASSETS			
Cash and investments	$ 944,439,003	$ 15,821,833	$ 20,571,376
Restricted cash and investments	11,740,736	10,671	247,875
Prepaid expenses	140,826	917,364	-
Receivables:			
Accounts receivable	111,054,149	-	-
Taxes for other governments	-	-	15,582,228
Other assets	22,810,692	-	-
Nondepreciable capital assets	5,971,691	7,425,950	-
Depreciable capital assets, net	33,446,843	-	-
Total assets	1,129,603,940	24,175,818	36,401,479
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding of debt	-	186,601	-
Total deferred outflows of resources	-	186,601	-
LIABILITIES			
Accounts payable and other liabilities	61,000,630	32,455	12,265,077
Interest payable	-	2,295,650	-
Long-term liabilities due in more than one year	2,715,286	-	-
Other liabilities	94,965,658	161,756,472	451,376
Total liabilities	158,681,574	164,084,577	12,716,453
DEFERRED INFLOWS OF RESOURCES			
Gain on refunding of debt	-	759,854	-
Deferred OPEB	1,294,806	-	-
Deferred pension	7,333,475	-	-
Total deferred inflows of resources	8,628,281	759,854	-
NET POSITION			
Restricted for:			
Pool participants	962,294,085	-	-
Individuals, organizations and other governments	-	(140,482,012)	23,685,026
Total net position	$ 962,294,085	$ (140,482,012)	$ 23,685,026

See accompanying Notes to Basic Financial Statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Investment Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS			
Member contributions	$ 20,672,399	$ -	$ -
Employee contributions	6,565	-	-
Gifts and bequests	2,202,199	-	97
Interest, dividends and other	34,879,540	513,730	1,681,031
Tax collections	555,453,994	16,464,909	905,956,941
Other contributions	1,232,432,265	318,228	38,362,402
Total additions	1,845,646,962	17,296,867	946,000,471
DEDUCTIONS			
Beneficiary payments to individuals	-	91,720	-
Administrative expenses	34,760,061	113,671	108,406
Payments to other local governments	29,790,904	-	64,923,205
Payments of taxes to other local governments	-	-	777,818,333
Interest expense	29,955,733	5,770,414	432,089
Distributions from pooled investments	1,746,707,186	-	115,419,463
Other deductions	-	493,529	-
Total deductions	1,841,213,884	6,469,334	958,701,496
Net increase (decrease) in fiduciary net position	4,433,078	10,827,533	(12,701,025)
Net position - beginning, as previously reported	963,743,262	(151,309,545)	36,193,122
Restatement for entity audit adjustments	(5,882,255)	-	192,929
Net position - beginning, as restated	957,861,007	(151,309,545)	36,386,051
Net position - ending	$ 962,294,085	$ (140,482,012)	$ 23,685,026

See accompanying Notes to Basic Financial Statements.

Notes to Basic Financial Statements

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Reporting Entity***

The County of Santa Cruz (County) was established by an act of the State Legislature of California in 1850 and is governed by a five-member elected Board of Supervisors (the Board). The Board is responsible for the legislative and executive control of the County. The County provides various services on a countywide basis including law and justice, education, detention, social, health, hospital, fire protection, road construction, road maintenance, transportation, park and recreation facilities, elections and records, communications, planning, zoning, and tax collection.

As required by Generally Accepted Accounting Principles in the United States (GAAP), the accompanying basic financial statements present the County (the primary government) and its component units. Component units are legally separate entities for which the Board is considered to be financially accountable. Component units are entities that meet any one of the following tests:

a) The Board appoints the voting majority of the governing board and:
   - is able to impose its will on the component unit and/or
   - is in a relationship of financial benefit or burden with the component unit.

b) The component unit is fiscally dependent upon the County.

c) The financial statements of the County would be misleading if data from the component unit were omitted.

The basic financial statements include both blended and discretely presented component units. The blended component units, although legally separate entities, are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. The discretely presented component unit is reported in a separate column in the Government-Wide Financial Statements since it does not have a shared governing body nor is it of exclusive or almost exclusive benefit to the primary government.

Blended Component Units

The following entities serve citizens of the County and provide for the construction and maintenance of County parks and recreation, police protection, mosquito abatement, fire protection, street lighting, roads, flood control, sewer, and refuse disposal districts. They are reported as if they were part of the primary government because they are governed by the Board. The Board establishes the work program and adopts the budget. Administrative services are provided by various departments of the County.

Santa Cruz County Flood Control and Water Conservation District – Zone 7

Santa Cruz County Flood Control and Water Conservation District – Zone 7 (Zone 7) was established to provide funding for the local share of proposed Army Corps of Engineers flood control projects on the Pajaro River, Salsipuedes Creek, and Corralitos Creek. Zone 7 is governed by a seven-member board consisting of a Board of Directors and two additional members, one appointed by the City of Watsonville and another appointed by the Pajaro Valley Water Management Agency. Administrative services are provided by the County's Department of Public Works. Complete financial statements may be obtained from the Department of Public Works at 701 Ocean Street, Room 410, Santa Cruz, CA 95060.

Santa Cruz County Financing Authorities

The Santa Cruz County Financing Authorities (Authorities) facilitate financing for the County. The Authorities are established and governed by the Board and are not legally required to adopt a budget. Administrative services are provided by the County. Complete financial statements may be obtained from the County at 701 Ocean Street, Room 100, Santa Cruz, CA 95060.

Discretely Presented Component Unit

Santa Cruz County Sanitation District

The Santa Cruz County Sanitation District (District) is included as a discretely presented component unit of the County because: 1) the Board appoints the District's governing board, and 2) the District has an ongoing relationship with the County. The District is governed by a three-member board and managed by the County's Department of Public Works under the direction of the District Board of Directors. The District, as a component unit, is presented separately from the primary government in the Government-Wide Financial Statements. Administrative services are provided by the County Department of Public Works and central support departments (i.e., personnel, purchasing, treasury, etc.). Complete financial statements may be obtained from the County, 701 Ocean Street, Room 410, Santa Cruz, CA 95060.

Districts Governed by the Board of Supervisors

Public Protection

- Aptos Seascape County Service Area (CSA) 3
- County Fire Protection CSA 48
- Police Protection CSA 38
- Pajaro Storm Drain Maintenance District
- Pajaro Dunes Fire Protection CSA 4
- Pajaro Dunes Station Maintenance Fund
- Pajaro Dunes Station Assessment District Reserve
- Santa Cruz County Flood Control and Water Conservation Zone 4
- Santa Cruz County Flood Control and Water Conservation Zone 5
- Santa Cruz County Flood Control and Water Conservation Zone 6
- Santa Cruz County Flood Control and Water Conservation Zone 8
- Santa Cruz County Flood Control and Water Conservation Zone – General

Health and Sanitation

- Pasatiempo Rolling Woods Sewer District

Recreation and Culture

- Streetscape CSA 9E
- Parks and Recreation District CSA 11
- CSA 11 Zone E
- CSA 11L Lompico Community

Public Ways and Facilities

- County Highway Lighting CSA 9
- County Highway Residential Lighting CSA 9 Zone A
- School Crossing Guard CSA 9 Zone B
- County Road Maintenance CSA 9D Zone 1
- County Road Maintenance CSA 9D Zone 2
- CSA 9D Zone 3
- Hutchinson Road CSA 13
- Oakflat Road CSA 13A
- Huckleberry Woods Road CSA 15
- Robak Drive CSA 16
- Empire Acres CSA 17
- Whitehouse Canyon CSA 18
- Westdale Drive CSA 21
- Kelly Hill CSA 22
- Old Ranch Road CSA 23
- Pineridge CSA 24
- Viewpoint Road CSA 25
- Hidden Valley CSA 26
- Lomond Terrace CSA 28
- Glenwood Acres CSA 30
- View Circle CSA 32
- Soquel Village Parking Improvement
- Underground Utilities #4-41st Ave.
- Redwood Drive CSA 33
- Larsen Road CSA 34
- County Estates CSA 35
- Forest Glen CSA 36

- Roberts Road CSA 37
- Reed Street CSA 39
- Ralston Way CSA 40
- Loma Prieta CSA 41
- Sunlit Lane CSA 42
- Bonita-Encino Drive CSA 43
- Sunbeam Woods CSA 44
- Pinecrest CSA 46
- Braemoor CSA 47
- Vineyard CSA 50
- Hopkins Gulch CSA 51
- Upper Pleasant Valley CSA 52
- Mosquito Abatement CSA 53
- Riverdale Park Road CSA 55
- Felton Grove CSA 56
- Mansfield Street Assessment Dist.
- Ridge Drive CSA 58
- McGaffigan Mill Road CSA 59
- Soquel Village CSA 9F

Geologic Hazard Abatement Districts (GHAD)

- Corralitos GHAD
- Mid-County GHAD
- Heartwood GHAD

The following Board of Supervisors Governed District funds are reported as Enterprise Funds (Sewer and Refuse Disposal Districts):

- Boulder Creek CSA 7
- Rolling Woods CSA 10
- Septic Tank Maintenance CSA 12
- Freedom County Sanitation District
- Davenport County Sanitation District
- County Disposal Sites CSA 9C
- Sand Dollar Beach CSA 5
- Trestle Beach CSA 20
- Summit West CSA

B. ***Basis of Accounting and Measurement Focus***

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below. The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purpose of which they are to be spent and means by which spending activities are controlled.

New Accounting Pronouncements

The County implemented the following pronouncements for the fiscal year ended June 30, 2024 .

GASB Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62,* provides guidance to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement will take effect for the County's financial statements starting with the fiscal year that ends June 30, 2024.

Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*. The requirements of this Implementation Guide will take effect for the County's financial statements starting with the fiscal year that ends June 30, 2024.

Upcoming Accounting Pronouncements

The following GASB Statements will become effective for fiscal years subsequent to June 30, 2024. The County is currently analyzing its accounting practices to determine the potential impact on the financial statements for these GASB Statements.

GASB Statement No. 101, *Compensated Absences,* is intended to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement will take effect for the County's financial statements starting with the fiscal year that ends June 30, 2025.

GASB Statement No. 102, *Certain Risk Disclosures,* is intended to require state and local governments to disclose risks that could affect their ability to provide services or meet obligations. The requirements of this Statement will take effect for the County's financial statements starting with the fiscal year that ends June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements,* is intended to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement will take effect for the County's financial statements starting with the fiscal year that ends June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets,* is intended to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement will take effect for the County's financial statements starting with the fiscal year that ends June 30, 2026.

Government-Wide Financial Statements

The County's 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 County accompanied by a total column, as well as its discretely presented component unit. Fiduciary activities of the County are not included in these statements.

These basic financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

Certain types of transactions are reported as program revenues for the County in three categories:

- Fees, fines, and charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made to interfund activities as prescribed by GASB Statement No. 34. 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, if any. 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. The following interfund activities have been eliminated:

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

The County prepares a County-wide cost allocation plan in accordance with *Title 2 Code of Federal Regulations Part 200 (2 CFR Part 200), "State/Local Government-Wide Central Service Cost Allocation Plans."* Using this directive, all indirect support costs are allocated to County funds and departments using a step-down method so that the true cost of operations can be included in determining the rates to be charged to users.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. The County has presented all major funds that met the applicable criteria.

The County reports the following major governmental funds:

General Fund – The County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other specialized funds.

Off Highway, Road, and Transportation Fund – accounts for the County's road and transportation fund. Revenues come primarily from State and Federal grants, State taxes, and a State subvention from vehicle license fees.

Housing Fund – accounts for the County's housing developments and loans. Revenues come from State and Federal awards and grants, and offsets from major housing projects as well as housing impact fees.

Capital Projects Fund – used to account for the construction or acquisition of capital assets such as land, construction-in-progress, buildings and improvements, improvements other than buildings, and infrastructure. Revenues are provided by County Lease Revenue bonds as well as contributions from the former Redevelopment Agency per the County-Redevelopment Agency Cooperation Agreement.

Debt Service Fund – used to account for the accumulation of resources for, and for the payment of, general long-term debt. Debt service funds include the previously reported Special Revenue Funds under *Financing Authorities*.

All governmental funds are accounted for on a spending or *"current financial resources"* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recognized when *"measurable"* and *"available."* Measurable means knowing or being able to reasonably estimate the amount. Available means having been earned and collectible within the current period or within 60 days after year-end for property tax revenues, and 180 days after year-end with limited exceptions extending the availability period for certain grant revenues. Expenditures (including capital outlay) are recorded when the related liability is incurred, except for debt service expenditures (principal and interest), as well as expenditures related to compensated absences, which are reported when due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

For information related to budgetary policies and encumbrance accounting please refer to the Budgetary Principles section found in Required Supplementary Information.

Reconciliations of the Governmental Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Fund Net Position; and a Statement of Cash Flows for all proprietary funds. The County reports the following major proprietary funds:

County Disposal Sites CSA 9C Fund – Accounts for the operation and expansion of the County's landfills and implementation of state mandated environmental health programs. User fees, service area charges and revenues from the waste recovery and recycling projects finance the fund.

Internal Service Funds – Accounts for central duplicating, information services, public works, fleet management, and self-insurance services provided to other departments, or to other governments, on a cost reimbursement basis. Internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

The other proprietary funds provide sewer collection, treatment, and disposal services as well as septic tanks and water treatment within their area of service, along with unincorporated parts of the County.

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

Fiduciary Fund Financial Statements

The Fiduciary Fund financial statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Fiduciary Funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County reports the following fiduciary fund types:

Investment Trust Funds – The Investment Trust Funds are used to report fiduciary activities from the external portion of an investment pool and individual investment accounts that are held in a trust. Participants include school and community college districts, other special districts governed by local boards, regional boards and authorities and cities that are required to keep cash in the County Treasury.

Private-Purpose Trust Funds – The Private-Purpose Trust Funds are used to report all fiduciary activities that (a) are not required to be reported in pension (and other employee benefits) trust funds or investment trust funds and (b) are held in a trust. These include the Public Guardian and the Redevelopment Successor Agency.

Custodial Funds – The Custodial Funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private purpose trust funds. The County reports on 141 different custodial funds. The funds are held by the County in a custodial capacity for individuals or other government units. These include a fund for unapportioned property taxes and other custodial funds for special districts, joint powers authorities, city's redevelopment successor agencies, state agencies and individuals.

C. ***Cash, Cash Equivalents and Investments***

The County's cash and investments and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The County participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* (LAIF) which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing

these investments. In addition, these structured notes and asset-backed securities are subject to market risk as well as to changes in interest rates.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, certain disclosure requirements, if applicable, are provided for deposit and investment risk in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentration of Credit Risk
- Foreign Currency Risk

All cash and investments of proprietary funds are held in the County's investment pool. Therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for purposes of the Statement of Cash Flows as these cash pools have the general characteristic of a demand deposit account.

D. ***Interfund Transactions***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances."

E. ***Inventories and Prepaid Items***

Inventories within the various fund types consist of materials and supplies which are valued at cost on a first-in, first-out basis. A reservation of fund balance has been reported in the governmental funds to show that inventories do not constitute "available spendable resources."

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed, rather than when purchased. A reservation of fund balance has been reported in the governmental funds to show that prepaid amounts do not constitute "available spendable resources."

F. ***Capital Assets***

Government-Wide Financial Statements

Capital assets, which include land, construction-in-progress, buildings and improvements, improvements other than buildings, machinery and equipment, autos and trucks, equipment under capitalized leases, and infrastructure assets (e.g., roads, bridges, traffic signals, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. County policy has set the capitalization threshold for reporting capital assets at $5,000 (for equipment and vehicles) and $25,000 (for infrastructure, buildings and structures). Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Infrastructure	4-65 years
Buildings and structures	10-50 years
Equipment and vehicles	2-15 years

For infrastructure systems, the County elected to use the "Basic Approach" as defined by GASB Statement No. 34 for infrastructure reporting.

The County defines infrastructure as the basic physical assets that allow the County to function. The assets include streets, bridges, sidewalks, drainage systems, lighting systems, etc. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction-related debt incurred during the period of construction is capitalized as a cost of the constructed assets.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Fund Financial Statements

The Governmental Funds Financial Statements do not present General Government capital assets. Consequently, capital assets are shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

The capital assets of the enterprise funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-Wide Financial Statements. Internal Service Funds' capital assets are combined with governmental activities.

G. ***Lease***

Lessee: The County is a lessee for noncancellable leases of equipment, office space and warehouse space. The County recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the government-wide financial statements.

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

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

- The County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

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

Payments due under the lease contracts include fixed payments plus, for many of the County's leases, variable payments. For office space leases that include variable payments, those include payments for the County's proportionate share of the building's property taxes, insurance, and common area maintenance. For office equipment leases for which the County has elected not to separate lease and non-lease components, maintenance services are provided by the lessor at a fixed cost and are included in the fixed lease payments for the single, combined lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,

- amounts expected to be payable by the County under residual value guarantees,

- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the County exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Extension and termination options are included in a number of property and equipment leases across the County. These are used to maximize operational flexibility in terms of managing the assets used in the County's operations. The majority of extension and termination options held are exercisable only by the County and not by the respective lessor.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's estimated incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), are initially measured using the index or rate as of the commencement of the lease term.

Lessor: The County is a lessor for a noncancellable lease of office space. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

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

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

- The County uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

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

H. ***Land Held for Resale***

Land held for resale is carried at cost. An amount equal to the carrying value of land is included in the nonspendable fund balance because such assets are not available to finance the County's current operations.

I. ***Deferred Outflows and Inflows of Resources***

The County recognizes deferred outflows of resources and deferred inflows of resources in accordance with GASB Statement No. 63 and GASB Statement No. 65. Deferred outflows and inflows of resources were items previously reported as assets and liabilities and are defined as "a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively."

The deferred loss on bond refunding represents the excess of the amount placed in escrow (reacquisition price) over the carrying amount of the refunded bonds and is amortized as a component of interest expense over the shorter of the remaining life of the refunded or refunding bonds.

J. ***Long-Term Debt***

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in Government-Wide Financial Statements and the Proprietary Fund Financial Statements.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Debt issuance costs should be reported as expenses in the period incurred.

Fund Financial Statements

The Governmental Fund Financial Statements do not present long-term debt. As such, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

K. ***Compensated Absences***

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as incurred and the related expenses and liabilities are reported.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the year paid, as it is the County's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such funds' share of the unpaid liability is recorded as a long-term liability of the fund. Vested or accumulated compensated absences in proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees. Accrued but unpaid liabilities at year-end are recorded in the respective funds.

L. ***Claims Payable***

The County records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes "incurred but not reported" (IBNR) claims. There is no fixed payment schedule to pay these liabilities.

M. ***Pensions***

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Pension Plans note and the required supplementary information (RSI) on page 138 of this report), regardless of the amount recognized as pension expenditures on the governmental funds financial statements, which use the modified accrual basis of accounting.

In general, the County recognizes a net pension liability, which represents the County's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the California Public Employees' Retirement System (CalPERS). The net pension liability is measured

as of the County's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources relating to pensions and pension expense, information about the fiduciary net position of the County's pension plan with CalPERS and additions to/deductions from the plan's 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 benefits' terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

N. ***Other Post-Employment 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, information about the fiduciary net position of the County's OPEB Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

O. ***Net Position and Fund Balances***

Government-Wide Financial Statements - In the Government-Wide Financial Statements, net position is classified into the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Fund Financial Statements - In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

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

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period. The establishment of Committed fund balance requires

the passage of a resolution by a simple majority vote before June 30 of the applicable fiscal year. Board action is required to change or remove the commitment. The Board resolution shall identify the title of the commitment, describe the specific purpose for the commitment, and the actual amount of the commitment or the process or formula necessary to calculate the actual amount. Funding for Committed fund balance shall be approved annually by the Board of Supervisors as part of the budget approval process.

Assigned fund balance – amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose.

The Board of Supervisors has the authority to assign funds for a specific purpose with a simple majority vote. The same action is required to change or remove an assignment.

The County Administrative Officer also has the authority to assign funds for specific purposes, and to change or remove the assignment. The establishment, change or removal of an assignment by the County Administrative Officer must be reported to the Board of Supervisors at the next Board meeting. The Board may change or remove an assignment established by the County Administrative Officer with a simple majority vote.

An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget may be classified as assigned fund balance.

Unassigned fund balance – the residual classification for the County's General Fund that includes amounts not contained in the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance amount. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, and it may be necessary to report a negative unassigned fund balance in that fund.

The County considers restricted fund balances to be spent first when both restricted and unrestricted resources are available for use. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the County considers Committed amounts to be reduced first, followed by Assigned amounts and then Unassigned amounts.

Fund Balance Policy - The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the County needs to maintain unrestricted fund balance in its County funds sufficient to fund cash flows of the County and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the County's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

The County has adopted a policy to achieve and maintain committed and assigned fund balance categories of no less than 7.0% of the upcoming budget year's estimated revenues.

Additional detailed information, along with the complete Fund Balance Policy can be obtained from the County Auditor-Controller/Treasurer-Tax Collector's office located at 701 Ocean Street, Room 100, Santa Cruz, CA 95060.

Committed for Working Capital

The County has established a separate committed fund balance account for Working Capital. Funding for committed Working Capital is established by a resolution of the Board of Supervisors, and will be approved annually by the Board during the budget approval process.

The County's fund that is committed for Working Capital is to be used only if the Board of Supervisors declares a fiscal emergency. Any use of funds requires a four-fifths vote of the Board of Supervisors appropriating the funds.

As of June 30, 2024, the County's fund for Working Capital had a balance of $6,000,000 and is included in the General Fund.

Committed for Strategic Reserve

The County has established a separate committed fund balance account known as the Strategic Reserve. The target funding level for the Strategic Reserve is an amount equivalent to 1.5% of general fund operating revenue. Funding for the Strategic Reserve is appropriated annually by the Board as part of the budget approval process.

The purpose of the County's Strategic Reserve is to:

a) Mitigate economic downturns that reduce County general revenue;
b) Mitigate state or federal budget actions that may reduce County revenue; and
c) Maintain core service levels essential to public health, safety, and welfare.

The monies in the Strategic Reserve are separate monies used only for the purposes stated above. The funds are used only to support the operating budget during recessions or periods of economic distress as measured by periods of time when the unemployment rate exceeds 8% and/or the rate of inflation exceeds the growth in property tax revenue. Any use of funds requires a four-fifths vote of the Board of Supervisors appropriating the funds.

As of June 30, 2024, the County's Strategic Reserve Fund Balance was $10,000,000 and is included in the General Fund.

Committed for Natural Disasters

The County has established a separate committed fund balance account for Natural Disasters. Funding for Natural Disasters is established by a resolution of the Board of Supervisors and will be approved annually by the Board during the budget approval process.

The purpose of the County's fund for Natural Disasters is to finance extraordinary operating costs, legal costs, and cash flow problems associated with delays in State and Federal reimbursements for any natural disaster declared by the County's Director of Emergency Services and subsequently ratified by the Board of Supervisors, and the State of California or the Federal government. Any use of funds requires a four-fifths vote of the Board of Supervisors appropriating the funds.

As of June 30, 2024, the County's fund for Natural Disasters had a balance of $2,000,000 and is included in the General Fund.

Committed for Mental Health Service Act (MHSA) Prudent Reserve

The County has established a separate committed fund balance account for the MHSA Prudent Reserve.

Welfare and Institutions Code (WIC) Section 5847(a)(7) requires each county to establish and maintain a MHSA Prudent Reserve fund to ensure that, in years in which revenues for the MHSA Fund are below recent averages, the county will be able to continue to serve children, adults and seniors through the MHSA Community Services and Supports (CSS) and Prevention and Early Intervention (PEI) programs. The State provided guidance to counties that the State retains the authority to approve the use of these funds through a request from the county based on specified economic indicators established by the State. The minimum Prudent Reserve required is at least 50% of the total of MHSA funding provided to the County for CSS and PEI services. In April 2011, the California Department of Mental Health issued Notice No. 11-05 rescinding the Prudent Reserve 50% requirement and left it to the counties' discretion to determine what their Prudent Reserve funding level should be.

As of June 30, 2024, the County's fund for the MHSA Prudent Reserve had a balance of $2,997,367 and is included in the General Fund.

P. ***Property Tax Levy, Collection and Maximum Rates***

The State of California Constitution, Article XIIIA provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by the voters. Assessed value is calculated at 100% of market value as defined by Article

XIIIA and may be increased by no more than 2% per year unless the property is sold or transferred. These general property tax rates do not apply to taxes levied to pay the interest and redemption charges on any indebtedness incurred prior to June 6, 1978, or subsequently approved by the voters. Supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction. The State Legislature has determined the method of distribution among the counties, cities, school districts, and other districts of receipts from the 1% property tax levy.

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

	Secured	Unsecured
Levy Dates	July 1	July 1
Lien Dates	January 1	January 1
Due Dates	November 1 and February 1	August 1
Delinquent After	December 1 and April 10	August 31
Tax Rate Per $100		
Full Cash Value	$1	$1
Late Penalty	10%	10%
Delinquent Interest	1-1.5% per month	1-1.5% per month

These taxes are secured by liens on the property being taxed. The Board annually sets the rates of the County and district taxes and levies County and district taxes as provided by law. The term "secured" refers to taxes on land and buildings, while "unsecured" refers to taxes on personal property other than land and buildings. During fiscal year 1993-1994, the Board adopted the Alternative Method of Tax Apportionment (the Teeter Plan). Under this method, the County allocates to all taxing jurisdictions under the County, 100% of the secured property taxes billed, even if it has not yet been collected. In return, the County retains the subsequent delinquent payments and associated penalties and interest. The penalties and interest are accumulated in an Agency Fund. The County may transfer to the General Fund any excess over the reserve required by the Board and the State.

Delinquent property taxes receivables are shown on the Statement of Net Position of the property tax collections funds reported in the Agency Funds. Under California law, real property is not subject to sale for reasons of delinquent taxes until the end of the fifth year of delinquency, and the taxpayer may arrange to repay the delinquent taxes over a five-year period and any time within the five-year period, although the property is subject to a cash redemption up to the time of the sale.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the State of California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll.

Under the alternate apportionment method, specified amounts of penalties and interest collected on delinquent secured taxes are held in trust in the secured tax losses reserve fund to fund specific tax redemption shortfalls.

Q. ***Use of Estimates***

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements and the related reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

The investment pool activity is governed by the California Government Code and the County Investment Policy. The County Treasurer is responsible for managing the investment pool with deposits from the County, County school districts and various special districts pursuant to California Government Code Section 53600. The objectives of the County investment policy, in order of priority, are safety, liquidity, and yield. The County Board of Supervisors reviews the County Investment Policy annually, and all amendments to the policy require the approval of the County Board of Supervisors. Interest earned on the investment pool is distributed to the participating funds monthly using a formula based on the average daily cash balance of each fund. Interest earned through June 30, 2024, was distributed on June 30, 2024.

The following is a summary of cash and investments at June 30, 2024:

	Government-Wide Statement of Net Position			
	Primary Government			Component Unit
	Government Activities	Business-Type Activities	Total	Santa Cruz County Sanitation District
Cash and Investments	$ 332,736,151	$ 20,567,535	$ 353,303,686	$ 19,439,889
Restricted Cash and Investments	32,124,961	15,546,942	47,671,903	39,595,033
Total Cash and Investments	$ 364,861,112	$ 36,114,477	$ 400,975,589	$ 59,034,922

	Fiduciary Funds			
	Custodial Funds	Investment Trust Funds	Private-Purpose Trust Funds	County Total
Cash and Investments	$ 20,571,376	$ 944,439,003	$ 15,821,833	$ 1,353,575,787
Restricted Cash and Investments	247,875	11,740,736	10,671	99,266,218
Total Cash and Investments	$ 20,819,251	$ 956,179,739	$ 15,832,504	$ 1,452,842,005

	Cash and Investments	Restricted Cash and Investments	Total
Primary Government and Fiduciary Funds:			
Cash on hand and imprest cash	$ 12,869,334	$ -	$ 12,869,334
Cash deposits in treasury pool	26,364,842	-	26,364,842
Investments in treasury pool	1,294,901,722	-	1,294,901,722
Restricted investments in other pools	-	44,750,783	44,750,783
Restricted cash deposits in treasury pool:			
County Disposal Sites CSA 9C	-	14,920,402	14,920,402
Total	1,334,135,898	59,671,185	1,393,807,083
Component Unit:			
Investments in treasury pool	19,439,889	-	19,439,889
Restricted investments in other banks	-	39,595,033	39,595,033
Total	19,439,889	39,595,033	59,034,922
Total cash and investments	$ 1,353,575,787	$ 99,266,218	$ 1,452,842,005

At June 30, 2024, the County's cash on hand, deposits, and investments consisted of:

	Treasury Pool	Other Banks/ Investment Pools	Total
Primary Government and Fiduciary Finds:			
Cash and imprest cash	$ 12,869,334	$ -	$ 12,869,334
Deposits	26,364,842	-	26,364,842
Investments	1,309,822,124	44,750,783	1,354,572,907
Total Primary Government and Fiduciary Funds	1,349,056,300	44,750,783	1,393,807,083
Component Unit:			
Investments	19,439,889	39,595,033	59,034,922
Total Component Unit	19,439,889	39,595,033	59,034,922
Total Reporting Entity	$ 1,368,496,189	$ 84,345,816	$ 1,452,842,005

The carrying amount of the County's cash deposits was $26,364,842 at June 30, 2024, of which the bank balances were fully insured or collateralized with securities held by the pledging financial institutions in the County's name as discussed below.

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

The fair value of pledged securities must equal at least 110% of the County's cash deposits. State law also allows institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County's total cash deposits. The County may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The County, however, has not waived the collateralization requirements.

A. *Investments*

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, where more restrictive. The table also identifies certain provisions of the County's investment policy that address interest rate risk, credit risk, and concentration risk.

Authorized Investment Types	Maximum Maturity	Maximum Percentage or Amount of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	10%	None
U.S. Treasury obligations	5 years	100%	None
U.S. Government Agency obligations	5 years	100%	25%
Bankers' acceptances	180 days	40%	10%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	10%
Non-negotiable certificates of deposit	5 years	None	10%
Bank deposit	5 years	10%	10%
Repurchase agreements	1 year	None	10%
Medium-term notes	5 years	30%	10%
Mutual funds/money market mutual funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	$75 million	None
Joint Powers Authority investment funds	N/A	25%	10%
Supranationals	5 years	30%	10%

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value. The fair value of investments correlates to changes in interest rates. When interest rates increase, an investment portfolio will see a decrease in fair value, as prior securities were purchased at lower yields. Inversely, when interest rates decrease, an investment portfolio will see an increase in fair value, as prior securities were purchased at higher yields. The fiscal year ended June 30, 2022 saw a significant increase in interest rates, which resulted in a material unrealized decrease in the fair value of pool investments. Interest rates have slowly declined over the past two fiscal years resulting in a steady increase in the fair value of pool investments. The negative fair value adjustment has decreased from $32,494,816 at June 30, 2022, to $25,566,028 at June 30, 2023, and to $22,853,681, at June 30, 2024. The change has been recorded in the financial statements of all funds with equity in pooled cash and investments in the County Treasury. The County has the full intent and ability to hold investments to maturity and does not expect to realize the decrease in fair value.

Investments of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the County's investment policy.

B. ***Interest Rate Risk***

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

At June 30, 2024, the County had the following investment maturities:

		Investment Maturities (In Years)				
Investment Type	Fair Value	Less than 1	1 to 2	2 to 3	3 to 4	More than 4
Local Agency Bonds	$ 67,491,248	$ 17,405,064	$ 13,680,834	$ 22,914,350	$ 13,491,000	$ -
U.S. Treasury Securities	375,757,009	224,235,604	19,580,400	43,768,350	55,872,000	32,300,655
Federal Agency Securities	187,634,748	109,240,800	33,966,200	44,427,748	-	-
Medium-Term Notes - Other	192,398,074	36,771,028	101,190,236	9,933,600	10,019,900	34,483,310
Money Market Mutual Funds	280,000,000	280,000,000	-	-	-	-
Local Agency Investment Fund (LAIF)	10,000	10,000	-	-	-	-
Certificates of Deposit	179,978,050	179,978,050	-	-	-	-
Investment Agreements	8,000,000	8,000,000	-	-	-	-
Supranationals	76,037,050	14,458,950	16,966,260	-	-	44,611,840
Total Investments	$ 1,367,306,179	$ 870,099,496	$ 185,383,930	$ 121,044,048	$ 79,382,900	$ 111,395,805

C. ***Concentration of Credit Risk***

At June 30, 2024, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds or medium-term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government-sponsored enterprises are exempt from these limitations.

The following schedule is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of the County Investment Pool's fair value at June 30, 2024.

Investments Type	Standard & Poor's	Moody's	% of Portfolio
Local Agency Bonds	A	Aa3	4.94%
U.S. Treasury Securities	N/A	N/A	27.48%
Federal Agency Securities	AA+	Aaa	13.72%
Medium-Term Notes	A/AAA	A+	14.07%
Money Market Mutual Funds	Unrated	Unrated	20.48%
Certificates of Deposit	A1	P1	13.16%
Checking Account	Unrated	Unrated	0.59%
Supranationals	AAA	Aaa	5.56%
Total			100.00%

D. ***Custodial Credit Risk***

For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year-end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

E. ***California Asset Management Program (CAMP)***

The County began participating on January 1, 2019 in the CAMP, a California Joint Powers Authority (JPA), to provide California public agencies with professional investment services. As of June 30, 2024, the County had $220,000,000 invested in CAMP. The funds are included in Money Market Mutual Funds noted above.

F. ***Fair Value Measurements***

The pool categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows:

Level 1: Investments reflect prices quoted in active markets,

Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active, and

Level 3: Investments reflect prices based upon unobservable sources.

The pool has the following recurring fair value measurements as of June 30, 2024:

		Fair Value Measurements Using		
Investment by Fair Value Level		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
Local Agency Bonds	$ 67,491,248	$ 67,491,248	$ -	$ -
U.S. Treasury Securities	375,757,009	375,757,009	-	-
Federal Agency Securities	187,634,748	187,634,748	-	-
Medium-Term Notes	192,398,074	192,398,074	-	-
Certificates of Deposit	179,978,050	179,978,050	-	-
Investment Agreements	8,000,000	8,000,000	-	-
Supranationals	76,037,050	76,037,050	-	-
Total investments measured at fair value	$ 1,087,296,179	$ 1,087,296,179	$ -	$ -
Investments measured at amortized cost:				
Money Market Mutual Funds	280,000,000			
Local Agency Investment Fund (LAIF)	10,000			
Total pooled and directed investments	$ 1,367,306,179			

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

Cash and investments at June 30, 2024, that are restricted by legal or contractual requirements are comprised of the following:

Governmental Activities	
Debt Service Fund:	
Used for capital projects	32,124,961
Business-Type Activities	
County Disposal Sites CSA 9C:	
Used for landfill deposits	15,546,942
Component Unit	
Santa Cruz County Sanitation District:	
Bond proceeds used to replace aging sewer lines and upgrade pump station	39,595,033
Fiduciary Funds	
County of Santa Cruz Redevelopment Successor Agency:	
Used for debt service	10,671
Place De Mer Special Assessment District:	
Upgrade aging septic system	247,875
Investment trust funds:	
Central Fire District	10,250,673
Pajaro Fire District	646,708
Libraries Facilities Financing Authority	707,532
Felton Community Facilities District	21,994
Conservation Reassessment District	113,829
Total Investment trust funds	11,740,736
	$ 99,266,218

NOTE 4 – RECEIVABLES

Receivables at year-end for the County's major individual funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Off Highway, Road, and Transportation Fund	Housing Fund	Nonmajor Special Revenue Funds	Internal Service Funds	Total Governmental Activities
Governmental Activities:						
Accounts	$ 142,815,380	$ 55,976,189	$ 631,157	$ 2,168,886	$ 604,253	$ 202,195,865
Taxes	2,995,891	-	-	-	-	2,995,891
Gross receivables	145,811,271	55,976,189	631,157	2,168,886	604,253	205,191,756
Less: allowance for uncollectibles	(2,147,471)	-	-	-	-	(2,147,471)
Net receivables	$ 143,663,800	$ 55,976,189	$ 631,157	$ 2,168,886	$ 604,253	$ 203,044,285

	Nonmajor Enterprise Funds	County Disposal Sites CSA 9C	Total Business-Type Activities
Business-Type Activities:			
Receivables	$ 5,650,271	$ 1,242,482	$ 6,892,753

NOTE 5 - INTERFUND TRANSACTIONS

A. ***Government-Wide Financial Statements***

Long-Term Internal Balances

At June 30, 2024, the County had the following long-term internal balances:

	Internal Balances Receivable
	Governmental Activities
Internal Balances Payable	
Business-Type Activities	$ (3,027,617)

The "Internal balances" on the Statement of Net Position (Government-wide) represents the net total amount of due to/from and advances to/from between Governmental funds and Enterprise funds and between Internal Service funds and Enterprise funds. These due to/from amounts include any that are the result of allocating operating profits and losses of the Internal Service funds to the Enterprise funds (Internal Service fund allocation). The due to/from amounts that are the results of operating profits/losses of the Internal Service funds are cumulative. Current year amounts are netted with the amounts from prior year.

B. ***Governmental and Proprietary Funds Financial Statements***

Due to/from

The County had the following due to/from other funds as of June 30, 2024:

Due to Other Funds	Due from Other Funds: Capital Projects Fund	Due from Other Funds: Internal Service Funds	Total
Off Highway, Road, and Transportation	$ -	$ 9,306,054	$ 9,306,054
Debt Service Fund	12,867	-	12,867
Nonmajor Special Revenue Funds	-	1,221,656	1,221,656
Internal Service Funds	-	75,695	75,695
Enterprise Funds	-	4,592,906	4,592,906
Total	$ 12,867	$ 15,196,311	$ 15,209,178

Balances due to Internal Service Funds resulted from short-term loans used to cover operating cash deficits at year-end. These amounts will be repaid in the following fiscal year. Balances between the Capital Projects Fund and Debt Service Fund are a result of the accrual of eligible construction costs.

Transfers in/out

The County had the following transfers for the year ended June 30, 2024:

Transfers Out	Transfers In: General Fund	Transfers In: Off Highway, Road, & Transportation Fund	Transfers In: Debt Service Fund	Transfers In: Capital Projects Fund	Transfers In: Internal Service Funds	Total
General Fund	$ -	$ -	$ 16,052,603	$ 4,050,285	$ 25,000	$ 20,127,888
Housing Fund	671,326	-	-	-	-	671,326
Debt Service Fund	153,289	54,578,195	-	23,509,693	-	78,241,177
Nonmajor Governmental Funds	2,431,315	-	-	55,481	-	2,486,796
Internal Service Funds	-	-	-	788,351	-	788,351
Total	$ 3,255,930	$ 54,578,195	$ 16,052,603	$ 28,403,810	$ 25,000	$ 102,315,538

Transfers are contributions to other funds to finance various programs in accordance with budgetary authorizations.

Transfers to/from other funds at June 30, 2024 are as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Internal Service Funds	$ 25,000	To Public Works for Big Basin Water Project
	Debt Service Fund	16,052,603	For debt service payments
	Capital Projects Fund	4,050,285	To finance capital projects
		20,127,888	
Housing Fund	General Fund	671,326	For operating expenses related to permanent supportive housing
Debt Service Fund	General Fund	152,339	For interest credit received from the Internal Revenue Service
	General Fund	950	For capital improvements
	Off Highway, Road, and Transportation Fund	54,578,195	For capital improvements and for cost of repairs caused by storm damage
	Capital Projects Fund	23,509,693	For capital projects
		78,241,177	
Nonmajor Governmental Funds	General Fund	15,000	From Library Fund to General Fund for operations
	General Fund	22,446	From Parks to General Fund for debt service
	General Fund	800,000	From Public Protection to General Fund for debt service
	General Fund	1,529,274	From Health and Sanitation Fund to General Fund for Mosquito Abatement District operations
	General Fund	64,595	From Recreation and Culture to General Fund for debt service
	Capital Projects Fund	55,481	From Library Fund to General Fund for operations
		2,486,796	
Internal Service Funds	Capital Projects Fund	788,351	From Information Services for Westridge Drive project
		788,351	
		$ 102,315,538	

NOTE 6 - LOANS RECEIVABLE

A. ***Government-Wide Financial Statements***

GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, requires the disclosure of significant receivable balances not expected to be collected within one year of the date of the financial statements. Following is the detail of receivable balances not expected to be collected within the next fiscal year:

Loans Receivable	
Homeowner Loans	
First Time Homebuyer Program	$ 4,460,320
Homeowner Loan - Federal Grants	131,535
Homeowner Loan - State Grants	4,112,197
Mobile Home Change Out Program	4,338,980
Mobile Home Rehab Program	149,812
Property Tax Postemployment Loans	109,129
Total Homeowner Loans	13,301,973
Housing Project Loans	
Aptos Cottages (Miller)	7,137,111
Casa Linda, Inc.	40,940
CFSC, Inc - Brommer St	2,407,200
CFSC, Inc - Anderson	199,000
CFSC, Inc - Freedom Blvd	651,927
CFSC, Inc - Freedom House	78,703
Corralitos Creek Assoc.	1,324,999
Dientes Community	185,000
Golden Torch	1,287,385
Habitat	2,929,999
Housing Authority	1,500,000
Marmo's	1,642,323
McGregor	891,748
McIntosh Coach Purchase #12	98,000
McIntosh Coach Purchase	80,000
Mercy - McIntosh (Coach Loan)	290,000
Mercy - Rehab	70,000
Mercy Housing	293,226
Mercy Properties	274,227
Merrill Rd Assoc.	300,000
MidPen Housing - St. Stephens	4,772,124
MidPen Housing - Orchards	3,500,000
MidPen Housing - 17th and Capitola	5,315,585
Mid-Peninsula the Farm, Inc	4,304,545
Monarch Inc	76,534
MP Jardines	421,670
MP Minto Associates	9,849,630
MP Murphy's Associates	475,783

Loans Receivable (continued)

Housing Project Loans (continued)	
MP New Communities Assoc	1,435,189
Novin - Park Avenue	2,061,000
Pacific Family Coach Acquisitions	110,140
Pacific Family - SCH	2,622,565
Pleasant Acres Permanent Financing	3,512,452
San Andreas	700,000
South County Housing Corp	5,757,114
St. Stephens Predevelopment	265,800
Vista Verde Family Housing	2,230,000
Total Housing Project Loans	69,091,919
Total Loans Receivable	$ 82,393,892

The St. Stephens Predevelopment loan is an unsecured loan, which will be converted to a loan secured by the deed of trust to the property upon commencement of development. All remaining loans are housing loans secured by deeds of trust on the properties.

B. ***Business-Type Financial Statements***

The County had the following loans receivable as of June 30, 2024:

Nonmajor business-type fund:	
Septic Tank Maintenance CSA 12	$ 5,051
Total business-type loans receivable	$ 5,051

NOTE 7 - CAPITAL ASSETS

A. ***Government-Wide Financial Statements***

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2023	Additions	Retirements	Reclass-ifications	Balance June 30, 2024
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 64,262,447	$ -	$ -	$ 2,310,000	$ 66,572,447
Contruction-in-progress	53,097,069	36,380,259	-	(70,890,925)	18,586,403
Total capital assets, not being depreciated	117,359,516	36,380,259	-	(68,580,925)	85,158,850
Capital assets, being depreciated:					
Infrastructure	842,097,373	82,883,227	-	-	924,980,600
Buildings	302,498,338	481,117	-	68,479,605	371,459,060
Machinery and equipment	63,787,556	4,532,869	(2,086,752)	101,320	66,334,993
Right of use assets being amortized:					
Buildings	23,668,745	446,703	(10,938,478)	(14,212)	13,162,758
Land	-	46,290	-	-	46,290
Furniture, Machinery, and Equipment	2,486,241	148,361	(160,087)	14,212	2,488,727
SBITA	5,180,782	-	(1,471,921)	-	3,708,861
Total right of use assets being amortized	31,335,768	641,354	(12,570,486)	-	19,406,636
Total capital assets being depreciated	1,239,719,035	88,538,567	(14,657,238)	68,580,925	1,382,181,289
Accumulated depreciation and amortization:					
Infrastructure	(407,023,964)	(27,514,548)	-	-	(434,538,512)
Buildings	(132,799,752)	(8,205,628)	-	-	(141,005,380)
Machinery and equipment	(47,085,738)	(5,209,103)	2,050,181	-	(50,244,660)
Buildings ROU	(5,364,979)	(2,362,383)	2,609,492	5,379	(5,112,491)
Land - ROU	-	(2,942)	-	-	(2,942)
Furniture, Machinery, and Equipment ROU	(425,718)	(350,545)	160,085	(5,379)	(621,557)
SBITA	(1,351,636)	(1,364,623)	391,827	-	(2,324,432)
Total accumulated depreciation and amortization:, net	(594,051,787)	(45,009,772)	5,211,585	-	(633,849,974)
Total capital assets, being depreciated, net	645,667,248	43,528,795	(9,445,653)	68,580,925	748,331,315
Governmental activities capital assets, net	$ 763,026,764	$ 79,909,054	$ (9,445,653)	$ -	$ 833,490,165

Depreciation and amortization expense was charged to governmental functions as follows:

	Capital	Right-of-use	Total
Governmental Activities:			
General government	$ 1,212,717	$ 452,890	$ 1,665,607
Public protection	4,329,138	1,114,652	5,443,790
Public ways and facilities	27,514,548	-	27,514,548
Health and sanitation	2,336,405	210,172	2,546,577
Public assistance	531,756	936,495	1,468,251
Education	851,291	-	851,291
Recreation and cultural services	923,480	-	923,480
Subtotal	37,699,335	2,714,209	40,413,544
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	3,229,944	1,366,284	4,596,228
Total	$ 40,929,279	$ 4,080,493	$ 45,009,772

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2023	Additions	Retirements	Reclass-ifications	Balance June 30, 2024
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	$ 1,858,849	$ -	$ -	$ -	$ 1,858,849
Construction-in-progress	789,440	7,066,374	-	-	7,855,814
Total capital assets, not being depreciated	2,648,289	7,066,374	-	-	9,714,663
Capital assets, being depreciated:					
Buildings	73,346,245	634,151		-	73,980,396
Machinery and equipment	11,869,552	623,250	(57,342)	-	12,435,460
Total capital assets, being depreciated	85,215,797	1,257,401	(57,342)	-	86,415,856
Accumulated depreciation and amortization:					
Buildings	(36,193,004)	(2,081,067)	-	-	(38,274,071)
Machinery and equipment	(9,306,904)	(756,054)	57,342	-	(10,005,616)
Total accumulated depreciation and amortization:, net	(45,499,908)	(2,837,121)	57,342	-	(48,279,687)
Total capital assets, being depreciated, net	39,715,889	(1,579,720)	-	-	38,136,169
Business-Type activities capital assets, net	$ 42,364,178	$ 5,486,654	$ -	$ -	$ 47,850,832

Depreciation expense was charged to business-type functions as follows:

	Total
Business-Type Activities:	
County Disposal Sites CSA 9C	$ 1,807,176
Boulder Creek CSA 7	160,861
Rolling Woods CSA 10	9,019
Septic Tank Maintenance CSA 12	545
Freedom County Sanitation District	529,354
Davenport County Sanitation District	305,889
Place de Mer CSA 2	5,542
Sand Dollar Beach CSA 5	18,735
Total	$ 2,837,121

B. ***Component Unit – Santa Cruz County Sanitation District (the District)***

	Balance July 1, 2023	Additions	Deletions	Reclass-ification	Balance June 30, 2024
Nondepreciable assets:					
Construction-in-progress	$ 12,797,563	$ 4,856,319	$ (30,891)	$ (7,961,699)	$ 9,661,292
Total nondepreciable assets	12,797,563	4,856,319	(30,891)	(7,961,699)	9,661,292
Depreciable assets:					
Pumping stations	62,687,756	183,829	-	-	62,871,585
Transmission systems	149,658,708	12,101,440	-	7,961,699	169,721,847
Sewage treatment capacity rights	35,924,625	56,765	-	-	35,981,390
Mobile equipment	5,071,343	910,736	(53,102)	-	5,928,977
Other equipment	3,817,570	607,843	-	-	4,425,413
Total depreciable assets	257,160,002	13,860,613	(53,102)	7,961,699	278,929,212
Accumulated depreciation:					
Pumping stations	(30,673,562)	(1,064,205)	-	-	(31,737,767)
Transmission systems	(60,761,992)	(3,587,870)	-	-	(64,349,862)
Sewage treatment capacity rights	(21,365,659)	(985,340)	-	-	(22,350,999)
Mobile equipment	(3,605,887)	(275,984)	53,102	-	(3,828,769)
Other equipment	(2,052,412)	(440,127)	-	-	(2,492,539)
Total accumulated depreciation	(118,459,512)	(6,353,526)	53,102	-	(124,759,936)
Depreciable assets, net	138,700,490	7,507,087	-	7,961,699	154,169,276
Total capital assets, net	$ 151,498,053	$ 12,363,406	$ (30,891)	$ -	$ 163,830,568

Depreciation expense for the District at June 30, 2024, was $6,353,526.

NOTE 8 - LEASES

A. ***Lease receivable***

The County leases out office space in the Government Center at 701 Ocean Street. Most leases have initial terms of up to three years, and contain one or more renewals at our option, generally for two year periods. We have included these renewal periods in the lease term when it is reasonably certain we will exercise the renewal option. The County's lease arrangements do not contain material residual value guarantees. As the interest rate implicit in the County's leases is not readily determinable, the County utilizes its estimated incremental borrowing rate to discount the lease payments.

Minimum lease payments receivable on leases of investment properties are as follows:

	Governmental Activities	
	Principal	Interest
2025	$ 17,161	$ 115
2026	-	-
2027	-	-
2028	-	-
2029	-	-
Total	$ 17,161	$ 115

The total amount of inflows of resources relating to leases recognized in the current fiscal year are as follows:

	Governmental Activities
Lease revenue	$ 28,595
Interest revenue	$ 655

B. ***Lease Payable***

The County is obligated under leases covering certain office space, warehouse space, machinery and office equipment that expire at various dates during the next 43 years.

The County has entered into various lease agreements as lessee primarily for office space, warehouse space and office equipment. Most leases for office space and warehouse space have initial terms of up to 10 years, and contain one or more renewals at our option, generally for five to ten-year periods. We have included these renewal periods in the lease term when it is reasonably certain that we will exercise the renewal option. Most leases for office equipment have initial terms of four years and contain options to purchase or replace the equipment at the end of the term. The County's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes and insurance, which are expensed as incurred. The County's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the County's leases for office space and warehouse space is not readily determinable, the County utilizes its estimated incremental borrowing rate to discount the lease payments. Lease payments for office equipment are discounted at the stated interest rate, which is included in most of the County's leases for office equipment.

The statement of net position shows the following amounts relating to leases:

Right-of-use assets	Governmental Activities
	June 30, 2024
Buildings	$ 8,050,267
Machinery and Equipment	1,867,170
Land	43,348
	$ 9,960,785

Lease payable	Governmental Activities
	June 30, 2024
Current	$ 2,058,140
Non-current	8,355,135
	$ 10,413,275

The future principal and interest lease payments as of June 30, 2024, were as follows:

	Governmental Activities	
Fiscal year	Principal	Interest
2025	$ 2,058,140	$ 269,156
2026	1,657,065	215,206
2027	1,311,943	164,942
2028	1,206,582	121,330
2029	659,135	94,170
2030-2034	1,868,428	264,209
2035-2039	793,358	124,385
2040-2044	126,989	79,484
2045-2049	140,330	66,142
2050-2054	155,018	51,455
2055-2059	171,243	35,229
2060-2064	189,162	17,310
2065-2069	75,882	1,490
Total	$ 10,413,275	$ 1,504,508

C. ***SBITA Payable***

The County is obligated under contracts covering certain subscription-based information technology arrangements (SBITA) that expire at various dates during the next five years. The County has entered into various SBITA contracts as lessee for information technology (IT) software. The County's SBITA contracts do not contain material residual value guarantees. As the interest rate implicit in the County's leases is not readily determinable, the County utilizes its incremental borrowing rate to discount the SBITA payments.

The statement of net position shows the following amounts relating to leases:

Right-of-use assets	Governmental Activities
	June 30, 2024
SBITA	$ 1,384,429
	$ 1,384,429

SBITA payable	Governmental Activities
	June 30, 2024
Current	$ 1,153,723
Non-current	129,561
	$ 1,283,284

The future principal and interest lease payments as of June 30, 2024, were as follows:

Fiscal year	Governmental Activities Principal	Interest
2025	$ 1,153,723	$ 34,108
2026	99,950	3,939
2027	29,611	708
2028	-	-
2029	-	-
Total	$ 1,283,284	$ 38,755

NOTE 9 - SHORT-TERM DEBT – TAX AND REVENUE ANTICIPATION NOTES

The County issues tax and revenue anticipation notes (TRAN) annually to meet current expenses, capital expenditures, and other obligations or indebtedness until sufficient taxes or revenues are collected to fund the County's operations.

Tax and revenue anticipation notes payable debt activity for the fiscal year ended June 30, 2024, was as follows:

TRAN for Fiscal Year	Interest Rate	Beginning Balance	Additions	Deletions	Premiums/ Discount	Accrued Interest	Ending Balance
2023	5.0%	$ 50,353,333	$ -	$ (50,353,333)	$ -	$ -	$ -
2024	5.0%	$ -	$ 62,165,100	$ -	$ (1,165,100)	$ 3,041,528	$ 64,041,528

The TRAN outstanding at June 30, 2024 was paid on July 5, 2024.

NOTE 10 - LONG-TERM DEBT

The following is a summary of long-term liabilities transactions for the fiscal year ended June 30, 2024:

	Balance June 30, 2023	Debt Issued or Transferred In	Debt Retired or Transferred Out	Balance June 30, 2024	Due in One Year	Due in More Than One Year
Governmental Activities Debt:						
1996 Refunding Certificates of Participation	$ 5,940,000	$ -	$ (1,370,000)	$ 4,570,000	$ 1,445,000	$ 3,125,000
2008 Certificates of Participation	250,000	-	(250,000)	-	-	-
2008 Unamortized bond premium	3,412	-	(3,412)	-	-	-
Subtotal	253,412	-	(253,412)	-	-	-
2012 Lease Revenue Refunding Bond, Series A	1,140,720	-	(83,177)	1,057,543	180,000	877,543
2012A Unamortized bond discount	(9,236)	-	839	(8,397)	(839)	(7,558)
Subtotal	1,131,484	-	(82,338)	1,049,146	179,161	869,985
2014 Refunding Certificates of Participation	3,730,000	-	(345,000)	3,385,000	360,000	3,025,000
2014 Unamortized bond premium	148,856	-	(16,539)	132,317	16,539	115,778
Subtotal	3,878,856	-	(361,539)	3,517,317	376,539	3,140,778
2014 Lease Revenue Bonds	3,520,000	-	(3,520,000)	-	-	-
2014 Unamortized bond premium	132,225	-	(132,225)	-	-	-
Subtotal	3,652,225	-	(3,652,225)	-	-	-
2015 Refunding Certificates of Participation	1,870,000	-	(1,685,000)	185,000	185,000	-
2015 Lease Revenue Bonds, Series B	7,950,000	-	(290,000)	7,660,000	300,000	7,360,000
2015B Unamortized bond premium	44,098	-	(2,004)	42,094	2,004	40,090
Subtotal	7,994,098	-	(292,004)	7,702,094	302,004	7,400,090
2016 Refunding Certificates of Participation	6,340,000	-	(355,000)	5,985,000	365,000	5,620,000
2016 Unamortized bond premium	617,936	-	(47,534)	570,402	47,534	522,868
Subtotal	6,957,936	-	(402,534)	6,555,402	412,534	6,142,868
2017 Lease Revenue Bonds, Series A	5,685,000	-	(465,000)	5,220,000	465,000	4,755,000
2017A Unamortized bond discount	(44,765)	-	3,730	(41,035)	(3,730)	(37,305)
Subtotal	5,640,235	-	(461,270)	5,178,965	461,270	4,717,695
2020 Lease Revenue Bonds, Series A	9,055,000	-	(230,000)	8,825,000	240,000	8,585,000
2020A Unamortized bond premium	744,970	-	(80,465)	664,505	74,229	590,276
Subtotal	9,799,970	-	(310,465)	9,489,505	314,229	9,175,276
2020 Lease Revenue Refunding Bonds, Series B	3,740,000	-	(245,000)	3,495,000	255,000	3,240,000
2020B Unamortized bond discount	(24,954)	-	1,932	(23,022)	(1,932)	(21,090)
Subtotal	3,715,046	-	(243,068)	3,471,978	253,068	3,218,910
2021 SCRUZPOB, 2021 Tax Pension Obligation Bond	113,505,000	-	(5,195,000)	108,310,000	5,225,000	103,085,000
2021A Lease Revenue, LRB Westridge	22,555,000	-	(455,000)	22,100,000	475,000	21,625,000
2021A Unamortized bond premium	2,725,176	-	(279,765)	2,445,411	262,511	2,182,900
Subtotal	25,280,176	-	(734,765)	24,545,411	737,511	23,807,900
2021B Lease Revenue, LRB Westridge	3,730,000	-	(100,000)	3,630,000	100,000	3,530,000
2021B Unamortized bond discount	(49,505)	-	1,774	(47,731)	(1,773)	(45,958)
Subtotal	3,680,495	-	(98,226)	3,582,269	98,227	3,484,042
2023A Lease Revenue, LRB Westridge	17,300,000	-	-	17,300,000	-	17,300,000
2023A Unamortized bond premium	597,043	-	(87,602)	509,441	87,601	421,840
Subtotal	17,897,043	-	(87,602)	17,809,441	87,601	17,721,840
2024 Lease Revenue Bonds, Series A-1	-	35,000,000	-	35,000,000	-	35,000,000
2024A-1 Unamortized bond discount	-	(62,995)	87	(62,908)	(2,858)	(60,050)
Subtotal	-	34,937,005	87	34,937,092	(2,858)	34,939,950
2024 Lease Revenue Bonds, Series A-2	-	7,207,568	-	7,207,568	448,130	6,759,438
2024A-2 Unamortized bond premium	-	552,727	(2,522)	550,205	81,871	468,334
Subtotal	-	7,760,295	(2,522)	7,757,773	530,001	7,227,772

	Balance June 30, 2023	Debt Issued or Transferred In	Debt Retired or Transferred Out	Balance June 30, 2024	Due in One Year	Due in More Than One Year
Governmental Activities Debt, Continued:						
2024 Lease Revenue Bonds, Series B	$ -	$ 9,080,000	$ -	$ 9,080,000	$ -	$ 9,080,000
2024 Lease Revenue Bonds, Series C	-	27,175,000	-	27,175,000	-	27,175,000
2024C Unamortized bond premium	-	2,418,531	(7,098)	2,411,433	232,310	2,179,123
Subtotal	-	29,593,531	(7,098)	29,586,433	232,310	29,354,123
Subtotal bonds payable	211,195,976	81,370,831	(15,238,981)	277,327,826	10,836,597	266,491,229
Financed purchases and loans from direct borrowings						
Energy efficient Infrastructure -Capital One Financed Purchase	1,659,153	-	(392,759)	1,266,394	407,094	859,300
Sheriff CLIPS - Motorola INC Financed Purchase	110,066	-	(110,066)	-	-	-
Central Coast Community Energy Loan	1,707,997	-	(187,200)	1,520,797	190,718	1,330,079
188 Whiting Rd. Purchase - Lender Teresa Beserra Trust	-	1,140,000	(56,568)	1,083,432	70,436	1,012,996
Subtotal loans	3,477,216	1,140,000	(746,593)	3,870,623	668,248	3,202,375
Subtotal bonds and loans payable	214,673,192	82,510,831	(15,985,574)	281,198,449	11,504,845	269,693,604
Total OPEB liability	143,269,281	-	(8,117,211)	135,152,070	-	135,152,070
Net Pension liability	490,069,820	15,580,346	-	505,650,166	-	505,650,166
Compensated absences	32,340,105	29,654,057	(28,247,080)	33,747,082	29,474,702	4,272,380
Leases	19,098,901	547,281	(10,930,373)	8,715,809	1,802,801	6,913,008
Subscription Based Information Technology Agreements	1,610,689	-	(1,339,495)	271,194	141,633	129,561
Total governmental fund activities	$ 901,061,988	$ 128,292,515	$ (64,619,733)	$ 964,734,770	$ 42,923,981	$ 921,810,789
Internal Service Funds						
Total OPEB liability	$ 20,785,903	$ -	$ (1,192,087)	$ 19,593,816	$ -	$ 19,593,816
Net Pension liability	61,790,297	7,608,138	-	69,398,435	-	69,398,435
Compensated absences	5,675,498	3,979,952	(4,100,155)	5,555,295	4,033,909	1,521,386
Estimated claims	57,647,829	14,522,678	(12,182,539)	59,987,968	12,327,968	47,660,000
Leases	1,849,283	94,073	(245,890)	1,697,466	255,339	1,442,127
Subscription Based Information Technology Agreements	2,077,583	-	(1,065,493)	1,012,090	1,012,090	-
Total Internal Service Funds	$ 149,826,393	$ 26,204,841	$ (18,786,164)	$ 157,245,070	$ 17,629,306	$ 139,615,764
Total Governmental Activities						
Compensated absences	$ 38,015,603	$ 33,634,009	$ (32,347,235)	$ 39,302,377	$ 33,508,611	$ 5,793,766
Estimated claims	57,647,829	14,522,678	(12,182,539)	59,987,968	12,327,968	47,660,000
Other long-term liabilities:						
Bonds payable	211,195,976	81,370,831	(15,238,981)	277,327,826	10,836,597	266,491,229
Loans payable	3,477,216	1,140,000	(746,593)	3,870,623	668,248	3,202,375
Leases	20,948,184	641,354	(11,176,263)	10,413,275	2,058,140	8,355,135
Subscription Based Information Technology Agreements	3,688,272	0	(2,404,988)	1,283,284	1,153,723	129,561
Subtotal other long-term liabilities	239,309,648	83,152,185	(29,566,825)	292,895,008	14,716,708	278,178,300
Total OPEB liability	164,055,184	-	(9,309,298)	154,745,886	-	154,745,886
Net Pension liability	551,860,117	23,188,484	-	575,048,601	-	575,048,601
Total Governmental Activities	$ 1,050,888,381	$ 154,497,356	$ (83,405,897)	$ 1,121,979,840	$ 60,553,287	$ 1,061,426,553

	Balance June 30, 2023	Debt Issued or Transferred In	Debt Retired or Transferred Out	Balance June 30, 2024	Due in One Year	Due in More Than One Year
Business-Type Activities						
Enterprise Funds						
2014 Lease Revenue Bonds	$ 4,685,000	$ -	$ (4,685,000)	$ -	$ -	$ -
2014 Unamortized bond premium	176,483	-	(176,483)	-	-	-
	4,861,483	-	(4,861,483)	-	-	-
2024A-2 Lease Revenue Bonds	$ -	$ 4,052,432	$ -	$ 4,052,432	$ 596,870	$ 3,455,562
2024A-2 Unamortized bond premium	-	418,141	(3,359)	414,782	109,044	305,738
	-	4,470,573	(3,359)	4,467,214	705,914	3,761,300
Subtotal Bonds Payable	4,861,483	4,470,573	(4,864,842)	4,467,214	705,914	3,761,300
Loans from direct borrowings						
Davenport County Sanitation District Heavy Equipment Financed Purchase - Lender for CSA9C	$ 18,288	$ -	$ (15,331)	$ 2,957	$ 2,957	$ -
Freedom County Sanitation District Excavator Finances Purchase - Lender for CSA9C	908,514	-	(170,551)	737,963	175,868	562,095
Subtotal Loans from direct borrowings	4,310,000	-	(95,000)	4,215,000	96,000	4,119,000
Subtotal Bonds and Loans from direct borrowings	-	602,236	(110,282)	491,954	115,145	376,809
	5,236,802	602,236	(391,164)	5,447,874	389,970	5,057,904
	10,098,285	5,072,809	(5,256,006)	9,915,088	1,095,884	8,819,204
Postclosure liability						
Enterprise Fund - County Disposal Sites CSA 9C	14,398,185	542,098	-	14,940,283	-	14,940,283
Total Business-Type Activities	$ 24,496,470	$ 5,614,907	$ (5,256,006)	$ 24,855,371	$ 1,095,884	$ 23,759,487
Component Unit - Santa Cruz County Sanitation District						
2022 Green Bond, 2022 Revenue Bonds	$ 19,565,000	$ -	$ (325,000)	$ 19,240,000	$ 335,000	$ 18,905,000
2022 Green Bond Unamortized Bond Premium	524,340	-	$ (18,081)	506,259	18,081	488,178
Subtotal	20,089,340	-	(343,081)	19,746,259	353,081	19,393,178
2024 Green Bond, 2024 Revenue Bonds	$ -	$ 27,990,000	$ -	$ 27,990,000	$ 345,000	$ 27,645,000
2024 Green Bond Unamortized Bond Premium	-	1,395,141	-	1,395,141	46,505	1,348,636
Subtotal	-	29,385,141	-	29,385,141	391,505	28,993,636
Subtotal Bonds Payable	20,089,340	29,385,141	(343,081)	49,131,400	744,586	48,386,814
Loans from direct borrowings						
2020 State Water Resources Control Board Loan	4,788,080	-	(133,018)	4,655,062	135,412	4,519,650
2009 State Water Resources Control Board Loan	6,299,476	-	(632,826)	5,666,650	648,646	5,018,004
IBank loan	6,552,802	-	(159,497)	6,393,305	165,017	6,228,288
SWRCB Loan	-	265,703	-	265,703	-	265,703
Subtotal Loans from direct borrowings	17,640,358	265,703	(925,341)	16,980,720	949,075	16,031,645
Total Component Unit	$ 37,729,698	$ 29,650,844	$ (1,268,422)	$ 66,112,120	$ 1,693,661	$ 64,418,459

Descriptions of the long-term liabilities at June 30, 2024, are as follows:

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2024
Governmental Activities:					
Debt Service					
Refunding Certificates of Participation					
1996 Issue (financed construction of the County Emeline Avenue Health Services building and an infirmary in the County Medium Security Detention Facility)					
Collateral: Health Services Administration Building/Jail Infirmary					
Serial certificates	9/1/97-9/1/26	4.00-5.65%	$190,000-$1,065,000	$ 20,955,000	$ 4,570,000
Term bonds	3/1/21-9/1/23	5.60%	$1,230,000-$1,370,000	3,900,000	-
				Total 1996 Issue	4,570,000
2014 Issue (defeased 2001 Series B Lease Revenue Bonds and refinanced existing leases)					
Collateral: Water Street Detention Facility/Blaine Street Women's Detention Facility					
Serial certificates	8/1/14-8/1/31	3.00-5.00%	$280,000-$485,000	6,285,000	3,385,000
Unamortized bond premium				297,707	132,317
				Total 2014 Issue	3,517,317
2015 Issue (defeased 2004 Lease Revenue Bonds and refinanced existing leases)					
Collateral: Main Administrative Building and Main Courts Building					
Serial certificates	6/1/16-6/1/25	1.14-3.97%	$185,000-$1,520,000	8,890,000	185,000
Term bonds	6/1/22-6/1/24	3.68%	$1,570,000-$1,685,000	4,880,000	-
				Total 2015 Issue	185,000
2016 Issue (defeased certain outstanding lease obligations and prepay the outstanding 2002 Refunding Certificates of Participation, 2005 Refunding Certificates of Participation, and 2006 Certificates of Participation; to finance a variety of capital improvements; to satisfy the Reserve Requirement for the certificates; and to pay the delivery costs of the certificates)					
Collateral: Water Street Detention Facility and Blaine Street Detention Facility					
Serial certificates	8/1/17-8/1/33	2.00-4.00%	$340,000-$920,000	8,865,000	4,350,000
Term bonds	8/1/34-8/1/36	3.00%	$525,000-$565,000	1,635,000	1,635,000
Unamortized bond premium				950,674	570,402
				Total 2016 Issue	6,555,402
				Total Refunding Certificates of Participation	14,125,000
				Net Premiums/(Discounts)	702,719
				Total including Premiums/(Discounts)	$ 14,827,719
Lease Revenue Bonds					
2015 Series B Lease Revenue Bonds (financed capital improvements for various Santa Cruz County facilities and the Farm to Table Project)					
Collateral: Main Administrative Building and Main Courts Building					
Serial bonds	6/1/16-6/1/35	2.00-4.00%	$180,000-$395,000	6,115,000	$ 3,830,000
Term bonds	6/1/36-6/1/40	4.00%	$400,000-$470,000	2,170,000	2,170,000
Term bonds	6/1/41-6/1/45	4.00%	$305,000-$360,000	1,660,000	1,660,000
Unamortized bond premium				60,130	42,094
				Total 2015 Issue	7,702,094
2017 Lease Revenue Bonds (financed acquisition and installation of photovoltaic energy systems at various County facilities and pay the cost of issuance)					
Collateral: Main Administrative Building and Main Courts Building					
Serial bonds	6/1/19-6/1/27	1.833-3.00%	$415,000-$470,000	4,075,000	1,395,000
Term bonds	6/1/28-6/1/31	3.38%	$470,000-$480,000	1,900,000	1,880,000
Term bonds	6/1/32-6/1/35	3.63%	$485,000-$495,000	1,965,000	1,945,000
Unamortized bond discount				(63,415)	(41,035)
				Total 2017 Issue	5,178,965

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2024
Governmental Activities, Continued:					
Debt Service, Continued					
2020 Series A Lease Revenue Bonds (financed various capital improvements and pay the cost of issuance)					
Collateral: Felton Branch Library and adjacent nature discovery park and the Simkins Family Swim Center					
Serial bonds	6/1/22-6/1/30	4.00%	$215,000-$290,000	$ 2,255,000	$ 1,590,000
Term bonds	6/1/31-6/1/35	4.00%	$300,000-$355,000	1,645,000	1,645,000
Term bonds	6/1/36-6/1/40	4.00%	$370,000-$435,000	2,005,000	2,005,000
Term bonds	6/1/41-6/1/45	4.00%	$265,000-$450,000	1,575,000	1,575,000
Term bonds	6/1/46-6/1/51	3.00%	$310,000-$360,000	2,010,000	2,010,000
Unamortized bond premium				1,025,480	664,505
					9,489,505
2021 Series A Lease Revenue Bonds (finance the acquisition and improvements to certain land and facilities and to pay the cost of issuance)					
Collateral: South County Service Center					
Serial bonds	6/1/24-6/1/41	4.00%	$455,000-$885,000	11,670,000	11,215,000
Term bonds	6/1/42-6/1/46	4.00%	$4,990,000	4,990,000	4,990,000
Term bonds	6/1/47-6/1/51	2.50%	$5,895,000	5,895,000	5,895,000
Unamortized bond premium				3,214,154	2,445,411
					24,545,411
2021 Series B Lease Revenue Bonds (finance the acquisition and improvements to certain land and facilities and to pay the cost of issuance)					
Collateral: South County Service Center					
Serial bonds	6/1/24-6/1/36	.611-2.709%	$100,000-$120,000	1,400,000	1,300,000
Term bonds	6/1/37-6/1/51	3.00%	$2,330,000	2,330,000	2,330,000
Unamortized bond discount				(52,588)	(47,731)
					3,582,269
				Total 2021 Issue	$ 28,127,680
2023 Series A Lease Revenue Bonds (finance the acquisition and improvements to certain land and facilities and to pay the cost of issuance)					
Collateral: South County Service Center					
Serial bonds	6/1/26-6/1/42	4.00-5.00%	$350,000-$730,000	8,795,000	8,795,000
Term bonds	6/1/43-6/1/45	4.00%	$2,510,000	2,510,000	2,510,000
Term bonds	6/1/46-6/1/48	4.00%	$2,825,000	2,825,000	2,825,000
Term bonds	6/1/49-6/1/51	4.00%	$3,170,000	3,170,000	3,170,000
Unamortized bond premium				619,673	509,441
					17,809,441
2024 Series A-1 Lease Revenue Bonds (to reimburse the County for the costs of improvements to certain roads and facilities, to capitalize interest for a limited period and to pay for the cost of issuance)					
Collateral: County's main Administrative and Court Buildings					
Serial bonds	6/1/29-6/1/34	4.00%	$2,590,000-$3,155,000	17,190,000	17,190,000
Term bonds	6/1/35-6/1/39	4.13%	$17,810,000	17,810,000	17,810,000
Unamortized bond discount				(62,995)	(62,908)
					$ 34,937,092
2024 Series A-2 Lease Revenue Bonds (to reimburse the County for the costs of improvements to certain roads and facilities, to defease 2014 Lease Revenue Bonds and to pay for the cost of issuance)					
Collateral: County's main Administrative and Court Buildings					
Serial bonds	6/1/25-6/1/35	5.00%	$406,400-$1,017,600	7,207,568	7,207,568
Unamortized bond premium				552,727	550,205
					7,757,773
2024 Series B Taxable Lease Revenue Bonds (to reimburse the County for the costs of improvements to certain roads and facilities, to capitalize interest for a limited period and to pay for the cost of issuance)					
Collateral: County's main Administrative and Court Buildings					
Serial bonds	6/1/27-6/1/34	4.82-5.15%	$440,000-$1,065,000	6,230,000	6,230,000
Term bonds	6/1/35-6/1/39	5.45%	$2,850,000	2,850,000	2,850,000
					9,080,000

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30,
Governmental Activities, Continued:					
Debt Service, Continued					
2024 Series C Lease Revenue Bonds (to reimburse the County for the costs of improvements to certain roads and facilities, to finance the acquisition of and improvements for certain facilities, to capitalize interest for a limited period and to pay for the cost of issuance)					
Collateral: South County Health Services Administrative Building, Live Oak Library, Aptos Library and the Behavioral Health Center					
Serial bonds	6/1/26-6/1/44	5.00%	$180,000-$1,795,000	21,615,000	$ 21,615,000
Term bonds	6/1/45-6/1/49	4.00%	$2,505,000	2,505,000	2,505,000
Term bonds	6/1/50-6/1/54	4.13%	$3,055,000	3,055,000	3,055,000
Unamortized bond premium				2,418,531	2,411,433
					29,586,433
				Total 2024 Issue	$ 81,361,298
				Total Lease Revenue Bonds	$ 143,197,568
				Net Premiums/(Discounts)	6,471,415
				Total including Premiums/(Discounts)	$ 149,668,983
Lease Revenue Refunding Bonds					
2012 Series A (refinanced construction and equipment costs for the Santa Cruz County Consolidated Emergency Communications Center)					
Collateral: Santa Cruz County Regional 911 Center					
Serial bonds	6/15/13-6/15/30	2.00-5.00%	$115,000-$225,000	$ 1,402,135	$ 575,113
Term Bonds	6/15/31-6/15/34	5.00%		482,430	482,430
Unamortized bond discount				(18,465)	(8,397)
				Total 2012 Issue	1,049,146
2020 Series B (refinanced 2011 Certificates of Participation and pay the cost of issuance)					
Collateral: Felton Branch Library and adjacent nature discovery park and the Simpkins Family Swim Center					
Serial bonds	6/1/21-6/1/25	1.22-2.04%	$270,000-$255,000	1,255,000	255,000
Term Bonds	6/1/26-6/1/30	2.63%	$260,000-$285,000	1,355,000	1,355,000
Term Bonds	6/1/31-6/1/36	3.00%	$290,000-$335,000	1,885,000	1,885,000
Unamortized bond discount				(30,895)	(23,022)
				Total 2020 Issue	3,471,978
				Total Lease Revenue Refunding Bonds	4,552,543
				Net Premiums/(Discounts)	(31,419)
				Total including Premiums/(Discounts)	$ 4,521,124
Taxable Pension Obligation Bonds					
2021 Taxable Pension Obligation Bond (to pay a portion of the County's Safety and Sheriff unamortized, unfunded liability to CalPERS.)					
Serial bonds	6/1/22-6/1/36	.163-2.651%	$5,505,000-$6,325,000	$ 83,910,000	$ 68,025,000
Term Bonds	6/1/37-6/1/41	2.804%	$28,490,000.00	28,490,000	28,490,000
Term Bonds	6/1/42-6/1/47	2.914%	$11,750,000.00	11,795,000	11,795,000
				Total 2021 Issue	108,310,000
				Total General	108,310,000
				Net Premiums/(Discounts)	-
				Total including Premiums/(Discounts)	$ 108,310,000
Financed purchases and loans from direct borrowings					
Energy efficient infrastructure - Capital One Financed Purchase	2008-2027	3.62%	$135,989-$220,635	$ 5,989,594	$ 1,266,394
Sheriff CLIPS- Motorola INC financed purchase	2019-2024	3.80%	$94,813-$110,067	690,592	-
Central Coast Community Energy (CCCE) loan	2022-2031	1.87%	$91,152-$108,448	2,000,000	1,520,797
188 Whiting Rd. Purchase - Lender Teresa Beserra Trust	2023-2035	4.03%	$1,140,000	1,140,000	1,083,432
				Subtotal Financed purchases and loans	$ 3,870,623
Leases and SBITAs					
Leases					$ 10,413,275
Subscription Based Information Technology Agreements					1,283,284
				Subtotal Leases and SBITAs	$ 11,696,559
				Total Governmental Activities	$ 292,895,008

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2024
Business-Type Activities:					
2024 Series A-2 Lease Revenue Bonds (to reimburse the County for the costs of improvements to certain roads and facilities, to defease 2014 Lease Revenue Bonds, to capitalize interest for a limited period and to pay for the cost of issuance)					
Collateral: County's main Administrative and Court Buildings					
Serial bonds	6/1/25-6/1/35	5.00%	$228,600-$572,400	4,052,432	$ 4,052,432
Unamortized bond premium				418,141	414,783
					$ 4,467,215
Financed purchases and loans from direct borrowings					
Enterprise Fund - Davenport County Sanitation District					
California Technology, Trade & Commerce Agency (fund sanitation system improvements)					
	2/28/95-7/1/24	2.75%	$3,550-$4,817	310,691	2,957
Enterprise Fund - Heavy Equipment Fiananced Purchase - Lender for CSA 9C					
Zion Bank					
	12/19-12/27	3.18%	$154,747-$193,185	1,543,405	737,963
Enterprise Fund - Freedom County Sanitation District					
United States Department of Agriculture					
	7/1/22-7/1/60	1.13%	$93,000-$140,000	4,497,000	4,215,000
Enterprise Fund - Excavator Financed Purchase - Lender for CSA 9C					
ZMFU II, INC.					
	1/13/24-1/13/28	4.41%	$110,282-$131,061	602,236	491,954
			Total Financed Purchases and loans from direct borrowings		5,447,874
Landfill postclosure					14,940,283
			Total Business-Type Activities		$ 24,855,372
Component Unit - Santa Cruz County Sanitation District (SCCSD):					
Lease Bonds					
2022 Green Bond, 2022 Revenue Bond (financed improvement of wastewater systems)					
Collateral: Trust Indenture Agreement entered into on June 1,2022					
Serial bonds	8/1/15-8/1/34	5.000%	$325,000-$590,000	$ 6,180,000	$ 5,475,000
Term bonds	6/1/37-6/1/38	5.000%	$1,265,000	1,265,000	1,265,000
Term bonds	6/1/39-6/1/40	4.000%	$1,385,000	1,385,000	1,385,000
Term bonds	6/1/41-6/1/42	4.000%	$1,500,000	1,500,000	1,500,000
Term bonds	6/1/43-6/1/45	4.125%	$2,485,000	2,485,000	2,485,000
Term bonds	6/1/46-6/1/48	4.125%	$2,810,000	2,810,000	2,810,000
Term bonds	6/1/49-6/1/52	4.250%	$4,320,000	4,320,000	4,320,000
Unamortized bond premium				542,421	506,259
				Total 2022 Issue	19,746,259
2024 Green Bond, 2024 Revenue Bond (financed improvement to upgrade sewer and pump stations)					
Collateral: Trust Indenture Agreement entered into on April 1, 2024					
Serial bonds	6/1/25-6/1/49	4.00%-5.00%	$335,000-$1,330,000	$ 20,520,000	20,520,000
Term bonds	6/1/20-6/1/51	4.000%	$2,815,000	2,815,000	2,815,000
Term bonds	6/1/52-6/1/54	4.000%	$4,655,000	4,655,000	4,655,000
Unamortized bond premium				1,395,141	1,395,141
				Total 2024 Issue	29,385,141
				Total Green Bonds	47,230,000
				Net Premiums/(Discounts)	1,901,400
				Total including Premiums/(Discounts)	$ 49,131,400

Type of Indebtedness (Purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30,
Component Unit Activities, Continued:					
Debt Service, Continued					
General					
2020 State Water Resources Control Board Loan					
(Soquel Pump Station Force Main Replacement Project)					
	2020-2049	1.80%	$125,744-$213,286	$ 4,259,957	$ 4,655,062
2009 State Water Resources Control Board Loan					
(Aptos Transmission Main Relocation Project)					
	2013-2032	2.50%	$630,445-$959,296	11,981,910	5,666,650
IBank Loan					
(replace old and deteriorated sewer lines)					
	2019-2048	3.46%	$144,025-$1,745,807	7,000,000	6,393,303
23/24 State Water Resource Control Board Loan					
(Valencia Creek Sewer Relocation)					
	2024	0.90%	$40,945-$52,705	265,703	265,703
				Subtotal Loans from direct borrowings	$ 16,980,718
				Total Green Bonds and Loans form direct borrowings	64,210,718
				Net Premiums/(Discounts)	1,901,400
				Total including Premiums/(Discounts)	66,112,118
				Total Component Unit	$ 66,112,118

A. ***Governmental Activities***

Compensated absences and net pension/total OPEB liabilities attributable to governmental activities will be liquidated by the general fund and the internal service funds. Claims liability will generally be liquidated by the self-insurance internal service funds (see Note 18).

At June 30, 2024, annual debt service requirements of governmental activities to maturity are as follows:

Debt Service

Year Ending June 30,	Refunding Certificates of Participation Principal	Refunding Certificates of Participation Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest
2025	$ 2,355,000	$ 570,453	$ 2,328,208	$ 5,629,560
2026	2,280,000	449,666	3,220,120	5,913,600
2027	2,395,000	330,385	4,215,840	5,777,558
2028	820,000	252,844	5,011,560	5,596,150
2029	855,000	219,344	36,574,336	23,584,346
2030-2034	3,785,000	580,253	38,472,504	15,622,842
2035-2039	1,635,000	74,775	24,640,000	8,104,473
2040-2044	-	-	16,740,000	3,769,470
2045-2049	-	-	11,335,000	1,045,301
2050-2054	-	-	660,000	27,225
Total	$ 14,125,000	$ 2,477,720	$ 143,197,568	$ 75,070,525

Year Ending June 30,	Lease Revenue Refunding Bonds Principal	Lease Revenue Refunding Bonds Interest
2025	$ 340,554	$ 147,467
2026	350,307	138,634
2027	357,684	127,843
2028	1,959,712	462,218
2029	1,544,286	117,349
2030-2034	-	-
2035-2039	-	-
2040-2044	-	-
2045-2049	-	-
2050-2054	-	-
Total	$ 4,552,543	$ 993,511

General

Year Ending June 30,	Tax Pension Obligation Bonds Principal	Tax Pension Obligation Bonds Interest
2025	$ 5,225,000	$ 2,413,784
2026	5,260,000	2,372,297
2027	5,320,000	2,318,435
2028	5,385,000	2,250,658
2029	5,465,000	2,172,899
2030-2034	28,875,000	9,305,797
2035-2039	30,560,000	5,686,502
2040-2044	19,550,000	1,838,008
2045-2049	2,670,000	123,116
2050-2054	-	-
Total	$ 108,310,000	$ 28,481,496

The Refunding Certificates of Participation Bonds, Lease Revenue Refunding Bonds, Certificates of Participation Bonds, and Lease Revenue Bonds retirement and related interest payments are paid from revenues from the General Fund.

The County issued Taxable Pension Obligation Bonds (POB) to prepay a partial obligation under its contract with CalPERS for the County's Unfunded Accrued Actuarial Liability (UAAL). The County's outstanding 2021 POB related to governmental activities of $108,310,000 contain a provision that in an event of default, if the County is unable to make payment, all bonds then outstanding and the accrued interest may become due and payable immediately.

Defeasance of Bonds

On June 4, 2020, the County issued $4,495,000 2020 Lease Revenue Refunding Bonds Series B ("2020B Bonds") at a discount of $30,895, with interest rates ranging from 1.223% to 3.00%. The net proceeds of $4,371,895 (after underwriter's discount of $19,033 and payment of cost of issuance of $73,177) plus an additional $409,613 of the 2011 Certificates of Participation (the "2011 Certificates") reserve fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2011 Certificates. As a result, the 2011 Certificates are considered to be defeased and the liability for those have been removed from the long-term debt account.

As a result of the advance refunding of the 2011 Certificates, the County decreased its total debt service payments over the next 16 years by $923,235 resulting in an economic gain (difference between the present values of the debt service payments on the old debt and the new debt) of $463,471.

The net carrying amount of the old debt exceeded the reacquisition price by $17,895 resulting in a deferred gain on refunding. This gain on refunding is amortized over 16 years, the life of the refunding bonds.

On June 20, 2024, the County issued $11,260,000 2024 Lease Revenue Bonds Series A-2 ("2024-A-2 Bonds") including a premium of $970,868 with an interest rate of 5.00%. A portion of the net proceeds of $7,757,196 (after underwriter's discount of $28,925 and payment of cost of issuance of $40,960) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2014 Lease revenue bonds. As a result, the 2014 Lease revenue bonds are considered to be defeased and the liability for those have been removed from the long-term debt account.

As a result of the advance refunding of the 2014 Lease revenue bonds, the County decreased its total debt service payments over the next 11 fiscal years by $127,429 resulting in an economic gain (difference between the present values of the debt service payments on the old debt and the new debt) of $288,098.

The net carrying amount of the old debt exceeded the reacquisition price by $315,322 resulting in a deferred gain on refunding. The $315,322 gain is split between governmental of $136,078 and component unit CSA 9C of $179,214. This gain on refunding is amortized over 11 years, the life of the refunding bonds.

Business-Type Activities

At June 30, 2024, annual debt service requirements of business-type activities to maturity are as follows:

	Lease Revenue Bonds		Loans from Direct Borrowings	
Year Ending June 30,	Principal	Interest	Principal	Interest
2025	$ 596,870	$ 98,037	$ 389,970	$ 92,615
2026	299,880	195,279	398,684	80,824
2027	314,160	180,642	410,756	68,660
2028	328,440	165,291	423,465	56,068
2029	348,432	149,369	100,000	43,031
2030-2034	1,704,834	475,809	517,000	198,045
2035-2039	459,816	34,486	547,000	168,289
2040-2044	-	-	578,000	136,823
2045-2049	-	-	612,000	103,545
2050-2054	-	-	647,000	68,333
2055-2059	-	-	683,999	31,128
2060-2064	-	-	140,000	1,575
Total	$ 4,052,432	$ 1,298,913	$ 5,447,874	$ 1,048,936

Loans payable principal and interest are paid from various enterprise fund revenues.

B. ***Component Unit***

At June 30, 2024, annual debt service requirements of the Santa Cruz County Sanitation District to maturity are as follows:

	Green Revenue Bond		Loans from Direct Borrowings	
Year Ending June 30,	Principal	Interest	Principal	Interest
2025	$ 680,000	$ 2,171,546	$ 949,075	$ 443,811
2026	820,000	2,033,119	973,438	419,349
2027	860,000	1,992,119	1,039,394	406,471
2028	905,000	1,949,119	1,065,134	380,625
2029	945,000	1,903,869	1,091,861	353,789
2030-2034	5,500,000	8,759,844	4,214,993	1,350,761
2035-2039	7,020,000	7,240,344	2,081,380	924,266
2040-2044	8,885,000	5,503,300	2,389,991	611,671
2045-2049	10,840,000	3,556,504	2,748,608	248,331
2050-2054	10,775,000	1,204,763	426,846	11,559
Total	$ 47,230,000	$ 36,314,527	$ 16,980,720	$ 5,150,633

State Water Resources Control Board Loan 2009

During 2009, the District entered into a Project Finance Agreement (Agreement) with the State Water Resources Control Board (SWRCB) to finance the Aptos Transmission Main Relocation Project. Under this Agreement, the SWRCB has agreed to loan the District a total of $16,725,699. As of June 30, 2024, the District had a balance of $5,666,650 in loan disbursements pursuant to this Agreement. Pursuant to the Agreement, the interest rate is 2.5% and the District began making payments to repay the loan in the 2013/2014 fiscal year.

California Infrastructure and Economic Development Bank (IBank) Loan

In April 2019, the District entered into an Installment Sale Agreement (IBank Loan Agreement) with IBank to reduce the frequency of Sanitary Sewer Overflows (SSO) and, wherever possible, prevent SSO while meeting all applicable regulatory requirements by replacing old and deteriorated sewer lines prior to their failure. Under this IBank Loan Agreement, IBank has agreed to loan the District a total of $7,000,000. Pursuant to the Agreement, the interest rate is 3.46% with the first principal payment due on August 1, 2020 with a loan maturity date of August 1, 2048. As of June 30, 2024, the District had a balance of $6,393,305 in loan distributions pursuant to this IBank Loan Agreement.

State Water Resources Control Board Loan 2020

During 2020, the District entered into a Construction Installment Sale Agreement (Agreement) with the SWRCB to finance the Soquel Pump Station Force Main Replacement Project. Under this Agreement, the SWRCB has agreed to loan the District a total of $5,000,000. As of June 30, 2024, the District has received a total of $4,655,062 in loan disbursements pursuant to this Agreement. Pursuant to the Agreement, the interest rate is 1.8% and the District began making payments to repay the loan in the 2021/2022 fiscal year.

Santa Cruz County Capital Financing Authority Revenue Bonds, Series 2022 (Green Bonds)

On June 1, 2022, the Santa Cruz County Capital Financing Authority issued Green Revenue Bonds for $19,945,000. The bonds were issued in varying types. There are 14 serial bonds and 6 term bonds issued at a premium (the bonds). Serial bonds mature annually on June 1 between 2023 and 2036. The interest rate on the serial bonds is 5%. There are six term bonds. The first term bond, for $1,265,000, was issued at an interest rate of 5% and matures on June 1, 2038. The second term bond for $1,385,000, was issued at an interest rate of 4% and matures on June 1, 2040. The third term bond for $1,500,000, was issued at an interest rate of 4% and matures on June

1, 2042. The fourth term bond for $2,485,000, was issued at an interest rate of 4.125% and matures on June 1, 2045. The fifth term bond for $2,810,000, was issued at an interest rate of 4.125% and matures on June 1, 2048. The sixth term bond for $4,320,000 was issued at an interest rate of 4.25% and matures on June 1, 2052. The bonds were issued to finance wastewater improvements, specifically 5 separate components that make up the wastewater improvement project.

Santa Cruz County Capital Financing Authority Revenue Bonds, Series 2024 (Green Bonds)

On April 30, 2024, the Santa Cruz County Capital Financing Authority issued Green Revenue Bonds for $27,990,000. The bonds were issued in varying types. There are 25 serial bonds and 2 term bonds issued at a premium (the bonds). Serial bonds mature annually on June 1 between 2025 and 2049. The interest rate on the serial bonds maturing between June 2025 and June 2039 is 5%. The interest rate on the serial bonds maturing between June 2040 and June 2049 is 4%. There are two term bonds. The first term bond, for $2,815,000, was issued at an interest rate of 4% and matures on June 1, 2051. The second term bond for $4,655,000, was issued at an interest rate of 4% and matures on June 1, 2054. The bonds were issued to finance wastewater improvements, reduce incidence of sanitary sewer overflows and provide critical maintenance of aging wastewater infrastructure, specifically 11 separate components that make up the wastewater improvement project.

C. ***Legal Debt Limit***

The County's legal annual debt service limit as of June 30, 2024, is $2,890,349,218. The County's legal debt service limit is 5% of the total full cash valuation of all real and personal property within the County.

D. ***Arbitrage***

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years. The County has hired a consultant to perform calculations of excess investment earnings on various bonds and financings, and it is anticipated that the County will be determined to be in compliance with arbitrage regulations.

NOTE 11 - PLEDGE OF FUTURE REVENUES

2024 Series C Lease Revenue Bond

The 2024 Series C Lease Revenue Bond is payable from the revenues pledged under an Indenture of Trust dated June 1, 2024. The County is required to make the Base Rental Payments from legally available funds. The County had made a covenant in the Lease Agreement to take all actions required to include all Base Rental Payments in its annual budgets during the term of the lease and to make the necessary annual appropriations for all such Lease Payments and Additional Rental Payments subject to complete or partial abatement of such Base Rental Payments resulting from a taking of the Leased Property (either in whole or in part) under the powers of eminent domain or resulting from title defect or damage or destruction of all or any portion of the Leased Property. Annual principal and interest payments on the 2024 C Bond continue through 2054. At June 30, 2024, total principal and interest remaining to be paid on the 2024 C Bond is $46,980,596.

2024 Lease Revenue Bonds

The 2024 Series A-1 Lease Revenue Bonds and the 2024 Series A-2 Lease Revenue Bonds and the Series B Taxable Lease Revenue Bonds, collectively referred to herein as the "2024 Bonds", are payable from revenues pledged under an Indenture of Trust dated June 1, 2024. The County is required to make the Lease Payments from legally available funds. The County had made a covenant in the Lease Agreement to take all actions required to include all Lease Payments in its annual budgets during the term of the lease and to make the necessary annual appropriations for all such Lease Payments and Additional Rental Payments subject to complete or partial abatement of such Lease Payments resulting from a taking of the Leased Property (either in whole or in part) under the powers of eminent domain or resulting from title defect or damage or destruction of all or any portion of the Leased Property. Proceeds from the 2024 Bonds were used to reimburse the County for improvements to certain roads and facilities, capitalized interest and a portion of Series A-2 to refund the 2014 Lease Revenue Bonds originally related to the County and the County's Buena Vista Sanitary landfill. Annual principal and interest payments on the 2024 Bonds continue through 2039. At June 30, 2024, total principal and interest remaining to be paid on the 2024 Bonds is $76,915,785 ($71,564,440 from governmental activities and $5,351,345 from business-type activities).

2023 Lease Revenue Bond

The 2023 Series A Lease Revenue Bond is payable from the revenues pledged under an Indenture of Trust dated March 1, 2023. The County is required to make the Lease Payments from legally available funds. The County had made a covenant in the Lease Agreement to take all actions required to include all Lease Payments in its annual budgets during the term of the lease and to make the necessary annual appropriations for all such Lease Payments and Additional Rental Payments subject to complete or partial abatement of such Lease Payments resulting from a taking of the Leased Property (either in whole or in part) under the powers of eminent domain or resulting from title defect or damage or destruction of all or any portion of the Leased Property. Annual principal and interest payments on the 2023 A Bond continue through 2051. At June 30, 2024, total principal and interest remaining to be paid on the 2023 A Bond is $29,412,400.

2021 Lease Revenue Bonds

The 2021 Series A Lease Revenue Bonds and the 2021 Series B Taxable Lease Revenue Bonds, collectively referred to herein as "2021 Bonds" are payable from the revenues pledged under an Indenture of Trust dated October 1, 2021. The County is required to make the Lease Payments from legally available funds. The County had made a covenant in the Lease Agreement to take all actions required to include all Lease Payments in its annual budgets during the term of the lease and to make the necessary annual appropriations for all such Lease Payments and Additional Rental Payments subject to complete or partial abatement of such Lease Payments resulting from a taking of the Leased Property (either in whole or in part) under the powers of eminent domain or resulting from title defect or damage or destruction of all or any portion of the Leased Property. Annual principal and interest payments on the 2021 Bonds continue through 2051. At June 30, 2024, total principal and interest remaining to be paid on the 2021 Bonds is $39,521,888.

2020 Lease Revenue Bonds

The 2020 Series A Lease Revenue Bonds and the 2020 Series B Taxable Lease Revenue Refunding Bonds, collectively referred to herein as "2020 Bonds" are payable from the revenues pledged under an Indenture of Trust dated June 1, 2020. The County is required to make the Lease Payments from legally available funds. The County had made a covenant in the Lease Agreement to take all actions required to include all Lease Payments in its annual budgets during the term of the lease and to make the necessary annual appropriations for all such Lease Payments and Additional Rental Payments subject to complete or partial abatement of such Lease Payments resulting from a taking of the Leased Property (either in whole or in part) under the powers of eminent domain or resulting from title defect or damage or destruction of all or any portion of the Leased Property. Annual principal and interest payments on the 2020 Bonds continue through 2051. At June 30, 2024, total principal and interest remaining to be paid on the 2020 Bonds is $17,636,176.

2015 & 2017 Lease Revenue Bonds

The 2015 and 2017 Lease Revenue Bonds, collectively referred to herein as "Bonds" are payable from the revenues pledged under the Indenture. The County is required to make the Lease Payments from legally available funds. The County has covenanted in the Lease Agreement to take such actions as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments subject to complete or partial abatement of such Lease Payments resulting from a taking of the Leased Property (either in whole or in part) under the powers of eminent domain or resulting from title defect or damage or destruction of all or any portion of the Leased Property. Annual principal and interest payments on the 2015 bonds continue through 2045, while payments on the 2017 bonds continue through 2035. At June 30, 2024, total principal and interest remaining to be paid on the bonds is $11,208,656 for the 2015 bonds and $6,321,459 for the 2017 bonds.

2012A Lease Revenue Refunding Bonds

The revenues of the Santa Cruz Regional 911 (Regional 911) were pledged to repay $3,965,000 in lease revenue refunding bonds issued in May 2012. The bonds were refunded on May 15, 2012. Regional 911 was formed in a Joint Powers Authority Agreement with the cities of Santa Cruz, Watsonville, and Capitola and the County of Santa Cruz. Proceeds from the bonds provided funds to refinance an existing lease and to fund equipment purchases. The bonds were payable from use payments paid to the Regional 911 by the different governmental agencies. Annual principal and interest payments on the bonds continue through 2034 and are expected to require less than 12 percent of revenues. The total principal and interest remaining to be paid on the bonds is $2,861,094. Pursuant to the Joint Powers Authority Agreement, the County is responsible for 47.53% of the total liability, or $1,359,877. Total principal and interest paid for the current year and total customer revenues were $287,563 and $10,106,400, respectively. The County paid $136,678 of the current year principal and interest.

NOTE 12 - LANDFILL CLOSURE AND POSTCLOSURE COSTS

The County operates the Buena Vista Landfill for the disposal of municipal waste and a transfer station at the site of the closed Ben Lomond Landfill. State and Federal laws and regulations, including the California Integrated Waste Management Board Title 14, California State Water Resources Control Board Title 23, and the Environmental Protection Agency Subtitle D of the Codified Federal Regulations 40, require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on the County landfill's capacity used as of June 30 of each year.

As of June 30, 2024, a liability for closure and postclosure maintenance in the amount of $14,940,283 is reflected in the County Disposal Sites CSA 9C Enterprise Fund based upon landfill capacity used to date. As of June 30, 2024, Ben Lomond Landfill was filled to 100% capacity, and the County estimates that the Buena Vista Landfill is filled to 80.9% of capacity with an estimated remaining useful life of 10 years. The Ben Lomond Landfill was closed during 1989 and the closure costs have been fully paid. The County will recognize the remaining estimated cost of closure and postclosure maintenance of the Buena Vista Landfill of $3,470,734 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2024. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The estimates will also be adjusted annually for inflation or deflation, in accordance with State guidelines.

The County is required by State and Federal laws and regulations to make annual contributions to a fund to finance closure and postclosure maintenance. The County is in compliance with these requirements, and at June 30, 2024, cash of $14,940,283 is held for this purpose, reported as restricted assets on the Statement of Net Position. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users.

Postclosure maintenance for both the Buena Vista and closed Ben Lomond Landfills are provided for through a "Pledge of Revenue." The Board adopted resolutions pledging future County Disposal Sites CSA 9C Fund's revenues annually through the prescribed postclosure maintenance period. An initial postclosure cost was estimated at the time of adoption of the Pledge of Revenue resolutions and is adjusted for inflation on an annual basis.

NOTE 13 - DEFICIT NET POSITION AND FUND BALANCES

Individual governmental fund deficit fund balance and proprietary fund deficit net positions at June 30, 2024 were as follows:

Governmental Funds:	
Santa Cruz Flood Control and Water Conservation Zone 7	$ 721,938
Internal Service Funds:	
Information Services	5,202,082
Public Works	35,967,955
Risk Management	920,587
Liability and Property Insurance	10,225,083
Workers' Compensation Insurance	14,557,313
Employee Benefit Staffing Fund	8,542

The deficit net position in the Santa Cruz Flood Control and Water Conservation Zone 7 Fund is due to unreimbursed expenditures resulting from the 2023 winter storms.

The deficit net positions in the Information Services, Public Works, Risk Management Fund and Employee Benefit Staffing are primarily due to the reporting of the net pension and total OPEB liabilities pursuant to the implementation of GASB Statement No. 68 and GASB Statement No. 75. The County is committed to fully funding the actuarially determined contributions annually.

The Liability and Property Insurance and Workers' Compensation Insurance Funds had deficit net positions of $10,225,083 and $14,557,313, respectively. The deficits are related to losses payable for claims and the inclusion of estimates for Incurred but Not Reported (IBNR) claims. Management anticipates that the County will have sufficient funds to pay annual requirements. These funds will normally show up as deficits since the County is set up on a pay-as-you go program.

NOTE 14 - PENSION PLANS

A. ***General Information about the Pension Plans***

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the County's separate Miscellaneous (all other), Safety (police and fire), and Safety Sheriff Plans (the Plans), through agent multiple-employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and County resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

CalPERS GASB Statement No. 68 Accounting Valuation Report differs from the amounts recognized by the County due to Plan participants that are not part of the County. The amounts have been reduced based on payments within the Measurement Period of July 1, 2022 to June 30, 2023.

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. All members are eligible for non-duty disability benefits based on the plan specifications. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2 Death Benefit. The cost of living adjustments for each Plan are applied as specified by the California Public Employees' Retirement Law.

The provisions and benefits of the Plans in effect at June 30, 2024, are summarized as follows:

	Miscellaneous		
		December 17, 2012	
	Prior to	to December 31, 2012	On or after
Hire Date	December 17, 2012	or reciprocal *	January 1, 2013
Benefit Formula	2% at 55	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years
Earliest Retirement Age	50	50	52
Maximum Benefit Factor	2.418% at 63	2.418% at 63	2.5% at 67
Final Compensation	12 Months	36 Months	36 Months
Required Employee Contribution Rates	7.00%	7.0%	7.75%
Required Employer Contribution Rates	29.11%	29.11%	29.11%

	Safety		
		June 9, 2012	
	Prior to	to December 31, 2012	On or after
Hire Date	June 9, 2012	or reciprocal *	January 1, 2013
Benefit Formula	2% at 50	2% at 50	2.7% at 57
Benefit Vesting Schedule	5 Years	5 Years	5 Years
Earliest Retirement Age	50	50	50
Maximum Benefit Factor	2.7% at 55	2.7% at 55	2.7% at 57
Final Compensation	12 Months	36 Months	36 Months
Required Employee Contribution Rates	9.0%	9.0%	13.25%
Required Employer Contribution Rates	16.58%	16.58%	16.58%

	Safety Sheriff		
		June 9, 2012	
	Prior to	to December 31, 2012	On or after
Hire Date	June 9, 2012	or reciprocal *	January 1, 2013
Benefit Formula	3% at 50	3% at 55	2.7% at 57
Benefit Vesting Schedule	5 Years	5 Years	5 Years
Earliest Retirement Age	50	50	50
Maximum Benefit Factor	3% at 55	3% at 55	2.7% at 57
Final Compensation	12 Months	36 Months	36 Months
Required Employee Contribution Rates	9.0%	9.0%	13.5%
Required Employer Contribution Rates	29.34%	29.34%	29.34%

* Reciprocal: Any employee who starts working for the County of Santa Cruz within six months of separating from another public agency in California that is either in the CalPERS retirement system or another public retirement system that has reciprocity with CalPERS, so long as the employee began employment with that agency prior to January 1, 2013.

A. ***General Information about the Pension Plan*** (Continued)

Contributions – Section 20814(c) of the California Public Employees' 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 a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Employees Covered – At June 30, 2023, the following employees were covered by the benefit terms for each Plan[1]:

	Miscellaneous	Safety	Safety Sheriff
Inactive Employees or Beneficiaries Currently Receiving Benefits	3,151	351	143
Inactive Employees Entitled to but not yet Receiving Benefits	1,933	315	127
Active Employees	2,187	220	147
Total	7,271	886	417

B. ***Net Pension Liability***

The County's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022, rolled forward to June 30, 2023, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The June 30, 2022 valuation was rolled forward to determine the June 30, 2023 total pension liability, based on the following actuarial methods and assumptions:

	Miscellaneous	Safety	Safety Sheriff
Valuation Date	June 30, 2022	June 30, 2022	June 30, 2022
Measurement Date	June 30, 2023	June 30, 2023	June 30, 2023
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:			
Discount Rate	6.90%	6.90%	6.90%
Inflation	2.30%	2.30%	2.30%
Payroll Growth	2.80%	2.80%	2.80%
Projected Salary Increase	Varies [1]	Varies [1]	Varies [1]
Mortality Rate Table	Developed using CalPERS' membership data for all Funds [2]		
Post Retirement Benefit Increase	The lesser of contract Cost of Living Adjustment (COLA) or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter		

[1] Depending on Entry age and service

[2] The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

B. ***Net Pension Liability*** (Continued)

Changes of Assumptions – There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2017 through 2021, 7.65% for measurement dates 2015 through 2016, and 7.50% for measurement date 2014.

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The table below reflects the long-term expected real rate of return by asset class.

Asset class (a)	Current Target Allocation	Real Return
Global Equity - Cap Weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
Total	100.00%	

Changes in the Net Pension Liability - The changes in the Net Pension Liability for each Plan follow:

Miscellaneous Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2022	$ 1,511,666,123	$ 1,028,987,167	$ 482,678,956
Changes in the year:			
Service Cost	29,604,586	-	29,604,586
Interest on the Total Pension Liability	103,807,463	-	103,807,463
Changes of Benefit Terms	1,926,083	-	1,926,083
Differences between Expected and Actual Experience	5,131,182	-	5,131,182
Contribution - Employer	-	54,186,761	(54,186,761)
Contribution - Employee	-	13,535,646	(13,535,646)
Net Investment Income	-	62,575,959	(62,575,959)
Benefit Payments, Including Refunds of Employee Contributions	(82,178,889)	(82,178,889)	-
Administrative Expenses	-	(764,802)	764,802
Net Changes	58,290,425	47,354,675	10,935,750
Balance at June 30, 2023	$ 1,569,956,548	$ 1,076,341,842	$ 493,614,706

Safety Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2022	$ 256,561,311	$ 225,398,892	$ 31,162,419
Changes in the year:			
Service Cost	5,782,050	-	5,782,050
Interest on the Total Pension Liability	17,625,636	-	17,625,636
Changes of Benefit Terms	199,357	-	199,357
Differences between Expected and Actual Experience	1,914,589	-	1,914,589
Contribution - Employer	-	5,237,472	(5,237,472)
Contribution - Employee	-	2,404,792	(2,404,792)
Net Investment Income	-	13,502,488	(13,502,488)
Benefit Payments, Including Refunds of Employee Contributions	(12,240,591)	(12,240,591)	-
Administrative Expenses	-	(165,746)	165,746
Net Changes	13,281,041	8,738,415	4,542,626
Balance at June 30, 2023	$ 269,842,352	$ 234,137,307	$ 35,705,045

Safety Sheriff Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2022	$ 260,223,275	$ 222,204,533	$ 38,018,742
Changes in the year:			
Service Cost	6,010,624	-	6,010,624
Interest on the Total Pension Liability	18,056,355	-	18,056,355
Changes of Benefit Terms	68,272	-	68,272
Differences between Expected and Actual Experience	4,469,453	-	4,469,453
Contribution - Employer	-	5,645,714	(5,645,714)
Contribution - Employee	-	2,131,912	(2,131,912)
Net Investment Income	-	13,280,369	(13,280,369)
Benefit Payments, Including Refunds of Employee Contributions	(12,160,019)	(12,160,019)	-
Administrative Expenses	-	(163,399)	163,399
Net Changes	16,444,685	8,734,577	7,710,108
Balance at June 30, 2023	$ 276,667,960	$ 230,939,110	$ 45,728,850

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

	Miscellaneous	Safety	Safety Sheriff
1% Decrease			
Net Pension Liability	$ 691,254,924	$ 74,602,181	$ 85,379,812
Current Discount Rate			
Net Pension Liability	493,614,706	35,705,045	45,728,850
1% Increase			
Net Pension Liability	328,966,352	4,054,789	13,412,479

Pension Plan Fiduciary Net Position – The Plans' fiduciary net position disclosed in the County's CalPERS GASB Statement No. 68 accounting valuation report may differ from the Plan assets reported in the County's CalPERS funding actuarial valuation report due to several reasons. For example, for the accounting valuations, CalPERS must keep items such as deficiency reserves and fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in the County's funding actuarial valuation. In addition, differences may result from early Annual Comprehensive Financial Report closing and final reconciled reserves.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the County recognized a pension expense of $101,346,509 as follows:

Miscellaneous	Safety	Safety Sheriff	TOTAL
$76,218,644	$11,411,919	$13,715,946	$101,346,509

At June 30, 2024, the County's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 56,030,305	$ -
Changes in Assumptions	16,010,093	-
Differences between Actual and Expected Experience	3,768,176	2,387,250
Net Differences between Projected and Actual Earnings on Plan Investments	50,469,606	-
Total	$ 126,278,180	$ 2,387,250

	Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 4,247,435	$ -
Changes in Assumptions	1,894,054	-
Differences between Actual and Expected Experience	1,546,815	66,920
Net Differences between Projected and Actual Earnings on Plan Investments	11,990,280	-
Total	$ 19,678,584	$ 66,920

	Safety Sheriff	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 6,274,504	$ -
Changes in Assumptions	6,346,436	-
Differences between Actual and Expected Experience	3,557,445	521,176
Net Differences between Projected and Actual Earnings on Plan Investments	12,043,379	-
Total	$ 28,221,764	$ 521,176

	TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 66,552,244	$ -
Changes in Assumptions	24,250,583	
Differences between Actual and Expected Experience	8,872,436	2,975,346
Net Differences between Projected and Actual Earnings on Plan Investments	74,503,265	-
Total	$ 174,178,528	$ 2,975,346

$66,552,244 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Details for each of the Plan follow:

Miscellaneous	Safety	Safety Sheriff	TOTAL
$ 56,030,305	$ 4,247,435	$ 6,274,504	$ 66,552,244

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

Year Ended June 30	Miscellaneous Deferred Outflows (Inflows) of Resources	Safety Deferred Outflows (Inflows) of Resources	Safety Sheriff Deferred Outflows (Inflows) of Resources	TOTAL Deferred Outflows (Inflows) of Resources
2024	$ 22,546,446	$ 6,010,400	$ 4,945,147	$ 33,501,993
2025	9,271,017	5,323,649	3,069,942	17,664,608
2026	34,516,432	9,307,540	6,975,885	50,799,857
2027	1,526,730	784,495	373,255	2,684,480
2028	-	-	-	-
Total	$ 67,860,625	$ 21,426,084	$ 15,364,229	$ 104,650,938

C. ***Payable to the Pension Plans***

At June 30, 2024, there was no outstanding amount of contributions payable to the Plans required for the year ended June 30, 2024.

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. ***General Information about the OPEB Plan***

Plan Description. Employees of the County who retire through CalPERS, their spouse, and eligible dependents may receive health plan coverage through the Public Employees' Medical & Hospital Care Program Plan (OPEB Plan). The OPEB Plan is a single-employer defined benefit plan administered by CalPERS which provides the retirees a monthly medical contribution that is not to exceed the cost of the plan selected. The cost of the OPEB Plan to the County for each bargaining group will be determined through CalPERS' regulations and requirements. For the Physicians Bargaining Unit, the County contributes fixed dollar amounts that vary by coverage [$327.21 (single) and $388.41 (for one or more dependents)]. For other bargaining units, the County contributions are based on longevity schedules with fixed dollar scaling that varies by bargaining unit. The OPEB Plan does not issue a financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Eligibility. All County employees became participants in accordance with the Memorandum of Understanding (MOU) as negotiated by each group or bargaining unit. In order to receive benefits, eligible employees must meet the minimum requirements defined in their MOU.

The OPEB Plan is eligible to plan members who retire directly from the County through CalPERS at ages 50 or 55, depending on pension plan, with at least 5 years of service.

Employees Covered – At June 30, 2023, the measurement date, the following employees were covered by the benefit terms:

	Total
Active employees	2,382
Inactive employees or beneficiaries currently receiving benefit payments	1,469
Inactive employees entitled but not yet receiving benefit payments	436
Total	4,287

Contributions. The contribution requirements for the County are established by a Memorandum of Understanding as negotiated by each group or bargaining unit. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2024, the County contributed $7,746,808 to the OPEB Plan, $1,273,000 of which is an implicit subsidy.

B. ***Total OPEB Liability***

The County's total OPEB liability of $154,745,886 was measured as of June 30, 2023, the measurement date.

Actuarial Assumptions and other inputs. Actuarial valuations are conducted every two years. The total OPEB liability in the June 30, 2023 actuarial valuation report was determined using the following actuarial assumptions and other inputs applied to the period included in the measurement unless otherwise specified:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Funding Policy	Pay-as-you-go
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Amortization Period	16 years for discount rate sensitivity
Actuarial Assumptions:	
Contribution Policy	No pre-funding
Discount Rate	3.86%
Inflation	2.50% annually
Payroll Increases	Aggregate Increase -2.75%; Merit Increase - CalPERS 2000-2019 Experience Study
Mortality, Termination, Disability and Retirement	CalPERS 2000-2019 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2021
Medical Trend	Non-Medicare - Actual Premium for 2024, 8.50% for 2025, decreasing to 3.45% in 2076; Medicare - Actual Premium for 2024, 7.50% for 2025, decreasing to 3.45% in 2076
PEMHCA* Minimum Increase Rate	3.50% annually

*Public Employees' Medical and Hospital Care Act (PEMHCA)

The discount rate was based on the Fidelity Municipal General Obligation AA 20-year bond index.

There was no experience study performed for the OPEB Plan. The actuarial assumptions used in the June 30, 2023 valuation were based on CalPERS experience studies, since covered employees are also in CalPERS plans. Mortality Improvement is the most recent Society of Actuaries table. Inflation is based on the actuary's estimate for the OPEB Plan's very long-time horizon. The short-term healthcare trend was developed in consultation by the actuary with Axene Health Partners' healthcare actuaries. The long-term healthcare trend was developed using Society of Actuaries' Getzen Model of Long-Run Medical Cost Trends.

Changes in the Total OPEB Liability - The changes in the Total OPEB Liability follow:

	Total OPEB Liability
Balance at June 30, 2023	$ 164,055,184
Changes for the year:	
Service Cost	7,315,290
Interest	6,178,938
Differences between Actual and Expected Experience	(10,395,164)
Changes in Assumptions	(4,569,300)
Benefit Payments	(7,839,062)
Net Changes	(9,309,298)
Balance at June 30, 2024	$ 154,745,886

Change of Assumptions – In 2023, the accounting discount rate increased from 3.69 percent to 3.86 percent.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the Total OPEB liability of the County, as well as what the County's Total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.86 percent) or one percentage point higher (4.86 percent) than the current rate:

Total OPEB Liability		
2.86% (1% Decrease)	3.86% (Current Discount Rate)	4.86% (1% Increase)
$ 173,749,396	$ 154,745,886	$ 138,867,475

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates – The following presents the Total OPEB liability of the County, as well as what the County's Total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Total OPEB Liability		
(1% Decrease)	(Current Healthcare Trend)	(1% Increase)
$ 146,281,586	$ 154,745,886	$ 168,641,382

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

For the year ended June 30, 2024, the County recognized OPEB expense of $4,675,039.

At June 30, 2024, the County's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred of Inflows of Resources
OPEB Contributions Subsequent to Measurement Date	$ 7,746,808	$ -
Differences Between Expected and Actual Experience	-	18,361,629
Changes in Assumptions or Other Inputs	11,262,785	33,187,527
Total	$ 19,009,593	$ 51,549,156

$7,746,808 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, 2025.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2025	$ (7,166,760)
2026	(7,007,985)
2027	(7,216,647)
2028	(9,270,702)
2029	(7,486,493)
Thereafter	(2,137,784)
Total	$ (40,286,371)

NOTE 16 - DEFERRED COMPENSATION PLAN

The County offers all of its full-time employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The deferred compensation plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or emergency. Employees direct the investment of deferred compensation plan assets into certificates of deposits and various mutual funds. The County has insignificant administrative duties.

As of June 30, 2024, the deferred compensation plan's assets of $277,237,482 are not recorded in the County's financial statements as they are deposited with a third party administrator independent of the County.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

A. ***Construction contracts***

As of June 30, 2024, the County has construction contract commitments included in the following funds in the following amounts:

Off Highway, Road, and Transportation Fund	$ 11,191,654
Capital Projects Fund	6,715,439
	$ 17,907,093

B. ***Litigation***

There are several lawsuits and unresolved disputes involving the County or its employees in which the County is represented by the County Counsel. However, in the opinion of the County Counsel these actions will not, in the aggregate, have a material adverse effect upon the operations or financial position of the County.

C. ***Federal and State Grants***

The County participates in a number of Federal and State grant programs subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, management does not believe that audit disallowances, if any, would have a significant effect on the financial position of the County.

D. ***Medicare and Medi-Cal Reimbursements***

The County's Medicare and Medi-Cal cost reports for certain prior years are in various stages of review by the third-party intermediaries and have not been settled as a result of certain unresolved reimbursement issues. The County believes that it has adequately provided for any potential liabilities which may arise from the intermediaries' review.

E. ***Encumbrances***

As discussed in the Required Supplementary Information of this report under Budgetary Principles, the County uses Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. This method of accounting ensures effective budgetary control and accountability, and facilitates effective cash planning and control. At year-end, the amount of encumbrances expected to be paid in the next year were as follows:

General Fund	$ 7,030,857
Nonmajor Governmental	18,499,236
Enterprise Funds	17,054,976
Internal Service Funds	1,794,331
	$ 44,379,400

NOTE 18 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; medical malpractice; unemployment coverage; and dental benefits to employees. The County is self-insured for its general and automobile liability, workers' compensation, property, unemployment insurance and employees' dental coverage. The County has chosen to establish risk-financing internal service funds, where assets are set aside for claim settlements associated with the above risk of loss up to certain limits. Excess coverage is provided by the California State Association of Counties (CSAC) Excess Insurance Authority (Insurance Authority), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its member counties. The Insurance Authority is governed by a Board of Directors consisting of representatives of the member counties. Self-insurance limits per occurrence and Insurance Authority limits per year are as presented in the Statistical Section of this report.

Amounts in excess of these limits are self-insured. None of the insurance settlements over the past three years has exceeded the amount of insurance coverage. As of June 30, 2024, the workers' compensation liability limit per occurrence was $500,000.

The unpaid claims liability included in each of the Self-Insurance Internal Service Funds is based on the results of actuarial studies and includes amounts for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. It is the County's practice to obtain full actuarial studies bi-annually for the Liability/Property and Workers Compensation program. Annual premiums are charged by each Self-Insurance fund using various allocation methods which include actual costs, claims experience, and number of participants.

The change in the balance of claims liabilities during the fiscal year ended June 30, 2024, and two prior years for all Self-Insurance Internal Service Funds combined is as follows:

	2024	2023	2022
Unpaid claims and claim adjustment expenses, beginning of the fiscal year	$ 57,647,829	$ 52,706,649	$ 52,745,464
Incurred claims and claim adjustment expenses	14,522,677	11,192,103	10,929,583
Increase (decrease) in provision of insured events for prior years	2,340,139	4,941,180	(38,814)
Claim payments	(14,522,677)	(11,192,103)	(10,929,584)
Unpaid claims and claim adjustment expenses, end of the fiscal year	$ 59,987,968	$ 57,647,829	$ 52,706,649

At June 30, 2024, the Self-Insurance Funds held a total of $29,770,098 in cash for the payment of these claims.

A. ***Workers' Compensation***

The Workers' Compensation self-insurance program is funded on a cash flow plus contingency reserve basis. The County is liable for the first $500,000 and carries catastrophic insurance coverage. At June 30, 2024, the estimated future liabilities were $37,738,000. As permitted by State and Federal guidelines, the Workers' Compensation program is funded on a pay-as-you-go basis. The funding is closely monitored to ensure that claims are paid when due or required by law.

B. ***Dental and Medical***

The County provides a self-funded indemnity dental program for employees and their dependents and is funded by the various County departments through charges to their salary and benefits budgets. At June 30, 2024, the County had an estimated future liability of $369,733 for dental benefits. The County is fully insured for its alternative capitation dental program and for medical coverage for employees represented by the Santa Cruz County Deputy Sheriffs' Association and the Santa Cruz County Lieutenants' Association.

C. ***Liability and Property***

The County has a self-insured retention of $1 million with excess insurance coverage for the general liability program. At June 30, 2024, the County had estimated future liabilities totaling $21,821,000 which included estimates for known claims and losses incurred but not reported (IBNR).

D. ***Unemployment Insurance***

The Unemployment Insurance self-insurance program is considered a "reimbursable" program by the Employment Development Department (EDD), since EDD provides benefits and bills the County quarterly after the fact. As billings are always one quarter in arrears, the estimated future liabilities are based on 25% of the amount budgeted for the new fiscal year. At June 30, 2024, estimated future liabilities were $59,235.

NOTE 19 - FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (see Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2024, is as follows:

	General Fund	Off Highway, Road, and Transportation Fund	Housing Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:							
Prepaids	$ 1,655,408	$ -	$ -	$ -	$ -	$ -	$ 1,655,408
Advances and loans	70,000	-	-	-	-	-	70,000
Total nonspendable fund balance	1,725,408	-	-	-	-	-	1,725,408
Restricted for:							
Purpose of fund	-	17,830,371	89,886,979	-	-	41,658,790	149,376,140
Debt service	-	-	-	-	32,118,716	-	32,118,716
Capital asset acquisition	-	-	-	2,163,871	-	-	2,163,871
COVID 19 Pandemic	13,656	-	-	-	-	-	13,656
Local Innovation	842,475	-	-	-	-	-	842,475
Cannabis Equity Grant	3,742	-	-	-	-	-	3,742
Recorder Micrographics	148,220	-	-	-	-	-	148,220
Recorder Improvement	823,384	-	-	-	-	-	823,384
Recorder Electronic Record Deletion	136,626	-	-	-	-	-	136,626
Vital Statistics	62,176	-	-	-	-	-	62,176
Child Support Services	476,744	-	-	-	-	-	476,744
DA Consumer Fraud	3,564,503	-	-	-	-	-	3,564,503
Emergency Watershed Projects	871,913	-	-	-	-	-	871,913
DA SLESF	-	-	-	-	-	-	-
Health Care Programs	7,787,455	-	-	-	-	-	7,787,455
Human Services/ Welfare Programs	1,392,659	-	-	-	-	-	1,392,659
Homeless Programs	495,252	-	-	-	-	-	495,252
Parks Projects	1,088,294	-	-	-	-	-	1,088,294
Veterans Memorial Building	12,291	-	-	-	-	-	12,291
Deferred Compensation Oversight	87,543	-	-	-	-	-	87,543
Planning Building Training	68,445	-	-	-	-	-	68,445
Emergency Rental Assistance	51	-	-	-	-	-	51
Probation Programs	3,864,884	-	-	-	-	-	3,864,884
Probation SLESF	900,379	-	-	-	-	-	900,379
Probation Realignment	13,256,217	-	-	-	-	-	13,256,217
Public Defender	204,999	-	-	-	-	-	204,999
Sheriff Drug Forfeiture	907,633	-	-	-	-	-	907,633
Sheriff Programs	3,077,737	-	-	-	-	-	3,077,737
Sheriff SLESA/SLESF	1,029,214	-	-	-	-	-	1,029,214
Sheriff Realignment	1,940,250	-	-	-	-	-	1,940,250
Total restricted fund balance	43,056,742	17,830,371	89,886,979	2,163,871	32,118,716	41,658,790	226,715,469

	General Fund	Off Highway, Road, and Transportation Fund	Housing Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Committed to:							
Natural Disasters	$ 2,000,000	$ -	$ -	$ -	$ -	$ -	$ 2,000,000
Working Capital	6,000,000	-	-	-	-	-	6,000,000
Strategic reserve	10,000,000	-	-	-	-	-	10,000,000
MHSA Prudent Reserve	2,997,367	-	-	-	-	-	2,997,367
Total committed fund balance	20,997,367	-	-	-	-	-	20,997,367
Assigned to:							
Federally qualified health program	51,231,211	-	-	-	-	-	51,231,211
Budgeted structural deficit	11,646,039	-	-	-	-	-	11,646,039
Eliminate projected budgetary deficit in subsequent year's budget	39,395,363	-	-	-	-	-	39,395,363
Unanticipated liabilities	2,000,000	-	-	-	-	-	2,000,000
Human services programs	7,440,174	-	-	-	-	-	7,440,174
Salary savings	1,174,177	-	-	-	-	-	1,174,177
Other purposes	3,530,930	-	-	-	-	-	3,530,930
Total assigned fund balance	116,417,894	-	-	-	-	-	116,417,894
Unassigned Fund Balance	-	-	-	-	-	(721,939)	(721,939)
Total fund balances	$ 182,197,411	$ 17,830,371	$ 89,886,979	$ 2,163,871	$ 32,118,716	$ 40,936,851	$ 365,134,199

NOTE 20 – CHANGES TO OR WITHIN THE FINANCIAL REPORTING ENTITY

Correction of Errors in Previously Issued Financial Statements

Housing Fund - In fiscal year 2024, the County of Santa Cruz Housing Fund identified seven affordable housing program loans that were written off from the original Developer's liability when the units were sold in fiscal year 2020. The seven new affordable housing loan agreements remained loan receivables when purchased by the new individual homeowners. Therefore, total loans receivable and fund balance were understated by $1,526,086. The effect of correcting the error is an increase to fund balance of $1,526,086 and is shown in the table below.

Boulder Creek CSA 7 - In fiscal year 2022 the Boulder Creek CSA 7 Enterprise fund submitted an insurance claim for $2,169,476 for the cost to rebuild the Boulder Creek treatment plant, which was destroyed in the CZU Lightning Fire. In fiscal year 2024 the insurance carrier paid $1,030,641 and denied the remaining $1,138,835. Revenue from insurance proceeds should only be recognized once an insurance claim is approved. Therefore, revenue was overstated by $2,169,467 for the fiscal year ended June 30, 2022, receivables were overstated by $2,169,467 for the fiscal years ended June 30, 2022 and 2023, and revenue was understated by $1,030,641 for the fiscal year ended June 30, 2024. The effect of correcting the error is a reduction to fund balance of $1,138,835, and is shown in the table below.

Investment Trust Funds - Changes to beginning balances of investment trust funds are due to timing differences between when the County and the fiduciary funds issue financial reports. The differences require adjustments to ensure the accurate alignment of financial information between the entities.

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances				
	Funds		Government-Wide		Fiduciary Funds
	Housing Fund	Boulder Creek CSA 7	Governmental Activities	Business-Type Activities	Investment Trust Funds
June 30, 2023, as previously reported	$ 88,766,639	$ 6,869,080	$ 216,353,870	$ 50,868,170	$ 963,743,262
Error corrections	1,526,086	(1,138,835)	1,526,086	(1,138,835)	(5,882,255)
June 30, 2023, as restated	$ 90,292,725	$ 5,730,245	$ 217,879,956	$ 49,729,335	$ 957,861,007

NOTE 21 - SUBSEQUENT EVENTS

On July 5, 2024, the County paid the principal and interest of the 2023-24 Tax and Revenue Anticipation Notes in the total amount of $64,041,528. On July 2, 2024, the County issued the 2024-25 Tax and Revenue Anticipation Notes in the amount of $ 48,000,000. The 2024-25 Tax and Revenue Anticipation Notes bear interest at the rate of 5.0% and mature on July 1, 2025. The County issues tax and revenue anticipation notes annually to meet current expenses, capital expenditures, and other obligations or indebtedness until sufficient taxes or revenues are collected to fund the County's operations.

NOTE 22 - EXCESS EXPENDITURES OVER APPROPRIATIONS

The following Funds had expenditures that exceeded appropriations:

Account with excess expenditures	Excess Amount
General Fund - Public Protection	
District Attorney - Services and supplies	$ 11,219
Debt Service Fund	
Principal	3,326,539
Santa Cruz Flood and Water Conservation Fund	
Interest	46,371
Recreation and Cultural Services Fund	
Current expenditures	126,750

General Fund – Public Protection: District Attorney - Services and supplies. Expenditures exceeded appropriations due to a failure to budget for year-end expenditure accruals.

Debt Service Fund - Principal. Expenditures exceeded appropriations due to a failure to budget for the refunding payment for the 2014 bond.

Santa Cruz Flood and Water Conservation Fund - Interest. Expenditures exceeded appropriations due to a failure to budget expenditures for interest expense caused by negative monthly interest allocation as a result of negative cash balances.

Recreation and Cultural Services Fund – Current expenditures. Expenditures exceeded appropriations due to a failure to budget for un-posted transactions that were identified during the review process and recorded at year end.

NOTE 23 – TAX ABATEMENTS

The County provides property tax abatements through the Williamson Act program (the California Land Conservation Act of 1965), which allows eligible property owners to enter into a contract to preserve commercial agricultural land. Applications to enter into a new contract or to not renew or cancel an existing contract require approval from the County Board of Supervisors with recommendations from the Agricultural Policy Advisory Commission and the Planning Commission.

Contracts are usually approved for a term of 10 or 20 years and automatically renew every year. The contract is maintained at the original term until the contract is not renewed by the property owner or the County, or until the contract is canceled by the property owner. In the past, the State reimbursed counties to partially offset the loss of property tax revenue, but they discontinued the subvention payments in 2009. In response, the County resolved to not accept or take action on applications for new contracts.

To be eligible for the tax abatement, the parcels must be located within an Agricultural Preserve as Type 1, 2, or 3, and zoned Commercial Agriculture, Agriculture Preserve, or Timber Production. They must also be designated as Agriculture, Mountain Residential, Parks and Open Space, or Resource Conservation. Parcels must be at least 10 acres if designated as Type 1 or 3 and at least 40 acres if designated as Type 2.

Properties under contract will often be eligible for a reduced land value assessment. The Assessor's office values the parcels under contract annually using the lowest of three value calculations: the Proposition 13 value, the Fair value, or the Restricted value. The Restricted value is calculated based on the potential income the land could produce based on the land classification and type of agriculture it could support.

No other commitments were made by the County as part of the Williamson Act. For the fiscal year ended June 30, 2024, the Agricultural Preserve Program tax abatements were $486,601.

Required Supplementary Information

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

BUDGETARY PRINCIPLES

General Budget Policies

In accordance with Chapter 1, Division 3, Title 3, of the Government Code of the State of California, known as the "Budget Act," the County of Santa Cruz (County) prepares and adopts a budget for each fiscal year. The budget is a compilation of operating budgets from: individual functional units within the General Fund, Special Revenue Funds, Capital Projects Fund, and Proprietary Funds (operating plans).

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

A. On or before June 10, each official in charge of a budget provides the County Administrative Officer an itemized request detailing the estimate of financing sources, financing uses, and any other matters required by the Board of Supervisors (Board). The auditor provides the estimates for bonded debt service requirements.

B. Prior to July 1, the County Administrative Officer submits to the Board a recommended budget for the fiscal year commencing the following July 1. By formal action, the Board approves the recommended budget, including the revisions it deems necessary.

C. On or before September 8, the Board publishes a notice in a newspaper of general circulation stating that the recommended budget documents are available to the public, and the dates of the public hearings at which any member of the public may attend and be heard on any item in the recommended budget.

D. On or before October 2, public hearings are conducted to obtain public comments, and the budget is legally adopted through the passage of a resolution. The public hearings shall be concluded within 14 calendar days.

E. On or before December 1, the Auditor-Controller publishes a final budget as recommended by the County Administrative Officer and adopted by the Board, in a format prescribed by the State Controller.

F. Budget units are expenditure classifications which identify accounting or cost centers necessary or desirable for control of the County financial operation.

G. The County uses formal budgetary integration as a management control device during the year for the primary government and all blended component units, except the Financing Authorities and certain Special Revenue Funds, which do not annually adopt a budget.

H. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) except for the following different classifications:
   - Interfund transfers are reported as revenues or expenditures for budgetary purposes, however, for GAAP purposes are reported as other financing sources or uses.
   - Proceeds from the sale of assets and the issuance of new debt are reported as revenues for budgetary purposes, however, for GAAP purposes they are reported as other financing sources.

I. Budgetary control is maintained at the character level, except for capital assets and other charges which are controlled by line item. Character levels are appropriation totals for salaries and employee benefits, and services and supplies. The Board approves all transfers of budgeted appropriation amounts between budget units within any fund or between expenditures outside of budgetary control limits. Unencumbered appropriations at year-end lapse into fund balance. See the following paragraph for encumbered appropriations at year-end.

The Board made several supplementary budgetary appropriations throughout the year, primarily to the Special Revenue and Capital Projects Funds. Other supplemental budgetary appropriations in other funds were not considered material.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the General and Special Revenue Funds. Encumbrances outstanding at year-end are reported as part of the fund balance assigned to eliminate projected budgetary deficit in subsequent year's budget since they do not constitute expenditures or liabilities. Encumbrances at year-end are re-budgeted in the new year.

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes	$ 179,783,152	$ 180,063,152	$ 172,926,545	$ (7,136,607)
Licenses and permits	18,283,060	18,283,060	16,915,955	(1,367,105)
Fines, forfeits and penalties	8,909,035	8,909,035	6,625,072	(2,283,963)
Use of money and property	3,518,671	3,534,023	11,623,116	8,089,093
Aid from other governments	416,014,415	481,359,711	455,653,741	(25,705,970)
Charges for services	97,387,501	100,701,259	79,286,489	(21,414,770)
Other	8,946,119	11,786,579	10,182,802	(1,603,777)
Total Revenues	732,841,953	804,636,819	753,213,720	(51,423,099)
EXPENDITURES:				
General Government:				
Board of Supervisors				
Salaries and employee benefits	3,364,717	3,364,717	3,229,920	134,797
Services and supplies	238,576	267,575	251,391	16,184
Total	3,603,293	3,632,292	3,481,311	150,981
Administrative Office				
Salaries and employee benefits	6,672,891	6,737,641	6,134,379	603,262
Services and supplies	5,019,252	10,805,317	2,666,837	8,138,480
Other charges	315	315	-	315
Intrafund transfers	(1,329,478)	449,007	(1,132,594)	1,581,601
Total	10,362,980	17,992,280	7,668,622	10,323,658
Auditor-Controller				
Salaries and employee benefits	6,646,564	6,805,159	6,805,158	1
Services and supplies	2,444,797	2,240,074	1,968,851	271,223
Capital assets	-	39,047	39,046	1
Intrafund transfers	(2,366,065)	(2,900,017)	(2,633,232)	(266,785)
Appropriations for contingencies	-	7,081	-	7,081
Total	6,725,296	6,191,344	6,179,823	11,521
Assessor				
Salaries and employee benefits	3,381,490	3,426,430	3,372,968	53,462
Services and supplies	793,375	790,875	595,295	195,580
Intrafund transfers	(184,918)	(184,918)	49,986	(234,904)
Total	3,989,947	4,032,387	4,018,249	14,138
County Counsel				
Salaries and employee benefits	5,140,013	5,145,677	5,145,677	-
Services and supplies	274,737	269,661	267,486	2,175
Other charges	-	322,428	322,428	-
Intrafund transfers	(1,665,634)	(1,940,584)	(1,791,555)	(149,029)
Total	3,749,116	3,797,182	3,944,036	(146,854)
Personnel				
Salaries and employee benefits	4,771,259	5,061,302	5,061,301	1
Services and supplies	4,060,005	4,111,993	3,995,295	116,698
Intrafund transfers	(1,837,967)	(2,101,238)	(2,103,902)	2,664
Total	6,993,297	7,072,057	6,952,694	119,363

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES, Continued:				
General Government, Continued:				
County Clerk/Elections				
Salaries and employee benefits	$ 2,552,260	$ 2,552,260	$ 2,508,159	$ 44,101
Services and supplies	2,560,669	2,740,267	2,427,439	312,828
Intrafund transfers	-	-	384	(384)
Appropriations for contingencies	-	175,815	-	175,815
Total	5,112,929	5,468,342	4,935,982	532,360
Communications				
Salaries and employee benefits	943,165	990,083	980,627	9,456
Services and supplies	754,711	631,022	471,291	159,731
Capital assets	55,000	94,781	94,781	-
Intrafund transfers	(1,030,547)	(1,040,923)	(1,117,751)	76,828
Total	722,329	674,963	428,948	246,015
General Services				
Salaries and employee benefits	7,930,792	8,134,604	7,518,001	616,603
Services and supplies	5,661,066	5,809,603	5,800,832	8,771
Other charges	-	17,535	17,535	-
Capital assets	-	30,000	28,334	1,666
Intrafund transfers	(8,027,547)	(7,250,025)	(6,959,683)	(290,342)
Appropriations for contingencies	-	41,720	-	41,720
Total	5,564,311	6,783,437	6,405,019	378,418
Emergency Services				
Services and supplies	2,032,317	2,032,318	2,032,318	-
Other charges	519,387	519,386	519,386	-
Intrafund transfers	-	-	4,526	(4,526)
Total	2,551,704	2,551,704	2,556,230	(4,526)
Community and Agency Support				
Services and supplies	9,709,367	9,624,885	9,043,827	581,058
Other charges	880,145	880,145	91,289	788,856
Intrafund transfers	(4,264,940)	(4,099,588)	(1,473,389)	(2,626,199)
Appropriations for contingencies	7,571,385	7,333,900	-	7,333,900
Total	13,895,957	13,739,342	7,661,727	6,077,615
Surveyor				
Services and supplies	629,417	619,750	437,419	182,331
Appropriations for contingencies	-	9,667	-	9,667
Total	629,417	629,417	437,419	191,998
Plant Acquisition				
Services and supplies	454,573	454,573	-	454,573
Total	454,573	454,573	-	454,573
Total General Government	64,355,149	73,019,320	54,670,060	18,349,260
Public Protection				
Courts				
Services and supplies	270,300	270,300	240,256	30,044
Other charges	1,737,863	1,737,863	1,737,862	1
Total	2,008,163	2,008,163	1,978,118	30,045

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES, Continued:				
Public Protection, Continued:				
Grand Jury				
Services and supplies	$ 51,422	$ 51,422	$ 51,102	$ 320
Total	51,422	51,422	51,102	320
Child Support				
Salaries and employee benefits	5,004,581	5,004,581	4,371,966	632,615
Services and supplies	805,213	673,668	265,250	408,418
Other charges	103,218	-	-	-
Intrafund transfers	1,000	250,032	311,030	(60,998)
Total	5,914,012	5,928,281	4,948,246	980,035
District Attorney				
Salaries and employee benefits	23,050,941	22,693,168	21,498,646	1,194,522
Services and supplies	2,338,051	2,306,014	2,317,233	(11,219)
Other charges	373,001	373,001	310,166	62,835
Capital assets	-	195,662	195,662	-
Intrafund transfers	(915,846)	(830,775)	(170,545)	(660,230)
Total	24,846,147	24,737,070	24,151,162	585,908
Public Defender				
Salaries and employee benefits	11,570,081	11,667,135	11,667,135	-
Services and supplies	5,350,812	4,972,519	4,955,910	16,609
Other charges	-	2,994	2,994	-
Intrafund transfers	-	9,100	(170,825)	179,925
Total	16,920,893	16,651,748	16,455,214	196,534
Sheriff-Coroner				
Salaries and employee benefits	71,684,086	73,827,319	68,400,058	5,427,261
Services and supplies	27,870,658	25,462,222	24,247,231	1,214,991
Other charges	191,323	180,607	157,577	23,030
Capital assets	193,542	898,196	898,196	-
Intrafund transfers	815,360	1,596,563	1,593,733	2,830
Appropriations for contingencies	-	1,794,137	-	1,794,137
Total	100,754,969	103,759,044	95,296,795	8,462,249
Probation Department				
Salaries and employee benefits	20,610,430	20,956,537	19,170,537	1,786,000
Services and supplies	9,102,211	8,795,165	7,322,727	1,472,438
Other charges	29,000	29,000	1,412	27,588
Capital assets	-	26,566	26,566	-
Intrafund transfers	3,172,690	3,289,802	2,549,497	740,305
Appropriations for contingencies	-	14,675	-	14,675
Total	32,914,331	33,111,745	29,070,739	4,041,006
Agricultural Commissioner/Weights and Measures				
Salaries and employee benefits	2,628,587	2,628,587	2,436,438	192,149
Services and supplies	391,498	391,498	364,798	26,700
Intrafund transfers	(153,102)	(153,102)	(138,366)	(14,736)
Total	2,866,983	2,866,983	2,662,870	204,113

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES, Continued:				
Public Protection, Continued:				
Public Works - Roads				
Services and supplies	$ 275,000	$ 275,000	$ 88,329	$ 186,671
Total	275,000	275,000	88,329	186,671
Recorder				
Salaries and employee benefits	877,676	903,339	903,339	-
Services and supplies	1,186,563	975,982	479,851	496,131
Other charges	64,636	-	-	-
Intrafund transfers	-	320,848	329,741	(8,893)
Total	2,128,875	2,200,169	1,712,931	487,238
County Emergency Office				
Salaries and employee benefits	66,743	83,830	42,746	41,084
Services and supplies	1,144,028	1,079,424	550,648	528,776
Other charges	102,174	619,189	210,858	408,331
Capital assets	35,599	35,599	15,324	20,275
Intrafund transfers	210,632	39,709	214,010	(174,301)
Appropriations for contingencies	-	935	-	935
Total	1,559,176	1,858,686	1,033,586	825,100
Planning Department				
Salaries and employee benefits	12,899,814	12,899,814	12,494,786	405,028
Services and supplies	4,143,476	5,619,569	3,946,716	1,672,853
Other charges	1,380,358	664,670	74,579	590,091
Capital assets	-	15,769	15,768	1
Intrafund transfers	(192,794)	(95,590)	1,405,021	(1,500,611)
Appropriations for contingencies	-	198,094	-	198,094
Total	18,230,854	19,302,326	17,936,870	1,365,456
Other Public Protection				
Other charges	2,182,138	2,182,138	2,150,722	31,416
Total	2,182,138	2,182,138	2,150,722	31,416
Total Public Protection	210,652,963	214,932,775	197,536,684	17,396,091
Health and Sanitation:				
Health Services Agency				
Salaries and employee benefits	118,053,695	115,974,484	107,054,111	8,920,373
Services and supplies	107,874,765	124,806,563	103,054,856	21,751,707
Other charges	35,185,480	27,805,279	25,340,452	2,464,827
Capital assets	1,010,511	1,592,082	271,143	1,320,939
Intrafund transfers	(16,874,064)	8,042,998	3,874,531	4,168,467
Appropriations for contingencies	-	1,084	-	1,084
Total	245,250,387	278,222,490	239,595,093	38,627,397
Mosquito Abatement				
Salaries and employee benefits	1,286,465	1,286,465	1,178,920	107,545
Services and supplies	692,652	692,652	336,650	356,002
Intrafund transfers	-	-	13,705	(13,705)
Total	1,979,117	1,979,117	1,529,275	449,842

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES, Continued:				
Health and Sanitation, Continued:				
Air Pollution				
Other charges	$ 66,283	$ 66,283	$ 66,283	$ -
Total	66,283	66,283	66,283	-
Total Health and Sanitation	247,295,787	280,267,890	241,190,651	39,077,239
Public Assistance:				
Human Services Department				
Salaries and employee benefits	78,124,329	75,217,310	74,819,920	397,390
Services and supplies	21,003,140	24,256,282	18,291,966	5,964,316
Other charges	55,764,590	54,803,262	51,402,192	3,401,070
Capital assets	118,000	677,303	420,875	256,428
Intrafund transfers	6,591,758	7,493,743	6,262,222	1,231,521
Appropriations for contingencies	-	313,070	-	313,070
Total	161,601,817	162,760,970	151,197,175	11,563,795
Community Programs				
Other charges	5,958,853	5,958,853	5,764,664	194,189
Total	5,958,853	5,958,853	5,764,664	194,189
Homeless				
Salaries and employee benefits	4,573,163	4,949,992	4,360,795	589,197
Services and supplies	13,704,908	15,101,928	12,921,163	2,180,765
Other charges	9,523,099	9,820,944	6,062,553	3,758,391
Intrafund transfers	(707,792)	(807,792)	(220,780)	(587,012)
Appropriations for contingencies	-	15,310	-	15,310
Total	27,093,378	29,080,382	23,123,731	5,956,651
Public Guardian				
Salaries and employee benefits	1,141,037	1,114,629	999,976	114,653
Services and supplies	96,466	122,874	60,145	62,729
Intrafund transfers	(755,870)	(755,870)	(225,497)	(530,373)
Total	481,633	481,633	834,624	(352,991)
Wards of Court				
Services and supplies	30,000	30,000	585	29,415
Other charges	1,369,000	1,369,000	455,391	913,609
Intrafund transfers	291	291	548,618	(548,327)
Total	1,399,291	1,399,291	1,004,594	394,697
Veterans Service Officer				
Salaries and employee benefits	606,516	606,516	603,630	2,886
Services and supplies	128,161	125,232	112,193	13,039
Appropriations for contingencies	-	2,929	-	2,929
Total	734,677	734,677	715,823	18,854
Total Public Assistance	197,269,649	200,415,806	182,640,611	17,775,195
Education:				
Agricultural Extension Services				
Salaries and employee benefits	128,588	125,920	109,502	16,418
Services and supplies	25,814	33,482	33,482	-
Other charges	5,000	-	-	-
Total	159,402	159,402	142,984	16,418
Total Education	159,402	159,402	142,984	16,418

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES, Continued:				
Recreation and Culture:				
Recreation and Cultural Services				
Salaries and employee benefits	$ 7,939,343	$ 7,689,343	$ 7,665,666	$ 23,677
Services and supplies	4,835,958	7,396,869	5,067,004	2,329,865
Other charges	572,086	572,086	529,575	42,511
Capital assets	360,000	360,000	-	360,000
Intrafund transfers	(386,649)	(567,533)	(484,354)	(83,179)
Appropriations for contingencies	-	79,666	-	79,666
Total	13,320,738	15,530,431	12,777,891	2,752,540
Total Recreation and Culture	13,320,738	15,530,431	12,777,891	2,752,540
Debt Service				
Services and supplies	167,000	167,000	135,461	31,539
Intrafund transfers	(8,394,474)	(8,338,028)	(669,253)	(7,668,775)
Principal	5,970,167	7,627,491	3,677,363	3,950,128
Interest	3,630,085	3,853,945	2,001,377	1,852,568
Total	1,372,778	3,310,408	5,144,948	(1,834,540)
Total Debt Service	1,372,778	3,310,408	5,144,948	(1,834,540)
Total Expenditures	734,426,466	787,636,032	694,103,829	93,532,203
REVENUES OVER (UNDER) EXPENDITURES	(1,584,513)	17,000,787	59,109,891	42,109,104
OTHER FINANCING SOURCES (USES):				
Transfers in	5,538,921	3,156,503	3,255,930	99,427
Transfers Out	(31,833,667)	(49,861,144)	(20,127,888)	29,733,256
Lease inception	-	-	547,281	547,281
Total other financing sources (uses)	(26,294,746)	(46,704,641)	(16,324,677)	30,379,964
Net change in fund balance	(27,879,259)	(29,703,854)	42,785,214	72,489,068
Fund balance, beginning	139,412,197	139,412,197	139,412,197	-
FUND BALANCE, ENDING	$ 111,532,938	$ 109,708,343	$ 182,197,411	$ 72,489,068

BUDGETARY COMPARISON SCHEDULE
OFF HIGHWAY, ROAD, AND TRANSPORTATION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes	$ 3,668,209	$ 3,668,209	$ 3,978,376	$ 310,167
Use of money and property	(242,300)	(242,300)	559,448	801,748
Aid from other governments	147,396,341	172,207,311	71,221,880	(100,985,431)
Charges for services	3,637,270	4,037,270	2,585,894	(1,451,376)
Other	25,000	25,000	319,783	294,783
Total revenues	154,484,520	179,695,490	78,665,381	(101,030,109)
EXPENDITURES:				
Current:				
Public ways and facilities	141,333,755	166,083,579	92,401,670	73,681,909
Principal	26,374	26,374	-	26,374
Interest	-	2,089,482	2,089,482	-
Total expenditures	141,360,129	168,199,435	94,491,152	73,708,283
REVENUES OVER (UNDER) EXPENDITURES	13,124,391	11,496,055	(15,825,771)	(27,321,826)
OTHER FINANCING SOURCES (USES):				
Transfers in	2,000,000	54,195,455	54,578,195	382,740
Total other financing sources (uses)	2,000,000	54,195,455	54,578,195	382,740
Net change in fund balances	15,124,391	65,691,510	38,752,424	(26,939,086)
Fund balance - beginning	(20,922,053)	(20,922,053)	(20,922,053)	-
FUND BALANCE, ENDING	$ (5,797,662)	$ 44,769,457	$ 17,830,371	$ (26,939,086)

BUDGETARY COMPARISON SCHEDULE
HOUSING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Use of money and property	$ 514,450	$ 514,450	$ 1,624,737	$ 1,110,287
Aid from other governments	11,682,254	11,682,254	4,130,977	(7,551,277)
Charges for services	500,000	500,000	795,567	295,567
Other	10,000	10,000	545,834	535,834
Total revenues	12,706,704	12,706,704	7,097,115	(5,609,589)
EXPENDITURES:				
Current:				
Public assistance	16,729,989	16,729,989	6,831,535	9,898,454
Total expenditures	16,729,989	16,729,989	6,831,535	9,898,454
REVENUES OVER (UNDER) EXPENDITURES	(4,023,285)	(4,023,285)	265,580	4,288,865
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,305,073)	(2,305,073)	(671,326)	1,633,747
Sale of general capital assets	(350,000)	(350,000)	-	350,000
Total other financing sources (uses)	(2,655,073)	(2,655,073)	(671,326)	1,983,747
Net change in fund balances	(6,678,358)	(6,678,358)	(405,746)	6,272,612
Fund balance - beginning, as previously reported	88,766,639	88,766,639	88,766,639	-
Restatement for correction of an error	-	-	1,526,086	1,526,086
Fund balance - beginning, as restated	88,766,639	88,766,639	90,292,725	1,526,086
FUND BALANCE, ENDING	$ 82,088,281	$ 82,088,281	$ 89,886,979	$ 7,798,698

AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2024
LAST 10 YEARS

	Miscellaneous									
Measurement Period	2022-23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Total Pension Liability										
Service Cost	$ 29,604,586	$ 29,071,891	$ 26,758,403	$ 24,938,175	$ 24,139,995	$ 24,150,259	$ 22,555,385	$ 20,403,352	$ 18,761,846	$ 19,489,676
Interest on the Total Pension Liability	103,807,463	99,697,278	96,844,686	91,880,806	87,980,867	84,049,445	77,995,878	78,852,555	71,962,162	68,452,545
Changes of Benefit Terms	1,926,083	-	-	-	-	-	-	-	-	-
Changes in Assumptions	0	42,608,913	-	-	-	(7,767,870)	62,091,454	-	(16,868,274)	-
Differences between Expected and	0	-								
Actual Experience	5,131,182	(6,353,377)	3,829,166	9,699,599	21,647,964	10,391,498	4,974,813	3,966,020	(13,201,310)	-
Benefit Payments, Including Refunds of										
Employee Contributions	(82,178,889)	(76,914,435)	(72,485,176)	(66,769,592)	(62,255,277)	(57,081,704)	(51,229,871)	(50,461,359)	(44,263,142)	(40,206,837)
Net Change in Total Pension Liability	58,290,425	88,110,270	54,947,079	59,748,988	71,513,549	53,741,628	116,387,659	52,760,568	16,391,282	47,735,384
Total Pension Liability - Beginning	1,511,666,123	1,423,555,853	1,368,608,774	1,281,589,245	1,210,075,696	1,156,334,068	1,039,946,409	987,185,841	970,794,559	923,059,175
Restatement for correction of an error	-	-	-	27,270,541	-	-	-	-	-	-
Total Pension Liability - as Restated	1,511,666,123	1,423,555,853	1,368,608,774	1,308,859,786	1,210,075,696	1,156,334,068	1,039,946,409	987,185,841	970,794,559	923,059,175
Total Pension Liability - Ending (a)	$ 1,569,956,548	$ 1,511,666,123	$ 1,423,555,853	$ 1,368,608,774	$ 1,281,589,245	$ 1,210,075,696	$ 1,156,334,068	$ 1,039,946,409	$ 987,185,841	$ 970,794,559
Plan Fiduciary Net Position										
Contribution - Employer	$ 54,186,761	$ 47,941,887	$ 43,047,943	$ 39,110,970	$ 34,309,935	$ 29,696,722	$ 28,166,164	$ 24,836,370	$ 20,788,368	$ 18,466,079
Contribution - Employee	13,535,646	11,958,088	11,872,705	11,821,856	10,979,359	10,680,415	10,534,891	9,898,794	9,264,211	8,586,012
Net Investment Income	62,575,959	(85,822,849)	204,724,368	48,459,289	56,536,290	69,528,113	82,225,749	4,227,340	16,986,820	112,250,826
Benefit Payments, Including Refunds of										
Employee Contributions	(82,178,889)	(76,914,435)	(72,485,176)	(66,769,592)	(62,255,277)	(57,081,704)	(51,229,871)	(50,461,359)	(44,263,142)	(40,206,837)
Net Plan to Plan Resource Movement	-	-	-	-	-	3,748	(61,373)	2,727	(29,360)	-
Administrative Expenses	(764,802)	(710,586)	(944,765)	(1,277,475)	(621,076)	(1,297,010)	(1,092,049)	(482,672)	(855,524)	-
Other Miscellaneous Income (Expense)[1]	-	-	-	-	2,017	(2,463,046)	-	-	-	-
Net Change in Plan Fiduciary Net Position	47,354,675	(103,547,895)	186,215,075	31,345,048	38,951,248	49,067,238	68,543,511	(11,978,800)	1,891,373	99,096,080
Plan Fiduciary Net Position - Beginning[2]	1,028,987,167	1,132,535,062	946,319,987	895,167,097	856,215,849	807,148,611	738,605,100	750,583,900	748,692,527	649,596,447
Restatement for correction of an error	-	-	-	19,807,842	-	-	-	-	-	-
Plan Fiduciary Net Position - as Restated	1,028,987,167	1,132,535,062	946,319,987	914,974,939	856,215,849	807,148,611	738,605,100	750,583,900	748,692,527	649,596,447
Plan Fiduciary Net Position - Ending (b)	$ 1,076,341,842	$ 1,028,987,167	$ 1,132,535,062	$ 946,319,987	$ 895,167,097	$ 856,215,849	$ 807,148,611	$ 738,605,100	$ 750,583,900	$ 748,692,527
Net Pension Liability - [(a) - (b)]	$ 493,614,706	$ 482,678,956	$ 291,020,791	$ 422,288,787	$ 386,422,148	$ 353,859,847	$ 349,185,457	$ 301,341,309	$ 236,601,941	$ 222,102,032

AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS

	Miscellaneous									
	2022-23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68.56%	57.85%	79.56%	69.14%	69.85%	70.76%	69.80%	71.02%	76.03%	77.12%
Covered Payroll[3]	$ 200,139,534	$ 175,923,248	$ 174,373,516	$ 165,010,030	$ 155,681,644	$ 154,561,652	$ 143,976,672	$ 142,900,632	$ 129,365,289	$ 128,891,450
Net Pension Liability as a Percentage of Covered Payroll	246.64%	274.37%	166.90%	255.92%	248.21%	228.94%	242.53%	210.87%	182.89%	172.32%

[1] During Fiscal Year 2017/18, as a result of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions* (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one time expense as a result of the adoption of GASB 75.
Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017/18 CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68).
[2] Includes any beginning of year adjustment.
[3] Includes one year's payroll growth using 2.80% for fiscal years ended June 30, 2023, 2.75% for fiscal years ended June 30, 2018-22; 3.0% payroll growth for June 30, 2014-2017.

AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS

	Safety									
Measurement Period	2022-23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Total Pension Liability										
Service Cost	$ 5,782,050	$ 5,666,318	$ 5,336,326	$ 5,091,972	$ 4,558,119	$ 4,574,156	$ 4,308,824	$ 3,699,113	$ 3,634,483	$ 3,669,984
Interest on the Total Pension Liability	17,625,636	16,747,614	16,272,917	15,446,336	13,872,701	13,301,864	12,144,727	12,245,682	10,356,153	10,663,258
Changes of Benefit Terms	199,357	-	-	-	-	-	-	-	-	-
Changes in Assumptions	-	4,807,984	-	-	-	(987,231)	10,635,917	-	(2,711,954)	-
Differences between Expected and Actual Experience	1,914,589	(169,874)	1,613,751	365,539	1,607,319	3,844,045	(170,518)	(115,359)	2,154,731	-
Benefit Payments, Including Refunds of Employee Contributions	(12,240,591)	(11,480,993)	(11,090,130)	(10,335,185)	(9,257,666)	(8,907,017)	(8,473,271)	(7,830,764)	(5,050,435)	(6,316,966)
Net Change in Total Pension Liability	13,281,041	15,571,049	12,132,864	10,568,662	10,780,473	11,825,817	18,445,679	7,998,672	8,382,978	8,016,276
Total Pension Liability - Beginning	256,561,311	240,990,262	228,857,398	208,950,158	198,169,685	186,343,868	167,898,189	159,899,517	151,516,539	143,500,263
Restatement for correction of an error	-	-	-	9,338,578	-	-	-	-	-	-
Total Pension Liability - as Restated	256,561,311	240,990,262	228,857,398	218,288,736	198,169,685	186,343,868	167,898,189	159,899,517	151,516,539	143,500,263
Total Pension Liability - Ending (a)	$ 269,842,352	$ 256,561,311	$ 240,990,262	$ 228,857,398	$ 208,950,158	$ 198,169,685	$ 186,343,868	$ 167,898,189	$ 159,899,517	$ 151,516,539
Plan Fiduciary Net Position										
Contribution - Employer	$ 5,237,472	$ 60,247,161	$ 7,900,517	$ 7,088,547	$ 5,787,644	$ 4,922,020	$ 4,636,859	$ 3,731,613	$ 4,503,776	$ 2,833,995
Contribution - Employee	2,404,792	2,330,061	2,184,434	2,135,615	1,839,392	1,845,744	1,731,239	1,613,925	1,200,032	1,364,228
Net Investment Income	13,502,488	(17,436,008)	35,254,179	7,472,935	8,840,214	10,848,222	12,764,280	588,970	2,087,758	17,564,582
Benefit Payments, Including Refunds of Employee Contributions	(12,240,591)	(11,480,993)	(11,090,130)	(10,335,185)	(9,257,666)	(8,907,017)	(8,473,271)	(7,830,764)	(5,050,435)	(6,316,966)
Net Plan to Plan Resource Movement	-	-	-	-	-	5,196	3,626	(106,353)	-	-
Administrative Expenses	(165,746)	(119,515)	(157,599)	(213,745)	(96,965)	(201,770)	(170,140)	(75,328)	(107,841)	-
Other Miscellaneous Income (Expense) [1]	-	-	-	-	315	(383,165)	-	-	-	-
Net Change in Plan Fiduciary Net Position	8,738,415	33,540,706	34,091,401	6,148,167	7,112,934	8,129,230	10,492,593	(2,077,937)	2,633,290	15,445,839
Plan Fiduciary Net Position - Beginning [2]	225,398,892	191,858,186	157,766,785	143,301,146	136,188,212	128,058,982	117,566,389	119,644,326	117,011,036	101,565,197
Restatement for correction of an error	-	-	-	8,317,472	-	-	-	-	-	-
Total Pension Liability - as Restated	225,398,892	191,858,186	157,766,785	151,618,618	136,188,212	128,058,982	117,566,389	119,644,326	117,011,036	101,565,197
Plan Fiduciary Net Position - Ending (b)	$ 234,137,307	$ 225,398,892	$ 191,858,186	$ 157,766,785	$ 143,301,146	$ 136,188,212	$ 128,058,982	$ 117,566,389	$ 119,644,326	$ 117,011,036
Net Pension Liability - [(a) - (b)]	$ 35,705,045	$ 31,162,419	$ 49,132,076	$ 71,090,613	$ 65,649,012	$ 61,981,473	$ 58,284,886	$ 50,331,800	$ 40,255,191	$ 34,505,503

AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS

	Safety									
	2022-23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.77%	95.15%	79.61%	68.94%	68.58%	68.72%	68.72%	70.02%	74.82%	77.23%
Covered Payroll [3]	$ 21,907,647	$ 21,251,640	$ 21,508,771	$ 19,318,222	$ 18,152,606	$ 18,204,149	$ 17,259,459	$ 16,451,469	$ 15,444,933	$ 15,601,682
Net Pension Liability as a Percentage of Covered Payroll	162.98%	146.64%	228.43%	368.00%	361.65%	340.48%	337.70%	305.94%	260.64%	221.17%

[1] During Fiscal Year 2016/17, as a result of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions* (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one time expense as a result of the adoption of GASB 75.
Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2016/17 CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68).

[2] Includes any beginning of year adjustment.

[3] Includes one year's payroll growth using 2.80% for fiscal years ended June 30, 2023, 2.75% for fiscal years ended June 30, 2018-20; 3.0% payroll growth for June 30, 2014-2017.

AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS

	Safety Sheriff									
Measurement Period	2022-23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Total Pension Liability										
Service Cost	$ 6,010,624	$ 6,180,206	$ 5,589,220	$ 5,369,171	$ 4,665,792	$ 4,674,676	$ 4,330,397	$ 3,942,199	$ 3,490,555	$ 3,589,667
Interest on the Total Pension Liability	18,056,355	16,957,037	16,035,608	15,255,279	13,603,359	12,876,163	11,690,824	11,528,363	11,193,336	9,442,627
Changes of Benefit Terms	68,272	-	-	-	-	-	-	-	-	-
Changes in Assumptions	-	10,879,604	-	-	-	(600,321)	10,427,243	-	(2,818,825)	-
Differences between Expected and Actual Experience	4,469,453	(748,278)	(211,700)	518,877	2,640,793	2,605,790	1,105,968	531,702	(2,577,906)	-
Benefit Payments, Including Refunds of Employee Contributions	(12,160,019)	(11,156,038)	(9,987,419)	(9,230,726)	(7,914,704)	(7,436,783)	(6,321,116)	(5,816,534)	(7,060,615)	(4,529,774)
Net Change in Total Pension Liability	16,444,685	22,112,531	11,425,709	11,912,601	12,995,240	12,119,525	21,233,316	10,185,730	2,226,545	8,502,520
Total Pension Liability - Beginning	260,223,275	238,110,744	226,685,035	193,634,623	180,639,383	168,519,858	147,286,542	137,100,812	134,874,267	126,371,747
Restatement for correction of an error	-	-	-	21,137,811	-	-	-	-	-	-
Total Pension Liability - as Restated	260,223,275	238,110,744	226,685,035	214,772,434	180,639,383	168,519,858	147,286,542	137,100,812	134,874,267	126,371,747
Total Pension Liability - Ending (a)	$ 276,667,960	$ 260,223,275	$ 238,110,744	$ 226,685,035	$ 193,634,623	$ 180,639,383	$ 168,519,858	$ 147,286,542	$ 137,100,812	$ 134,874,267
Plan Fiduciary Net Position										
Contribution - Employer	$ 5,645,714	$ 73,186,382	$ 9,350,436	$ 8,388,407	$ 6,884,641	$ 6,124,769	$ 5,773,111	$ 5,279,477	$ 3,212,095	$ 3,752,346
Contribution - Employee	2,131,912	1,909,269	2,057,951	1,890,730	1,614,412	1,650,182	1,417,068	1,383,847	1,434,076	1,538,338
Net Investment Income	13,280,369	(16,837,943)	32,004,948	6,714,522	7,744,718	9,329,278	10,827,138	509,520	2,674,451	13,619,878
Benefit Payments, Including Refunds of Employee Contributions	(12,160,019)	(11,156,038)	(9,987,419)	(9,230,726)	(7,914,704)	(7,436,783)	(6,321,116)	(5,816,534)	(7,060,615)	(4,529,774)
Net Plan to Plan Resource Movement	-	-	-	-	-	(11,582)	53,634	(3,877)	-	-
Administrative Expenses	(163,399)	(109,147)	(141,777)	(189,407)	(84,414)	(172,445)	(141,537)	(60,831)	(133,531)	-
Other Miscellaneous Income (Expense)[1]	-	-	-	-	274	(327,476)	-	-	-	-
Net Change in Plan Fiduciary Net Position	8,734,577	46,992,523	33,284,139	7,573,526	8,244,927	9,155,943	11,608,298	1,291,602	126,476	14,380,788
Plan Fiduciary Net Position - Beginning[2]	222,204,533	175,212,010	141,927,871	122,444,282	114,199,355	105,043,412	93,435,114	92,143,512	92,017,036	77,636,247
Restatement for correction of an error	-	-	-	11,910,063	-	-	-	-	-	-
Total Pension Liability - as Restated	222,204,533	175,212,010	141,927,871	134,354,345	114,199,355	105,043,412	93,435,114	92,143,512	92,017,036	77,636,247
Plan Fiduciary Net Position - Ending (b)	$ 230,939,110	$ 222,204,533	$ 175,212,010	$ 141,927,871	$ 122,444,282	$ 114,199,355	$ 105,043,412	$ 93,435,114	$ 92,143,512	$ 92,017,035
Net Pension Liability - [(a) - (b)]	$ 45,728,850	$ 38,018,742	$ 62,898,734	$ 84,757,164	$ 71,190,341	$ 66,440,028	$ 63,476,446	$ 53,851,428	$ 44,957,300	$ 42,857,232

AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS

	Safety Sheriff									
	2022-23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.47%	95.35%	73.58%	73.58%	62.61%	63.23%	63.22%	62.33%	63.44%	67.21%
Covered Payroll[3]	$ 18,987,676	$ 19,142,239	$ 19,246,627	$ 17,416,105	$ 15,811,955	$ 15,575,504	$ 14,344,287	$ 14,432,887	$ 13,136,045	$ 12,367,504
Net Pension Liability as a Percentage of Covered Payroll	240.83%	198.61%	326.80%	486.66%	450.23%	426.57%	442.52%	373.12%	342.24%	346.53%

[1] During Fiscal Year 2016/17, as a result of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions* (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one time expense as a result of the adoption of GASB 75.
Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2016/17 CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68).

[2] Includes any beginning of year adjustment.

[3] Includes one year's payroll growth using 2.80% for fiscal years ended June 30, 2023, 2.75% for fiscal years ended June 30, 2018-20; 3.0% payroll growth for June 30, 2014-2017.

AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS

	TOTAL									
Measurement Period	2022-23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Total Pension Liability										
Service Cost	$ 41,397,260	$ 40,918,415	$ 37,683,949	$ 35,399,318	$ 33,363,906	$ 33,399,091	$ 31,194,606	$ 28,044,664	$ 25,886,884	$ 26,749,327
Interest on the Total Pension Liability	139,489,454	133,401,929	129,153,211	122,582,421	115,456,927	110,227,472	101,831,429	102,626,600	93,511,651	88,558,430
Changes of Benefit Terms	2,193,712	-	-	-	-	-	-	-	-	-
Changes in Assumptions	-	58,296,501	-	-	-	(9,355,422)	83,154,614	-	(22,399,053)	-
Differences between Expected and Actual Experience	11,515,224	(7,271,529)	5,231,217	10,584,015	25,896,076	16,841,333	5,910,263	4,382,363	(13,624,485)	-
Benefit Payments, Including Refunds of Employee Contributions	(106,579,499)	(99,551,466)	(93,562,725)	(86,335,503)	(79,427,647)	(73,425,504)	(66,024,258)	(64,108,657)	(56,374,192)	(51,053,577)
Net Change in Total Pension Liability	88,016,151	125,793,850	78,505,652	82,230,251	95,289,262	77,686,970	156,066,654	70,944,970	27,000,805	64,254,180
Total Pension Liability - Beginning	2,028,450,709	1,902,656,859	1,824,151,207	1,684,174,026	1,588,884,764	1,511,197,794	1,355,131,140	1,284,186,170	1,257,185,365	1,192,931,185
Restatement for correction of an error	-	-	-	57,746,930	-	-	-	-	-	-
Total Pension Liability - as Restated	2,028,450,709	1,902,656,859	1,824,151,207	1,741,920,956	1,588,884,764	1,511,197,794	1,355,131,140	1,284,186,170	1,257,185,365	1,192,931,185
Total Pension Liability - Ending (a)	$ 2,116,466,860	$ 2,028,450,709	$ 1,902,656,859	$ 1,824,151,207	$ 1,684,174,026	$ 1,588,884,764	$ 1,511,197,794	$ 1,355,131,140	$ 1,284,186,170	$ 1,257,185,365
Plan Fiduciary Net Position										
Contribution - Employer	$ 65,069,947	$ 181,375,430	$ 60,298,896	$ 54,587,924	$ 46,982,220	$ 40,743,511	$ 38,576,134	$ 33,847,460	$ 28,504,239	$ 25,052,420
Contribution - Employee	18,072,350	16,197,418	16,115,090	15,848,201	14,433,163	14,176,341	13,683,198	12,896,566	11,898,319	11,488,578
Net Investment Income	89,358,816	(120,096,800)	271,983,495	62,646,746	73,121,222	89,705,613	105,817,167	5,325,830	21,749,029	143,435,286
Benefit Payments, Including Refunds of Employee Contributions	(106,579,499)	(99,551,466)	(93,562,725)	(86,335,503)	(79,427,647)	(73,425,504)	(66,024,258)	(64,108,657)	(56,374,192)	(51,053,577)
Net Plan to Plan Resource Movement	-	-	-	-	-	(2,638)	(4,113)	(107,503)	(29,360)	-
Administrative Expenses	(1,093,947)	(939,248)	(1,244,141)	(1,680,627)	(802,455)	(1,671,225)	(1,403,726)	(618,831)	(1,096,896)	-
Other Miscellaneous Income (Expense)[1]	-	-	-	-	2,606	(3,173,687)	-	-	-	-
Net Change in Plan Fiduciary Net Position	64,827,667	(23,014,666)	253,590,615	45,066,741	54,309,109	66,352,411	90,644,402	(12,765,135)	4,651,139	128,922,707
Plan Fiduciary Net Position - Beginning[2]	1,476,590,592	1,499,605,258	1,246,014,643	1,160,912,525	1,106,603,416	1,040,251,005	949,606,603	962,371,738	957,720,599	828,797,891
Restatement for correction of an error	-	-	-	40,035,377	-	-	-	-	-	-
Total Pension Liability - as Restated	1,476,590,592	1,499,605,258	1,246,014,643	1,200,947,902	1,106,603,416	1,040,251,005	949,606,603	962,371,738	957,720,599	828,797,891
Plan Fiduciary Net Position - Ending (b)	$ 1,541,418,259	$ 1,476,590,592	$ 1,499,605,258	$ 1,246,014,643	$ 1,160,912,525	$ 1,106,603,416	$ 1,040,251,005	$ 949,606,603	$ 962,371,738	$ 957,720,598
Net Pension Liability - [(a) - (b)]	$ 575,048,601	$ 551,860,117	$ 403,051,601	$ 578,136,564	$ 523,261,501	$ 482,281,348	$ 470,946,789	$ 405,524,537	$ 321,814,432	$ 299,464,767

AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS

	TOTAL									
	2022-23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.83%	72.79%	78.82%	68.31%	68.93%	69.65%	68.84%	70.07%	74.94%	76.18%
Covered Payroll[3]	$ 241,034,857	$ 216,317,127	$ 215,128,914	$ 201,744,357	$ 189,646,205	$ 188,341,305	$ 175,580,418	$ 173,784,988	$ 157,946,267	$ 156,860,636
Net Pension Liability as a Percentage of Covered Payroll	238.57%	255.12%	187.35%	286.57%	275.91%	256.07%	268.22%	233.35%	203.75%	190.91%

[1] During Fiscal Year 2016/17, as a result of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions* (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one time expense as a result of the adoption of GASB 75.
Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2016/17 CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68).

[2] Includes any beginning of year adjustment.

[3] Includes one year's payroll growth using 2.80% for fiscal years ended June 30, 2023, 2.75% for fiscal years ended June 30, 2018-21; 3.0% payroll growth for June 30, 2014-2017.

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2021 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2017 through 2021, 7.65% for measurement dates 2015 through 2016, and 7.50% for measurement date 2014.

AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2024
LAST 10 YEARS

	Miscellaneous									
	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15
Actuarially Determined Contribution	$ 56,030,307	$ 49,660,268	$ 45,370,797	$ 42,429,388	$ 38,999,757	$ 34,309,935	$ 29,696,722	$ 28,166,164	$ 24,836,370	$ 20,788,368
Contributions in Relation to the Actuarially Determined Contribution	56,030,307	49,660,268	45,370,797	42,429,388	38,999,757	34,309,935	29,696,722	28,166,164	24,836,370	20,788,368
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 200,634,825	$ 181,956,276	$ 175,923,248	$ 174,373,516	$ 165,010,030	$ 155,681,644	$ 154,561,652	$ 143,976,672	$ 142,900,632	$ 129,365,289
Contributions as a Percentage of Covered Payroll	27.93%	27.29%	25.79%	24.33%	23.63%	22.04%	19.21%	19.56%	17.38%	16.07%

Notes to Schedule:

Valuation date:	June 30,2021, June 30, 2020, June 30, 2019, June 30, 2018, June 30, 2017, June 30, 2016, June 30, 2015, June 30, 2014, June 30, 2013, June 30, 2012 and June 30, 2011, respectively

Methods and assumptions used to set the actuarially determined contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of payroll
Asset valuation method	Fair Value of Assets
Inflation	2.30%, previously 2.50%
Salary increases	Varies by Entry Age and Service
Payroll growth	2.80% for fiscal years ended June 30, 2023; 2.75% for fiscal years ended June 30, 2018-2022; 3.00% for fiscal years ended June 30, 2014-17
Investment rate of return	6.80%, previously 7.00% in prior fiscal year, 7.375% in earlier year, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% Scale MP-2016 published by the Society of Actuaries.

AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS

	Safety									
	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15
Actuarially Determined Contribution	$ 4,247,435	$ 6,720,634	$ 8,624,596	$ 7,599,933	$ 6,670,471	$ 5,787,644	$ 4,922,020	$ 4,636,859	$ 3,731,613	$ 4,503,776
Contributions in Relation to the Actuarially Determined Contribution	4,247,435	6,720,634	8,624,596	7,599,933	6,670,471	5,787,644	4,922,020	4,636,859	3,731,613	4,503,776
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 23,772,287	$ 21,907,647	$ 21,251,640	$ 21,508,771	$ 19,318,222	$ 18,152,606	$ 18,204,149	$ 17,259,459	$ 16,451,469	$ 15,444,933
Contributions as a Percentage of Covered Payroll	17.87%	30.68%	40.58%	35.33%	34.53%	31.88%	27.04%	26.87%	22.68%	29.16%

Notes to Schedule:

Valuation date:	June 30,2021, June 30, 2020, June 30, 2019, June 30, 2018, June 30, 2017, June 30, 2016, June 30, 2015, June 30, 2014, June 30, 2013, June 30, 2012 and June 30, 2011, respectively

Methods and assumptions used to set the actuarially determined contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of payroll
Asset valuation method	Fair Value of Assets
Inflation	2.30%, previously 2.50%
Salary increases	Varies by Entry Age and Service
Payroll growth	2.80% for fiscal years ended June 30, 2023; 2.75% for fiscal years ended June 30, 2018-2022; 3.00% for fiscal years ended June 30, 2014-17
Investment rate of return	6.80%, previously 7.00% in prior fiscal year, 7.375% in earlier year, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% Scale MP-2016 published by the Society of Actuaries.

AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS

	Safety Sheriff									
	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15
Actuarially Determined Contribution	$ 6,247,504	$ 6,418,679	$ 9,959,735	$ 8,762,077	$ 7,753,959	$ 6,884,641	$ 6,124,769	$ 5,773,111	$ 5,279,477	$ 3,212,095
Contributions in Relation to the Actuarially Determined Contribution	6,247,504	6,418,679	9,959,735	8,762,077	7,753,959	6,884,641	6,124,769	5,773,111	5,279,477	3,212,095
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 20,639,485	$ 18,987,676	$ 19,142,239	$ 19,246,627	$ 17,416,105	$ 15,811,955	$ 15,575,504	$ 14,344,287	$ 14,344,287	$ 13,136,045
Contributions as a Percentage of Covered Payroll	30.27%	33.80%	52.03%	45.53%	44.52%	43.54%	39.32%	40.25%	36.81%	24.45%

Notes to Schedule:

Valuation date:	June 30,2021, June 30, 2020, June 30, 2019, June 30, 2018, June 30, 2017, June 30, 2016, June 30, 2015, June 30, 2014, June 30, 2013, June 30, 2012 and June 30, 2011, respectively

Methods and assumptions used to set the actuarially determined contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of payroll
Asset valuation method	Fair Value of Assets
Inflation	2.30%, previously 2.50%
Salary increases	Varies by Entry Age and Service
Payroll growth	2.80% for fiscal years ended June 30, 2023; 2.75% for fiscal years ended June 30, 2018-2022; 3.00% for fiscal years ended June 30, 2014-17
Investment rate of return	6.80%, previously 7.00% in prior fiscal year, 7.375% in earlier year, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% Scale MP-2016 published by the Society of Actuaries.

AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS (CONTINUED)
AS OF JUNE 30, 2024
LAST 10 YEARS

	TOTAL									
	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15
Actuarially Determined Contribution	$ 66,525,246	$ 62,799,581	$ 63,955,128	$ 58,791,398	$ 53,424,187	$ 46,982,220	$ 40,743,511	$ 38,576,134	$ 33,847,460	$ 28,504,239
Contributions in Relation to the Actuarially Determined Contribution	66,525,246	62,799,581	63,955,128	58,791,398	53,424,187	46,982,220	40,743,511	38,576,134	33,847,460	28,504,239
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 245,046,597	$ 222,851,599	$ 216,317,127	$ 215,128,914	$ 201,744,357	$ 189,646,205	$ 188,341,305	$ 175,580,418	$ 173,784,988	$ 157,946,267
Contributions as a Percentage of Covered Payroll	27.15%	28.18%	29.57%	27.33%	26.48%	24.77%	21.63%	21.97%	19.48%	18.05%

Notes to Schedule:

Valuation date:	June 30,2021, June 30, 2020, June 30, 2019, June 30, 2018, June 30, 2017, June 30, 2016, June 30, 2015, June 30, 2014, June 30, 2013, June 30, 2012 and June 30, 2011, respectively

Methods and assumptions used to set the actuarially determined contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of payroll
Asset valuation method	Fair Value of Assets
Inflation	2.30%, previously 2.50%
Salary increases	Varies by Entry Age and Service
Payroll growth	2.80% for fiscal years ended June 30, 2023; 2.75% for fiscal years ended June 30, 2018-2022; 3.00% for fiscal years ended June 30, 2014-17
Investment rate of return	6.80%, previously 7.00% in prior fiscal year, 7.375% in earlier year, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% Scale MP-2016 published by the Society of Actuaries.

A SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2024
LAST 10 YEARS*

	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17
Total OPEB Liability							
Service Cost	$ 7,315,290	$ 10,812,207	$ 10,755,256	$ 8,885,901	$ 7,853,538	$ 7,732,196	$ 8,738,882
Interest	6,178,938	3,936,054	5,047,732	5,649,710	6,258,826	5,955,259	5,117,000
Changes of Benefit Terms	-	-	-	-	-	-	-
Changes in Assumptions	(4,569,300)	(41,006,803)	3,569,076	16,761,397	8,314,270	(1,276,771)	(14,014,000)
Differences between Actual and Expected Experience	(10,395,164)	-	(12,691,709)	-	(8,605,453)	-	-
Benefit Payments	(7,839,062)	(7,753,833)	(7,774,779)	(7,502,010)	(6,992,820)	(6,844,850)	(6,773,092)
Net Change in Total OPEB Liability	(9,309,298)	(34,012,375)	(1,094,424)	23,794,998	6,828,361	5,565,834	(6,931,210)
Total OPEB Liability - Beginning	164,055,184	198,067,559	199,161,983	175,366,985	168,538,624	162,972,790	169,904,000
Total OPEB Liability - Ending	$ 154,745,886	$ 164,055,184	$ 198,067,559	$ 199,161,983	$ 175,366,985	$ 168,538,624	$ 162,972,790
Covered Payroll	$ 261,656,768	$ 242,721,718	$ 230,823,941	$ 230,343,320	$ 213,716,345	$ 203,044,467	$ 195,374,299
Total OPEB Liability as a Percentage of Covered Payroll	59.14%	67.59%	85.81%	86.46%	82.06%	83.01%	83.42%

* Fiscal year 17/18 was the 1st year of GASB Statement No.75 implementation.

Notes to Schedule: The label of Year refers to the measurement period, not the fiscal year.

Change in Assumptions. The accounting discount rate increased from 3.69 percent in 2022 to 3.86 percent in 2023, increased from 1.92 percent from 2021 to 3.69 percent in 2022, decreased from 2.45 percent in 2020 to 1.92 percent in 2021, decreased from 3.13 percent to 2.45 percent in 2020, 3.62 percent to 3.13 percent in 2019 and increased from 3.56 percent to 3.62 percent in 2018.

A SINGLE-EMPLOYER DEFINED BENEFIT OPEB PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2024
LAST 10 YEARS*

	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17
Actuarially Determined Contributions	$ 7,746,808	$ 7,872,181	$ 7,778,586	$ 7,798,262	$ 7,526,724	$ 7,014,009	$ 6,873,540	$ 6,773,092
Contributions in Relation to the Actuarially Determined Contributions	7,746,808	7,872,181	7,778,586	7,798,262	7,526,724	7,014,009	6,873,540	6,773,092
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$261,656,768	$261,656,768	$242,721,718	$230,823,941	$230,343,320	$213,716,345	$203,044,467	$195,374,299
Contributions as a Percentage of Covered Payroll	2.96%	3.01%	3.20%	3.38%	3.27%	3.28%	3.39%	3.47%

* Fiscal year 17/18 was the 1st year of GASB Statement No. 75 implementation.

Notes to Schedule:

Valuation date: June 30, 2023; June 30, 2021; June 30, 2019; June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of payroll
Discount rate	3.86% in 2022-23; 1.92% in 2020-2021; 2.45% in 2019-2020; 3.13% in 2018-2019; 3.62% in 2017-18; 3.56% in 2016-17- No prefunding. Based on the Fidelity Municipal General Obligation AA 20-year bond index.
Inflation	2.50% per annum
Payroll increases	Aggregate Increases - 2.75%; Merit Increases - CalPERS 2000-2019 Experience Study
Retirement	The probabilities of retirement are based on the CalPERS 2000-2019 Experience Study.
Mortality	The probabilities of mortality are based on the CalPERS 2000-2019 Experience Study. Post-retirement mortality projected fully generational with Society of Actuaries mortality improvement Scale MP-2021.

Other Supplementary Information

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Use of money and property	$ 482	$ 580,482	$ 94,498	$ (485,984)
Aid from other governments	17,955,753	18,755,753	1,100,283	(17,655,470)
Other	1,092,233	1,022,315	296,548	(725,767)
Total revenues	19,048,468	20,358,550	1,491,329	(18,867,221)
EXPENDITURES:				
Capital outlay	85,638,260	112,738,263	35,859,678	76,878,585
Total expenditures	85,638,260	112,738,263	35,859,678	76,878,585
REVENUES OVER (UNDER) EXPENDITURES	(66,589,792)	(92,379,713)	(34,368,349)	(95,745,806)
OTHER FINANCING SOURCES (USES):				
Transfers in	24,572,769	54,250,885	28,403,810	(25,847,075)
Transfers out	(2,482,332)	(2,507,332)	-	2,507,332
Bond proceeds	34,098,103	34,098,103	-	(34,098,103)
Total other financing sources (uses)	56,188,540	85,841,656	28,403,810	(57,437,846)
Net change in fund balance	(10,401,252)	(6,538,057)	(5,964,539)	(153,183,652)
Fund balance - beginning	8,128,410	8,128,410	8,128,410	-
FUND BALANCE, ENDING	$ (2,272,842)	$ 1,590,353	$ 2,163,871	$ (153,183,652)

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Use of money and property	$ -	$ 1,058,445	$ 1,577,485	$ 519,040
Other	-	7,625,213	-	(7,625,213)
Total revenues	-	8,683,658	1,577,485	(7,106,173)
EXPENDITURES:				
Current:				
Principal	-	11,220,000	14,546,539	(3,326,539)
Interest	-	5,877,523	5,877,523	-
Bond issuance costs	-	866,970	829,165	37,805
Fiscal charges	-	-	(2,995)	2,995
Total expenditures	-	17,964,493	21,250,232	(3,285,739)
REVENUES OVER (UNDER) EXPENDITURES	-	(9,280,835)	(19,672,747)	(3,820,434)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	8,427,391	16,052,603	7,625,212
Transfers out	-	(57,029,263)	(78,241,177)	(21,211,914)
Bond proceeds	-	82,515,000	78,462,568	(4,052,432)
Bond premiums	-	3,389,400	2,971,258	(418,142)
Bond discounts	-	(62,996)	(62,995)	1
Total other financing sources (uses)	-	37,239,532	19,182,257	(18,057,275)
Net change in fund balances	-	27,958,697	(490,490)	(21,877,709)
Fund balance - beginning	32,609,206	32,609,206	32,609,206	-
Fund balance - beginning, as restated	32,609,206	32,609,206	32,609,206	-
FUND BALANCE, ENDING	$ 32,609,206	$ 60,567,903	$ 32,118,716	$ (21,877,709)

Combining and Individual Fund Statements and Schedules

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

Nonmajor Special Revenue Funds

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

Special Revenue Funds:

Library Fund – The Library Fund finances library services in the unincorporated area of the County through contracts with the cities of Santa Cruz and Watsonville. Revenue is collected from property taxes in the unincorporated area of the County and from the cities of Scotts Valley and Capitola and is dedicated to the Santa Cruz County Library Joint Powers Authority for library operations.

Fire Fund – The Fire Fund provides support for coordinating fire protection and prevention activities with local fire protection agencies, County departments, and advisory bodies. Revenues consist of taxes and charges for services.

Fish and Game Fund – The Fish and Game Fund provides for expenditures, which are used for the protection and propagation of fish and game. Revenues are from the County's share of fines collected for violations of fish and game laws.

Park Dedication and State Park Bonds Fund – The Park Dedication and State Park Bonds Fund finances park land acquisition and park development. Revenues come from development impact fees charged on new residential development and major residential remodeling.

Health Services Fund – The Health Services Fund provides for future purchases of health facilities.

Santa Cruz Flood Control and Water Conservation - Zone 7 – The Santa Cruz Flood Control and Water Conservation - Zone 7 Fund supports a special purpose district fund administered by the Department of Public Works. It is governed by an independent Board of Directors. Revenues consist largely of service charges.

Districts Governed by the Board of Supervisors: Public Protection, Health and Sanitation, Recreation and Cultural Services, and Public Ways and Facilities Funds – The Public Protection, Health and Sanitation, Recreation and Cultural Services, and Public Ways and Facilities Funds support a number of special purpose district funds administered by the Department of Public Works. Revenues consist of tax levies and service charges.

Districts Governed by the Board of Supervisors: Geologic Hazard Abatement Districts Fund – The Geologic Hazard Abatement Districts Fund provides for financing and maintaining improvements necessary or incidental to the prevention, mitigation, abatement, or control of geologic hazards.

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2024

	Library	Fire	Fish and Game	Park Dedication and State Park Bonds	Health Services
ASSETS					
Cash and investments	$ 7,487,891	$ 12,274,742	$ 49,109	$ 1,931,353	$ 14,915
Receivables, net	-	59,191	-	13,766	-
Total assets	$ 7,487,891	$ 12,333,933	$ 49,109	$ 1,945,119	$ 14,915
LIABILITIES					
Accounts payables	$ -	$ 1,830,315	$ 8,560	$ 58,147	$ -
Salaries and benefits payable	-	783	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	-	1,831,098	8,560	58,147	-
FUND BALANCES					
Restricted	7,487,891	10,502,835	40,549	1,886,972	14,915
Unassigned	-	-	-	-	-
Total fund balances	7,487,891	10,502,835	40,549	1,886,972	14,915
Total liabilities and fund balances	$ 7,487,891	$ 12,333,933	$ 49,109	$ 1,945,119	$ 14,915

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2024

	Board of Supervisors Governed						
	Santa Cruz Flood Control and Water Conservation-Zone 7	Public Protection	Health and Sanitation	Recreation and Cultural Services	Public Ways and Facilities	Geologic Hazard Abatement Districts	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and investments	$ -	$ 10,854,309	$ 1,890,626	$ 2,411,767	$ 6,026,947	$ 210,735	$ 43,152,394
Receivables, net	500,000	-	-	-	1,595,929	-	2,168,886
Total assets	$ 500,000	$ 10,854,309	$ 1,890,626	$ 2,411,767	$ 7,622,876	$ 210,735	$ 45,321,280
LIABILITIES							
Accounts payables	$ 283	$ 695,843	$ -	$ 129,530	$ 395,032	$ -	$ 3,117,710
Salaries and benefits payable	-	-	-	-	-	-	783
Due to other funds	1,221,656	-	-	-	-	-	1,221,656
Unearned revenues	-	40,345	-	3,935	-	-	44,280
Total liabilities	1,221,939	736,188	-	133,465	395,032	-	4,384,429
FUND BALANCES							
Restricted	-	10,118,121	1,890,626	2,278,302	7,227,844	210,735	41,658,790
Unassigned	(721,939)	-	-	-	-	-	(721,939)
Total fund balances	(721,939)	10,118,121	1,890,626	2,278,302	7,227,844	210,735	40,936,851
Total liabilities and fund balances	$ 500,000	$ 10,854,309	$ 1,890,626	$ 2,411,767	$ 7,622,876	$ 210,735	$ 45,321,280

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Library	Fire	Fish and Game	Park Dedication and State Park Bonds	Health Services
REVENUES:					
Taxes	$ 8,985,156	$ 2,914,166	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-
Fines, forfeits and penalties	2,543	879	6,324	-	-
Use of money and property	-	433,076	2,412	98,505	588
Aid from other governments	92,866	237,174	-	37,645	-
Charges for services	-	3,044,802	-	419,108	-
Other	-	59,191	-	21,075	-
Total revenues	9,080,565	6,689,288	8,736	576,333	588
EXPENDITURES:					
Current:					
General government	-	-	-	908,935	-
Public protection	-	4,785,274	24,560	-	-
Public ways and facilities	-	-	-	-	-
Health and sanitation	-	-	-	-	-
Education	7,025,307	-	-	-	-
Recreation and cultural services	-	-	-	200,423	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	7,025,307	4,785,274	24,560	1,109,358	-
REVENUES OVER (UNDER) EXPENDITURES	2,055,258	1,904,014	(15,824)	(533,025)	588
OTHER FINANCING SOURCES (USES):					
Issuance of debt	-	-	-	-	-
Transfers out	(70,481)	-	-	(22,446)	-
Total other financing sources (uses)	(70,481)	-	-	(22,446)	-
Net change in fund balances	1,984,777	1,904,014	(15,824)	(555,471)	588
Fund balances - beginning	5,503,114	8,598,821	56,373	2,442,443	14,327
Fund balances - ending	$ 7,487,891	$ 10,502,835	$ 40,549	$ 1,886,972	$ 14,915

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Board of Supervisors Governed						
	Santa Cruz Flood Control and Water Conservation-Zone 7	Public Protection	Health and Sanitation	Recreation and Cultural Services	Public Ways and Facilities	Geologic Hazard Abatement Districts	Total Nonmajor Special Revenue Funds
REVENUES:							
Taxes	$ -	$ 11,912,066	$ -	$ 2,266,225	$ 1,213,562	$ -	$ 27,291,175
Licenses and permits	-	23,100	-	-	-	-	23,100
Fines, forfeits and penalties	-	2,644	-	178	486	-	13,054
Use of money and property	8,369	389,777	73,954	137,582	223,415	8,302	1,375,980
Aid from other governments	516,344	1,612,364	-	6,135	1,036,046	-	3,538,574
Charges for services	2,337,231	1,728,781	1,625,173	-	4,627,770	-	13,782,865
Other	-	156,374	-	-	21,976	-	258,616
Total revenues	2,861,944	15,825,106	1,699,127	2,410,120	7,123,255	8,302	46,283,364
EXPENDITURES:							
Current:							
General government	-	-	-	-	-	-	908,935
Public protection	3,161,589	12,980,768	-	-	-	-	20,952,191
Public ways and facilities	-	-	-	-	6,763,813	-	6,763,813
Health and sanitation	-	-	30,927	-	-	-	30,927
Education	-	-	-	-	-	-	7,025,307
Recreation and cultural services	-	-	-	3,969,371	-	-	4,169,794
Principal	-	-	-	56,568	19,253	-	75,821
Interest	46,371	-	-	37,560	1,159	-	85,090
Total expenditures	3,207,960	12,980,768	30,927	4,063,499	6,784,225	-	40,011,878
REVENUES OVER (UNDER) EXPENDITURES	(346,016)	2,844,338	1,668,200	(1,653,379)	339,030	8,302	6,271,486
OTHER FINANCING SOURCES (USES):							
Issuance of debt	-	-	-	1,140,000	-	-	1,140,000
Transfers out	-	(800,000)	(1,529,274)	(64,595)	-	-	(2,486,796)
Total other financing sources (uses)	-	(800,000)	(1,529,274)	1,075,405	-	-	(1,346,796)
Net change in fund balances	(346,016)	2,044,338	138,926	(577,974)	339,030	8,302	4,924,690
Fund balances - beginning	(375,923)	8,073,783	1,751,700	2,856,276	6,888,814	202,433	36,012,161
Fund balances - ending	$ (721,939)	$ 10,118,121	$ 1,890,626	$ 2,278,302	$ 7,227,844	$ 210,735	$ 40,936,851

BUDGETARY COMPARISON SCHEDULE
LIBRARY SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes	$ 8,276,541	$ 8,576,541	$ 8,985,156	$ 408,615
Fines, forfeitures and penalties	1,000	1,000	2,543	1,543
Aid from other governments	90,000	90,000	92,866	2,866
Total revenues	8,367,541	8,667,541	9,080,565	413,024
EXPENDITURES:				
Current:				
Education	7,367,541	7,246,698	7,025,307	221,391
Total expenditures	7,367,541	7,246,698	7,025,307	221,391
REVENUES OVER (UNDER) EXPENDITURES	1,000,000	1,420,843	2,055,258	634,415
OTHER FINANCING SOURCES (USES):				
Transfers out	(25,000)	(80,481)	(70,481)	10,000
Total other financing sources (uses)	(25,000)	(80,481)	(70,481)	10,000
Net change in fund balance	975,000	1,340,362	1,984,777	644,415
Fund balance - beginning	5,503,114	5,503,114	5,503,114	-
FUND BALANCE, ENDING	$ 6,478,114	$ 6,843,476	$ 7,487,891	$ 644,415

BUDGETARY COMPARISON SCHEDULE
FIRE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes	$ 2,786,646	$ 2,786,646	$ 2,914,166	$ 127,520
Fines, forfeitures and penalties	-	-	879	879
Use of money and property	80,300	80,300	433,076	352,776
Aid from other governments	128,601	136,726	237,174	100,448
Charges for services	3,028,746	3,028,746	3,044,802	16,056
Other	-	-	59,191	59,191
Total revenues	6,024,293	6,032,418	6,689,288	656,870
EXPENDITURES:				
Current:				
Public protection	12,591,957	12,588,544	4,785,274	7,803,270
Total expenditures	12,591,957	12,588,544	4,785,274	7,803,270
REVENUES OVER (UNDER) EXPENDITURES	(6,567,664)	(6,556,126)	1,904,014	8,460,140
Net change in fund balance	(6,567,664)	(6,556,126)	1,904,014	8,460,140
Fund balance - beginning	8,598,821	8,598,821	8,598,821	-
FUND BALANCE, ENDING	$ 2,031,157	$ 2,042,695	$ 10,502,835	$ 8,460,140

BUDGETARY COMPARISON SCHEDULE
FISH AND GAME SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Fines, forfeitures and penalties	$ 12,000	$ 12,000	$ 6,324	$ (5,676)
Use of money and property	300	300	2,412	2,112
Total revenues	12,300	12,300	8,736	(3,564)
EXPENDITURES:				
Current:				
Public protection	16,000	24,560	24,560	-
Total expenditures	16,000	24,560	24,560	-
REVENUES OVER (UNDER) EXPENDITURES	(3,700)	(12,260)	(15,824)	(3,564)
Net change in fund balance	(3,700)	(12,260)	(15,824)	(3,564)
Fund balances - beginning	56,373	56,373	56,373	-
FUND BALANCES, ENDING	$ 52,673	$ 44,113	$ 40,549	$ (3,564)

PARK DEDICATION AND STATE PARK BONDS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Use of money and property	$ 10,995	$ 10,995	$ 98,505	$ 87,510
Aid from other governments	943,788	1,153,788	37,645	(1,116,143)
Charges for services	370,659	370,659	419,108	48,449
Other	13,500	150,500	21,075	(129,425)
Total revenues	1,338,942	1,685,942	576,333	(1,109,609)
EXPENDITURES:				
Current:				
General government	3,223,028	3,410,582	908,935	2,501,647
Recreation and cultural services	218,600	355,600	200,423	155,177
Total expenditures	3,441,628	3,766,182	1,109,358	2,656,824
REVENUES OVER (UNDER) EXPENDITURES	(2,102,686)	(2,080,240)	(533,025)	1,547,215
OTHER FINANCING SOURCES (USES):				
Transfers out	(250,000)	(272,446)	(22,446)	250,000
Total other financing sources (uses)	(250,000)	(272,446)	(22,446)	250,000
Net change in fund balance	(2,352,686)	(2,352,686)	(555,471)	1,797,215
Fund balance - beginning	2,442,443	2,442,443	2,442,443	-
FUND BALANCE, ENDING	$ 89,757	$ 89,757	$ 1,886,972	$ 1,797,215

BUDGETARY COMPARISON SCHEDULE
HEALTH SERVICES SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Use of money and property	$ -	$ -	$ 588	$ 588
Total revenues	-	-	588	588
REVENUES OVER (UNDER) EXPENDITURES	-	-	588	588
Net change in fund balance	-	-	588	588
Fund balance - beginning	14,327	14,327	14,327	-
FUND BALANCE, ENDING	$ 14,327	$ 14,327	$ 14,915	$ 588

BUDGETARY COMPARISON SCHEDULE
SANTA CRUZ FLOOD CONTROL AND WATER CONSERVATION - ZONE 7 SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Use of money and property	$ -	$ -	$ 8,369	$ 8,369
Aid from other governments	1,300,000	1,300,000	516,344	(783,656)
Charges for services	2,339,516	2,339,516	2,337,231	(2,285)
Total revenues	3,639,516	3,639,516	2,861,944	(777,572)
EXPENDITURES:				
Current:				
Public protection	3,271,962	3,271,962	3,161,589	110,373
Interest	-	-	46,371	(46,371)
Total expenditures	3,271,962	3,271,962	3,207,960	64,002
REVENUES OVER (UNDER) EXPENDITURES	367,554	367,554	(346,016)	(713,570)
Net change in fund balance	367,554	367,554	(346,016)	(713,570)
Fund balance - beginning	(375,923)	(375,923)	(375,923)	-
FUND BALANCE, ENDING	$ (8,369)	$ (8,369)	$ (721,939)	$ (713,570)

BUDGETARY COMPARISON SCHEDULE
DISTRICTS GOVERNED BY THE BOARD OF SUPERVISORS - PUBLIC PROTECTION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes	$ 10,909,045	$ 10,909,045	$ 11,912,066	$ 1,003,021
Licenses and permits	26,790	26,790	23,100	(3,690)
Fines, forfeitures and penalties	755	755	2,644	1,889
Use of money and property	81,715	81,715	389,777	308,062
Aid from other governments	1,310,362	1,310,362	1,612,364	302,002
Charges for services	1,308,578	1,308,578	1,728,781	420,203
Other	-	-	156,374	156,374
Total revenues	13,637,245	13,637,245	15,825,106	2,187,861
EXPENDITURES:				
Current:				
Public protection	20,845,248	20,837,487	12,980,768	7,856,719
Total expenditures	20,845,248	20,837,487	12,980,768	7,856,719
REVENUES OVER (UNDER) EXPENDITURES	(7,208,003)	(7,200,242)	2,844,338	10,044,580
OTHER FINANCING SOURCES (USES):				
Transfers out	(800,000)	(800,000)	(800,000)	-
Total other financing sources (uses)	(800,000)	(800,000)	(800,000)	-
Net change in fund balance	(8,008,003)	(8,000,242)	2,044,338	10,044,580
Fund balance - beginning	8,073,783	8,073,783	8,073,783	-
FUND BALANCE, ENDING	$ 65,780	$ 73,541	$ 10,118,121	$ 10,044,580

BUDGETARY COMPARISON SCHEDULE
DISTRICTS GOVERNED BY THE BOARD OF SUPERVISORS - HEALTH AND SANITATION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Use of money and property	$ 8,300	$ 8,300	$ 73,954	$ 65,654
Charges for services	1,539,032	1,539,032	1,625,173	86,141
Total revenues	1,547,332	1,547,332	1,699,127	151,795
EXPENDITURES:				
Current:				
Health and sanitation	15,911	30,937	30,927	10
Total expenditures	15,911	30,937	30,927	10
REVENUES OVER (UNDER) EXPENDITURES	1,531,421	1,516,395	1,668,200	151,805
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,979,117)	(1,979,117)	(1,529,274)	449,843
Total other financing sources (uses)	(1,979,117)	(1,979,117)	(1,529,274)	449,843
Net change in fund balance	(447,696)	(462,722)	138,926	601,648
Fund balance - beginning	1,751,700	1,751,700	1,751,700	-
FUND BALANCE, ENDING	$ 1,304,004	$ 1,288,978	$ 1,890,626	$ 601,648

BUDGETARY COMPARISON SCHEDULE
DISTRICTS GOVERNED BY THE BOARD OF SUPERVISORS - RECREATION AND CULTURAL SERVICES SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes	$ 1,999,779	$ 1,999,779	$ 2,266,225	$ 266,446
Fines, forfeitures and penalties	-	-	178	178
Use of money and property	9,580	9,580	137,582	128,002
Aid from other governments	12,422	12,422	6,135	(6,287)
Total revenues	2,021,781	2,021,781	2,410,120	388,339
EXPENDITURES:				
Current:				
Recreation and cultural services	2,914,258	3,842,621	3,969,371	(126,750)
Debt service:				
Principal	-	68,111	56,568	11,543
Interest	-	44,694	37,560	7,134
Total expenditures	2,914,258	3,955,426	4,063,499	(108,073)
REVENUES OVER (UNDER) EXPENDITURES	(892,477)	(1,933,645)	(1,653,379)	280,266
OTHER FINANCING SOURCES (USES):				
Transfers out	(65,568)	(125,568)	(64,595)	60,973
Issuance of Debt	-	591,749	1,140,000	548,251
Total other financing sources (uses)	(65,568)	466,181	1,075,405	609,224
Net change in fund balance	(958,045)	(1,467,464)	(577,974)	889,490
Fund balance - beginning	2,856,276	2,856,276	2,856,276	-
Fund balances - beginning as restated	2,856,276	2,856,276	2,856,276	-
FUND BALANCE, ENDING	$ 1,898,231	$ 1,388,812	$ 2,278,302	$ 889,490

BUDGETARY COMPARISON SCHEDULE
DISTRICTS GOVERNED BY THE BOARD OF SUPERVISORS-PUBLIC WAYS AND FACILITIES SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes	$ 1,141,841	$ 1,141,841	$ 1,213,562	$ 71,721
Fines, forfeitures and penalties	255	255	486	231
Use of money and property	61,849	61,849	223,415	161,566
Aid from other governments	3,202,401	3,202,401	1,036,046	(2,166,355)
Charges for services	4,635,867	4,656,207	4,627,770	(28,437)
Other	37,647	37,647	21,976	(15,671)
Total revenues	9,079,860	9,100,200	7,123,255	(1,976,945)
EXPENDITURES:				
Current:				
Public ways and facilities	15,928,462	15,948,802	6,763,813	9,184,989
Debt service:				
Principal	21,785	21,785	19,253	2,532
Interest	3,747	3,747	1,159	2,588
Total expenditures	15,953,994	15,974,334	6,784,225	9,190,109
REVENUES OVER (UNDER) EXPENDITURES	(6,874,134)	(6,874,134)	339,030	7,213,164
OTHER FINANCING SOURCES (USES):				
Transfers in	89	89	-	(89)
Total other financing sources (uses)	89	89	-	(89)
Net change in fund balance	(6,874,045)	(6,874,045)	339,030	7,213,075
Fund balance - beginning	6,888,814	6,888,814	6,888,814	-
FUND BALANCE, ENDING	$ 14,769	$ 14,769	$ 7,227,844	$ 7,213,075

Nonmajor Enterprise Funds

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

Boulder Creek CSA 7, Rolling Woods CSA 10, Place de Mer CSA 2, Sand Dollar Beach CSA 5, and Trestle Beach CSA 20 – These County Service Areas provide sewage collection, treatment, and disposal services to residents within each district's area. User fees are the principal source of revenue.

Septic Tank Maintenance CSA 12 – This County Service Area provides maintenance for septic tanks in unincorporated areas of the County. User fees are the principal source of revenue.

Freedom County Sanitation District – This district provides sewage collection, treatment, and disposal services for the residents of the Freedom area. User fees are the principal source of revenue.

Davenport County Sanitation District – This district provides sewage collection, treatment, and disposal services as well as the supplying and treatment of water to Davenport, Newtown, and San Vicente. User fees and contributions from the principal commercial customer are the principal sources of revenue.

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2024

	Boulder Creek CSA 7	Rolling Woods CSA 10	Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport County Sanitation District	Total
ASSETS									
Current assets:									
Cash and investments	$ 142,676	$ 1,099,459	$ 55,658	$ 244,293	$ 6,755	$ 2,169,866	$ -	$ -	$ 3,718,707
Receivables	-	-	-	958	-	-	3,844,316	1,804,997	5,650,271
Total current assets	142,676	1,099,459	55,658	245,251	6,755	2,169,866	3,844,316	1,804,997	9,368,978
Noncurrent assets:									
Loans receivable	-	-	-	-	-	5,051	-	-	5,051
Capital assets:									
Construction-in-progress	229,138	-	194,805	-	-	-	4,715,730	2,130,805	7,270,478
Buildings and structures	6,115,267	360,778	188,209	1,066,285	-	-	20,794,452	11,989,698	40,514,689
Equipment	46,448	-	-	-	-	35,138	-	-	81,586
Accumulated depreciation	(838,417)	(304,872)	(158,619)	(561,530)	-	(35,138)	(6,681,242)	(4,402,235)	(12,982,053)
Capital assets, net	5,552,436	55,906	224,395	504,755	-	-	18,828,940	9,718,268	34,884,700
Total noncurrent assets	5,552,436	55,906	224,395	504,755	-	5,051	18,828,940	9,718,268	34,889,751
Total assets	5,695,112	1,155,365	280,053	750,006	6,755	2,174,917	22,673,256	11,523,265	44,258,729
LIABILITIES									
Current liabilities:									
Accounts payables	5,093	231	23,307	290	831	3,070	598,158	540,994	1,171,974
Due to other funds	-	-	-	-	-	-	3,278,708	1,314,198	4,592,906
Current portion of long-term liabilities	-	-	-	-	-	-	96,000	2,956	98,956
Accrued interest payable	-	-	-	-	-	-	-	6	6
Total current liabilities	5,093	231	23,307	290	831	3,070	3,972,866	1,858,154	5,863,842
Noncurrent liabilities:									
Long-term liabilities	-	-	-	-	-	-	4,119,000	-	4,119,000
Total noncurrent liabilities	-	-	-	-	-	-	4,119,000	-	4,119,000
Total liabilities	5,093	231	23,307	290	831	3,070	8,091,866	1,858,154	9,982,842
NET POSITION									
Net investment in capital assets	5,552,436	55,906	224,395	504,755	-	-	14,613,940	9,715,312	30,666,744
Restricted for:									
Debt service	-	-	-	-	-	-	71,251	11,549	82,800
Unrestricted	137,583	1,099,228	32,351	244,961	5,924	2,171,847	(103,801)	(61,750)	3,526,343
Total net position	$ 5,690,019	$ 1,155,134	$ 256,746	$ 749,716	$ 5,924	$ 2,171,847	$ 14,581,390	$ 9,665,111	$ 34,275,887

COMBINING STATEMENT OF NET POSITION (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2024

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION NONMAJOR ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Boulder Creek CSA 7	Rolling Woods CSA 10	Place de Mer CSA 2	Sand Dollar Beach CSA 5
OPERATING REVENUES				
Charges for services	$ 592,056	$ 81,109	$ 112,662	$ 342,721
Other	-	-	-	-
Total operating revenues	592,056	81,109	112,662	342,721
OPERATING EXPENSES:				
Services and supplies	447,555	18,105	148,612	331,642
Depreciation and amortization	160,861	9,019	5,542	18,735
Total operating expenses	608,416	27,124	154,154	350,377
Operating income (loss)	(16,360)	53,985	(41,492)	(7,656)
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	-	-	-	-
Interest and investment income	(2,214)	40,929	2,727	13,203
Property taxes	-	-	-	-
Interest expense	(21,622)	-	-	-
Other nonoperating revenue	-	-	-	54,800
Total nonoperating revenues (expenses)	(23,836)	40,929	2,727	68,003
Income (loss) before capital contributions and transfers	(40,196)	94,914	(38,765)	60,347
Change in net position	(40,196)	94,914	(38,765)	60,347
Net position - beginning, as previously reported	6,869,050	1,060,220	295,511	689,369
Restatement for correction of an error	(1,138,835)	-	-	-
Net position - beginning as restated	$ 5,730,215	$ 1,060,220	$ 295,511	$ 689,369
Net position - ending	$ 5,690,019	$ 1,155,134	$ 256,746	$ 749,716

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED) NONMAJOR ENTERPRISE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Trestle Beach CSA 20	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport County Sanitation District	Total
OPERATING REVENUES					
Charges for services	$ 84,673	$ 2,062,575	$ 1,446,720	$ 625,731	$ 5,348,247
Other	-	-	-	-	-
Total operating revenues	84,673	2,062,575	1,446,720	625,731	5,348,247
OPERATING EXPENSES:					
Services and supplies	83,828	2,010,412	1,127,995	426,929	4,595,078
Depreciation and amortization	-	545	529,354	305,889	1,029,945
Total operating expenses	83,828	2,010,957	1,657,349	732,818	5,625,023
Operating income (loss)	845	51,618	(210,629)	(107,087)	(276,776)
NONOPERATING REVENUES (EXPENSES):					
Intergovernmental	-	-	3,917,318	1,810,365	5,727,683
Interest and investment income	106	92,937	27,873	913	176,474
Property taxes	-	-	-	53,417	53,417
Interest expense	-	-	(48,488)	(28,531)	(98,641)
Other nonoperating revenue	-	-	-	-	54,800
Total nonoperating revenues (expenses)	106	92,937	3,896,703	1,836,164	5,913,733
Income (loss) before capital contributions and transfers	951	144,555	3,686,074	1,729,077	5,636,957
Change in net position	951	144,555	3,686,074	1,729,077	5,636,957
Net position - beginning, as previously reported	4,973	2,027,292	10,895,316	7,936,034	29,777,765
Restatement for correction of an error	-	-	-	-	(1,138,835)
Net position - beginning as restated	$ 4,973	$ 2,027,292	$ 10,895,316	$ 7,936,034	$ 28,638,930
Net position - ending	$ 5,924	$ 2,171,847	$ 14,581,390	$ 9,665,111	$ 34,275,887

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Boulder Creek CSA 7	Rolling Woods CSA 10	Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport County Sanitation District	Total
CASH FLOWS FROM OPERATING ACTIVITIES:									
Receipts from customers and users	$ 592,056	$ 81,109	$ 112,662	$ 343,783	$ 84,673	$ 2,062,575	$ 1,446,720	$ 625,731	$ 5,349,309
Payments to suppliers for goods and services	(453,446)	(18,588)	(129,632)	(331,352)	(90,637)	(2,008,240)	(550,351)	(284,400)	(3,866,646)
Net cash provided (used) by operating activities	138,610	62,521	(16,970)	12,431	(5,964)	54,335	896,369	341,331	1,482,663
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:									
Accounts receivable	1,030,642	-	-	-	-	-	-	-	1,030,642
Loans receivable	-	-	-	-	-	1,316	-	-	1,316
Due to other funds	(1,050,000)	-	-	-	-	-	3,278,709	1,264,198	3,492,907
Matured interest payable	-	-	-	-	-	-	-	(32)	(32)
Intergovernmental receipts	-	-	-	-	-	-	73,003	5,368	78,371
Property taxes	-	-	-	-	-	-	-	53,417	53,417
Net cash provided (used) by noncapital financing activities	(19,358)	-	-	-	-	1,316	3,351,712	1,322,951	4,656,621
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Acquisition and construction of capital assets	(1,783)	-	-	(157,316)	-	-	(5,110,836)	(1,643,685)	(6,913,620)
Insurance proceeds	-	-	-	54,800	-	-	-	-	54,800
Principal paid on lease agreements	-	-	-	-	-	-	(95,000)	(15,330)	(110,330)
Interest paid on capital debt	(21,622)	-	-	-	-	-	(48,488)	(28,531)	(98,641)
Net cash provided (used) by capital and related financing activities	(23,405)	-	-	(102,516)	-	-	(5,254,324)	(1,687,546)	(7,067,791)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Interest on investments	(2,214)	40,929	2,727	13,203	106	92,937	27,873	913	176,474
Net cash provided by investing activities	(2,214)	40,929	2,727	13,203	106	92,937	27,873	913	176,474
Net increase (decrease) in cash and cash equivalents	93,633	103,450	(14,243)	(76,882)	(5,858)	148,588	(978,370)	(22,351)	(752,033)
Cash and cash equivalents at beginning of year	49,043	996,009	69,901	321,175	12,613	2,021,278	978,370	22,351	4,470,740
Cash and cash equivalents at end of year	$ 142,676	$ 1,099,459	$ 55,658	$ 244,293	$ 6,755	$ 2,169,866	$ -	$ -	$ 3,718,707

(Continued)

COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Boulder Creek CSA 7	Rolling Woods CSA 10	Place de Mer CSA 2	Sand Dollar Beach CSA 5	Trestle Beach CSA 20	Septic Tank Maintenance CSA 12	Freedom County Sanitation District	Davenport County Sanitation District	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:									
Operating income (loss)	$ (16,360)	$ 53,985	$ (41,492)	$ (7,656)	$ 845	$ 51,618	$ (210,629)	$ (107,087)	$ (276,776)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation and amortization	160,861	9,019	5,542	18,735	-	545	529,354	305,889	1,029,945
Changes in assets and liabilities:									
(Increase) decrease in:									
Receivables	-	-	-	1,062	-	-	-	-	1,062
Increase (decrease) in:									
Payables	(5,891)	(483)	18,980	290	(6,809)	2,172	577,644	142,529	728,432
Total adjustments	154,970	8,536	24,522	20,087	(6,809)	2,717	1,106,998	448,418	1,759,439
Net cash provided (used) by operating activities	$ 138,610	$ 62,521	$ (16,970)	$ 12,431	$ (5,964)	$ 54,335	$ 896,369	$ 341,331	$ 1,482,663
Schedule of non-cash capital and related financing activities:									
Purchase of capital assets on account	$ 1,783	$ -	$ -	$ 157,316	$ -	$ -	$ -	$ 5,110,836	$ 5,269,935

The County Of Santa Cruz
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES
Fiscal Year ended June 30, 2024

COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

Internal Service Funds

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

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

Central Duplicating Fund – The Central Duplicating Fund accounts for the County print shop, copy center, and mail room.

Information Services Fund – The Information Services Fund accounts for data processing and telecommunications services provided to County departments.

Public Works Fund – The Public Works Fund accounts for such County functions as construction and maintenance of the County road system and management of certain special districts and other related activities.

Service Center Fund – The Service Center Fund accounts for the maintenance of the County fleet of vehicles and for related services to other County departments.

Self-Insurance Funds – The Self-Insurance Funds account for the County's self-insured risk management, dental and health insurance, liability and property insurance, workers' compensation insurance, employee benefit staffing, and State unemployment insurance program.

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2024

	Information Services	Public Works	Service Center
ASSETS			
Current assets:			
Cash and investments	$ 7,617,694	$ 11,654,056	$ 4,209,990
Receivables	355,957	194,694	-
Due from other funds	-	8,724,512	-
Deposits with others	-	-	-
Inventory	-	581,396	82,921
Prepaid items	7,627	-	-
Advances to other funds	-	-	-
Total current assets	7,981,278	21,154,658	4,292,911
Capital assets:			
Land	-	62,914	34,173
Buildings and structures	254,751	3,945,991	445,586
Equipment	12,659,138	13,019,114	15,902,447
ROU Equipment	1,797,662	10,267	426,540
Subscription based information technology agreements	3,194,334	-	-
Accumulated depreciation	(13,325,742)	(11,569,889)	(12,342,954)
Capital assets, net	4,580,143	5,468,397	4,465,792
Total assets	12,561,421	26,623,055	8,758,703
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension	3,941,127	14,935,622	192,525
Deferred OPEB	373,360	1,914,464	31,775
Total deferred outflows of resources	4,314,487	16,850,086	224,300
LIABILITIES			
Current liabilities:			
Accounts payables	191,925	443,054	133,018
Accrued salaries and benefits payable	191,938	752,688	7,603
Deposits payable	-	715,021	-
Due to other funds	-	-	-
Lease payable	1,188,489	-	78,940
Claims liabilities	-	-	-
Compensated absences, due within one year	799,591	3,095,083	33,847
Accrued interest payable	52,126	-	6,318
Total current liabilities	2,424,069	5,005,846	259,726
Noncurrent liabilities:			
Lease payable	1,200,098	-	242,029
Claims liability	-	-	-
Compensated absences, due in more than one year	482,270	907,592	-
Total OPEB liability	3,039,305	15,584,521	258,664
Net pension liability	13,848,139	52,480,065	676,483
Total noncurrent liabilities	18,569,812	68,972,178	1,177,176
Total liabilities	20,993,881	73,978,024	1,436,902
DEFERRED INFLOWS OF RESOURCES			
Deferred pension	71,652	271,536	3,501
Deferred OPEB	1,012,457	5,191,536	86,167
Total deferred inflows of resources	1,084,109	5,463,072	89,668
NET POSITION			
Net investment in capital assets	2,191,556	5,468,397	4,144,823
Restricted for:			
Debt service	-	-	-
Unrestricted	(7,393,638)	(41,436,352)	3,311,610
Total net position	$ (5,202,082)	$ (35,967,955)	$ 7,456,433

COMBINING STATEMENT OF NET POSITION (CONTINUED)
INTERNAL SERVICE FUNDS
JUNE 30, 2024

	Self-Insurance						
	Risk Management	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	Total
ASSETS							
Current assets:							
Cash and investments	$ 1,125,464	$ 1,961,429	$ 12,777,549	$ 14,431,279	$ 785,423	$ 599,841	$ 55,162,725
Receivables	-	53,602	-	-	-	-	604,253
Due from other funds	-	-	-	6,471,799	-	-	15,196,311
Deposits with others	-	-	-	805,000	-	-	805,000
Inventory	-	-	-	-	-	-	664,317
Prepaid items	24,558	-	-	-	-	-	32,185
Advances to other funds	-	-	-	2,531,845	-	-	2,531,845
Total current assets	1,150,022	2,015,031	12,777,549	24,239,923	785,423	599,841	74,996,636
Capital assets:							
Land	-	-	-	-	-	-	97,087
Buildings and structures	-	-	-	-	-	-	4,646,328
Equipment	16,605	-	-	-	-	-	41,597,304
ROU Equipment	-	-	-	-	-	-	2,234,469
Subscription based information technology agreements	-	-	-	-	-	-	3,194,334
Accumulated depreciation	(16,605)	-	-	-	-	-	(37,255,190)
Capital assets, net	-	-	-	-	-	-	14,514,332
Total assets	1,150,022	2,015,031	12,777,549	24,239,923	785,423	599,841	89,510,968
DEFERRED OUTFLOWS OF RESOURCES							
Deferred pension	494,940	-	-	-	186,311	-	19,750,525
Deferred OPEB	63,551	-	-	-	23,831	-	2,406,981
Total deferred outflows of resources	558,491	-	-	-	210,142	-	22,157,506
LIABILITIES							
Current liabilities:							
Accounts payables	7,955	183,299	1,181,632	1,059,236	258	-	3,200,377
Accrued salaries and benefits payable	25,991	-	-	-	7,677	-	985,897
Deposits payable	-	-	-	-	-	-	715,021
Due to other funds	-	-	-	-	-	75,695	75,695
Lease payable	-	-	-	-	-	-	1,267,429
Claims liabilities	-	369,733	6,003,000	5,896,000	-	59,235	12,327,968
Compensated absences, due within one year	84,468	-	-	-	20,919	-	4,033,908
Accrued interest payable	-	-	-	-	-	-	58,444
Total current liabilities	118,414	553,032	7,184,632	6,955,236	28,854	134,930	22,664,739
Noncurrent liabilities:							
Lease payable	-	-	-	-	-	-	1,442,127
Claims liability	-	-	15,818,000	31,842,000	-	-	47,660,000
Compensated absences, due in more than one year	72,933	-	-	-	58,591	-	1,521,386
Total OPEB liability	517,328	-	-	-	193,998	-	19,593,816
Net pension liability	1,739,094	-	-	-	654,652	-	69,398,433
Total noncurrent liabilities	2,329,355	-	15,818,000	31,842,000	907,241	-	139,615,762
Total liabilities	2,447,769	553,032	23,002,632	38,797,236	936,095	134,930	162,280,501
DEFERRED INFLOWS OF RESOURCES							
Deferred pension	8,998	-	-	-	3,387	-	359,074
Deferred OPEB	172,333	-	-	-	64,625	-	6,527,118
Total deferred inflows of resources	181,331	-	-	-	68,012	-	6,886,192
NET POSITION							
Net investment in capital assets	-	-	-	-	-	-	11,804,776
Restricted for:							
Debt service	-	-	-	459,787	-	-	459,787
Unrestricted	(920,587)	1,461,999	(10,225,083)	(15,017,100)	(8,542)	464,911	(69,762,782)
Total net position	$ (920,587)	$ 1,461,999	$ (10,225,083)	$ (14,557,313)	$ (8,542)	$ 464,911	$ (57,498,219)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Information Services	Public Works	Service Center	Self-Insurance: Risk Management	Self-Insurance: Dental and Health Insurance	Self-Insurance: Liability and Property Insurance	Self-Insurance: Workers' Compensation Insurance	Self-Insurance: Employee Benefit Staffing	Self-Insurance: State Unemployment Insurance Program	Total
OPERATING REVENUES:										
Charges for services	$ 19,486,520	$ 58,340,031	$ 4,804,753	$ 2,313,866	$ 9,139,412	$ 17,623,941	$ 8,510,784	$ 1,387,256	$ 1,100,000	$ 122,706,563
Other revenues	2,518,438	200	42,000	-	-	-	293	-	-	2,560,931
Total operating revenues	22,004,958	58,340,231	4,846,753	2,313,866	9,139,412	17,623,941	8,511,077	1,387,256	1,100,000	125,267,494
OPERATING EXPENSES:										
Salaries and employee benefits	10,956,836	44,214,310	590,817	1,315,441	-	-	-	523,614	-	57,601,018
Services and supplies	7,644,885	13,915,111	2,476,012	506,889	6,856,445	10,540,235	6,846,668	935,784	244,890	49,966,919
Insurance and compensation claims	-	-	-	-	1,980,921	7,074,282	5,283,961	-	183,513	14,522,677
Depreciation and amortization	2,279,719	862,420	1,454,089	-	-	-	-	-	-	4,596,228
Total operating expenses	20,881,440	58,991,841	4,520,918	1,822,330	8,837,366	17,614,517	12,130,629	1,459,398	428,403	126,686,842
Operating income (loss)	1,123,518	(651,610)	325,835	491,536	302,046	9,424	(3,619,552)	(72,142)	671,597	(1,419,348)
NONOPERATING REVENUES (EXPENSES):										
Intergovernmental	177,649	19	-	-	77,225	-	-	-	-	254,893
Interest and investment income	-	57,005	-	30,004	49,370	245,560	904,767	39,080	9,827	1,335,613
Gain on disposal of capital assets	-	171,150	18,177	-	-	-	-	-	-	189,327
Interest expense	(99,399)	(428)	(171,681)	-	-	-	-	-	-	(271,508)
Other nonoperating revenue	-	-	20,589	-	-	4,900,000	7,174	-	-	4,927,763
Total nonoperating revenues (expenses)	78,250	227,746	(132,915)	30,004	126,595	5,145,560	911,941	39,080	9,827	6,436,088
Income (loss) before capital contributions and transfers	1,201,768	(423,864)	192,920	521,540	428,641	5,154,984	(2,707,611)	(33,062)	681,424	5,016,740
Transfers in	-	25,000	-	-	-	-	-	-	-	25,000
Transfers out	(788,351)	-	-	-	-	-	-	-	-	(788,351)
Change in net position	413,417	(398,864)	192,920	521,540	428,641	5,154,984	(2,707,611)	(33,062)	681,424	4,253,389
Net position - beginning	(5,615,499)	(35,569,091)	7,263,513	(1,442,127)	1,033,358	(15,380,067)	(11,849,702)	24,520	(216,513)	(61,751,608)
Net position - ending	$ (5,202,082)	$ (35,967,955)	$ 7,456,433	$ (920,587)	$ 1,461,999	$ (10,225,083)	$ (14,557,313)	$ (8,542)	$ 464,911	$ (57,498,219)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED) INTERNAL SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Information Services	Public Works	Service Center
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	$ 19,303,560	$ 57,770,718	$ 4,804,753
Payments to suppliers for goods and services	(7,846,935)	(14,343,039)	(2,457,596)
Payments to employees for salaries and benefits	(9,877,852)	(38,727,480)	(490,999)
Payments for judgments and claims	-	-	-
Other receipts	2,518,438	200	42,000
Net cash provided (used) by operating activities	4,097,211	4,700,399	1,898,158
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Intergovernmental receipts	177,649	19	-
Deposits with others	-	-	-
Due from other funds	-	3,675,488	-
Due to other funds	-	-	-
Transfers from other funds	-	25,000	-
Transfers to other funds	(788,351)	-	-
Net cash provided (used) by noncapital financing activities	(610,702)	3,700,507	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	-	(123,134)	-
Acquisition of equipment	(409,302)	(910,447)	(1,009,523)
Insurance proceeds	-	-	20,589
Principal paid on lease agreements	(1,238,399)	(4,830)	(68,154)
Interest payable	(8,209)	(40)	2,702
Interest expense	(99,399)	(428)	(171,681)
Proceeds from sale of capital assets	-	171,150	32,019
Net cash provided (used) by capital and related financing activities	(1,755,309)	(867,729)	(1,194,048)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	-	57,005	-
Net increase (decrease) in cash and cash equivalents	1,731,200	7,590,182	704,110
Cash and cash equivalents at beginning of year	5,886,494	4,063,874	3,505,880
Cash and cash equivalents at end of year	$ 7,617,694	$ 11,654,056	$ 4,209,990

COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Self-Insurance						
	Risk Management	Dental and Health Insurance	Liability and Property Insurance	Workers' Compensation Insurance	Employee Benefit Staffing	State Unemployment Insurance Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and users	$ 2,313,866	$ 9,136,268	$ 17,623,941	$ 8,510,784	$ 1,387,256	$ 1,100,000	$ 121,951,146
Payments to suppliers for goods and services	(528,644)	(6,762,743)	(10,294,848)	(6,348,598)	(935,629)	(244,890)	(49,762,922)
Payments to employees for salaries and benefits	(1,451,788)	-	-	-	(431,635)	-	(50,979,754)
Payments for judgments and claims	-	(1,990,318)	(7,454,282)	(2,472,961)	-	(264,977)	(12,182,538)
Other receipts	-	-	-	293	-	-	2,560,931
Net cash provided (used) by operating activities	333,434	383,207	(125,189)	(310,482)	19,992	590,133	11,586,863
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:							
Intergovernmental receipts	-	77,225	-	-	-	-	254,893
Deposits with others	-	-	-	(345,213)	-	-	(345,213)
Due from other funds	-	-	-	(5,696,052)	-	-	(2,020,564)
Due to other funds	-	-	-	-	-	(150)	(150)
Transfers from other funds	-	-	-	-	-	-	25,000
Transfers to other funds	-	-	-	-	-	-	(788,351)
Net cash provided (used) by noncapital financing activities	-	77,225	-	(6,041,265)	-	(150)	(2,874,385)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	-	-	-	-	-	-	(123,134)
Acquisition of equipment	-	-	-	-	-	-	(2,329,272)
Insurance proceeds	-	-	4,900,000	7,174	-	-	4,927,763
Principal paid on lease agreements	-	-	-	-	-	-	(1,311,383)
Interest payable	-	-	-	-	-	-	(5,547)
Interest expense	-	-	-	-	-	-	(271,508)
Proceeds from sale of capital assets	-	-	-	-	-	-	203,169
Net cash provided (used) by capital and related financing activities	-	-	4,900,000	7,174	-	-	1,090,088
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest on investments	30,003	49,370	245,560	904,766	39,079	9,827	1,335,610
Net increase (decrease) in cash and cash equivalents	363,437	509,802	5,020,371	(5,439,807)	59,071	599,810	11,138,176
Cash and cash equivalents at beginning of year	762,027	1,451,627	7,757,178	19,871,086	726,352	31	44,024,549
Cash and cash equivalents at end of year	$ 1,125,464	$ 1,961,429	$ 12,777,549	$ 14,431,279	$ 785,423	$ 599,841	$ 55,162,725

COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Information Services	Public Works	Service Center	Self-Insurance: Risk Management	Self-Insurance: Dental and Health Insurance	Self-Insurance: Liability and Property Insurance	Self-Insurance: Workers' Compensation Insurance	Self-Insurance: Employee Benefit Staffing	Self-Insurance: State Unemployment Insurance Program	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:										
Operating income (loss)	$ 1,123,518	$ (651,610)	$ 325,835	$ 491,536	$ 302,046	$ 9,424	$ (3,619,552)	$ (72,142)	$ 671,597	$ (1,419,348)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:										
Depreciation and amortization	2,279,719	862,420	1,454,089	-	-	-	-	-	-	4,596,228
Changes in assets and liabilities:										
Receivables	(182,960)	73,581	-	-	(3,144)	-	-	-	-	(112,523)
Inventory	-	(67,870)	(58,401)	-	-	-	-	-	-	(126,271)
Prepaid items	(129)	-	-	(24,558)	5,119	-	-	-	-	(19,568)
Payables	(201,921)	(360,058)	76,817	2,803	88,583	245,387	498,070	155	-	349,836
Deposits payable	-	(642,894)	-	-	-	-	-	-	-	(642,894)
Claims liabilities	-	-	-	-	(9,397)	(380,000)	2,811,000	-	(81,464)	2,340,139
Accrued salaries and benefits	1,078,984	5,486,830	99,818	(136,347)	-	-	-	91,979	-	6,621,264
Total adjustments	2,973,693	5,352,009	1,572,323	(158,102)	81,161	(134,613)	3,309,070	92,134	(81,464)	13,006,211
Net cash provided (used) by operating activities	$ 4,097,211	$ 4,700,399	$ 1,898,158	$ 333,434	$ 383,207	$ (125,189)	$ (310,482)	$ 19,992	$ 590,133	$ 11,586,863
Schedule of non-cash capital and related financing activities:										
Purchase of capital assets on account	$ 420,458	$ 1,033,702	$ 1,009,523	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,463,683
Lease and SBITA inception	94,073	-	-	-	-	-	-	-	-	94,073

The County Of Santa Cruz
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES
Fiscal Year ended June 30, 2024

COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

Fiduciary Funds

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

Custodial Funds

Unapportioned Collections - The Unapportioned Collections Fund is used to account for property taxes receivable, amounts which are impounded because of disputes or litigation, as well as amounts held pending authority for apportionment.

Other Custodial Funds – Custodial Funds are used to account for money or resources that are held on behalf of another party, such as an individual, private organization, or other government. The County's Other Custodial Funds include funds that temporarily hold monies for the State of California, various Cities in Santa Cruz County, Special Districts, and other organizations in the County.

Private-Purpose Trust Funds

Public Guardian - The Public Guardian Fund is used to account for assets which are held in trust for Santa Cruz County Residents who, as a result of a disability, have lost the ability to care for themselves and have no one else willing and able to care for them.

Redevelopment Successor Agency - The Redevelopment Successor Agency accounts for assets held by the County in a trust to wind down the affairs of the former Redevelopment Agency.

COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2024

	Unapportioned Collections	Other Custodial Funds	Total
ASSETS			
Cash and cash equivalents	$ 822,931	$ 19,748,445	$ 20,571,376
Restricted cash with fiscal agents	-	247,875	247,875
Receivables:			
Taxes for other governments	15,582,228	-	15,582,228
Total assets	16,405,159	19,996,320	36,401,479
LIABILITIES			
Accounts payable and other liabilities	9,221,599	3,043,478	12,265,077
Other liabilities	124,200	327,176	451,376
Total liabilities	9,345,799	3,370,654	12,716,453
NET POSITION			
Restricted for:			
Individuals, organizations and other governments	7,059,360	16,625,666	23,685,026
Total net position	$ 7,059,360	$ 16,625,666	$ 23,685,026

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Unapportioned Collections	Other Custodial Funds	Total
ADDITIONS			
Gifts and bequests	$ -	$ 97	$ 97
Interest, dividends and other	895,349	785,682	1,681,031
Tax collections	773,956,861	132,000,080	905,956,941
Other contributions	7,357,964	31,004,438	38,362,402
Total additions	782,210,174	163,790,297	946,000,471
DEDUCTIONS			
Administrative expenses	14,805	93,601	108,406
Payments to other local governments	22,385,105	42,538,100	64,923,205
Payments of taxes to other local governments	757,960,086	19,858,247	777,818,333
Interest expense	421,803	10,286	432,089
Distributions from pooled investments	5,441	115,414,022	115,419,463
Total deductions	780,787,240	177,914,256	958,701,496
Net increase in fiduciary net position	1,422,934	(14,123,959)	(12,701,025)
Net position - beginning, as previously reported	5,636,426	30,556,696	36,193,122
Restatements	-	192,929	192,929
Net position - beginning, as restated	5,636,426	30,749,625	36,386,051
Net position - ending	$ 7,059,360	$ 16,625,666	$ 23,685,026

COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
JUNE 30, 2024

	Public Guardian	Redevelopment Successor Agency	Total
ASSETS			
Cash and cash equivalents	$ 1,146,251	$ 14,675,582	$ 15,821,833
Restricted cash with fiscal agents	-	10,671	10,671
Prepaid expenses	-	917,364	917,364
Receivables:			
Nondepreciable capital assets	-	7,425,950	7,425,950
Total assets	1,146,251	23,029,567	24,175,818
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding of debt	-	186,601	186,601
Total deferred outflows of resources	-	186,601	186,601
LIABILITIES			
Accounts payable and other liabilities	1,878	30,577	32,455
Interest payable	-	2,295,650	2,295,650
Other liabilities	100,000	161,656,472	161,756,472
Total liabilities	101,878	163,982,699	164,084,577
DEFERRED INFLOWS OF RESOURCES			
Gain on refunding of debt	-	759,854	759,854
Total deferred inflows of resources	-	759,854	759,854
NET POSITION			
Restricted for:			
Individuals, organizations and other governments	1,044,373	(141,526,385)	(140,482,012)
Total net position	$ 1,044,373	$ (141,526,385)	$ (140,482,012)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Public Guardian	Redevelopment Successor Agency	Total
ADDITIONS			
Interest, dividends and other	$ 45,965	$ 467,765	$ 513,730
Tax collections	-	16,464,909	16,464,909
Other contributions	1,131	317,097	318,228
Total additions	47,096	17,249,771	17,296,867
DEDUCTIONS			
Beneficiary payments to individuals	91,720	-	91,720
Administrative expenses	-	113,671	113,671
Interest expense	7,740	5,762,674	5,770,414
Other deductions	-	493,529	493,529
Total deductions	99,460	6,369,874	6,469,334
Net increase in fiduciary net position	(52,364)	10,879,897	10,827,533
Net position - beginning	1,096,737	(152,406,282)	(151,309,545)
Net position - ending	$ 1,044,373	$ (141,526,385)	$ (140,482,012)

Statistical Section

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

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STATISTICAL SECTION

This part of the County of Santa Cruz's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

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Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Reported in Thousands)

	Fiscal Year									
	2024	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Governmental activities										
Net investment in capital assets	$ 657,074	$ 642,444	$ 631,244	$ 601,792	$ 567,960	$ 546,806	$ 509,726	$ 476,456	$ 468,999	$ 484,646
Restricted	182,937	110,108 [2]	151,725 [2]	126,899 [2]	133,596 [2]	67,917 [2]	56,859 [2]	58,886 [2]	65,406 [2]	57,382 [2]
Unrestricted	(546,137)	(534,673)	(606,264)	(613,189)	(603,792)	(471,054)	(423,493)	(396,329)[1]	(374,141)	(399,332)
Total governmental activities net position	$ 293,874	$ 217,879	$ 176,705	$ 115,502	$ 97,764	$ 143,669	$ 143,092	$ 139,013	$ 160,264	$ 142,696
Business-type activities										
Net investment in capital assets	$ 37,936	$ 32,266	$ 31,920	$ 30,575	$ 24,395	$ 24,615	$ 21,690	$ 20,724	$ 28,466	$ 28,585
Restricted	605	14,986	534	566	43	43	634	381	390	260
Unrestricted	22,687	2,477 [2]	10,092 [2]	10,554	328	1,304	3,255	2,062	(1,962)	3,620
Total business-type activities net position	$ 61,228	$ 49,729	$ 42,546	$ 41,695	$ 24,766	$ 25,962	$ 25,579	$ 23,167	$ 26,894	$ 32,465
Total primary government										
Net investment in capital assets	$ 695,010	$ 674,710	$ 663,164	$ 632,367	$ 592,355	$ 571,421	$ 531,416	$ 497,180	$ 497,465	$ 513,231
Restricted	183,542	125,094	152,259	127,465	133,639	67,960	57,493	59,267	65,796	57,642
Unrestricted	(523,450)	(532,196)	(596,172)	(602,635)	(603,464)	(469,750)	(420,238)	(394,267)	(376,103)	(395,712)
Total primary government net position	$ 355,102	$ 267,608	$ 219,251	$ 157,197	$ 122,530	$ 169,631	$ 168,671	$ 162,180	$ 187,158	$ 175,161

[1] The 2017 reported unrestricted balances have been restated due to the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

[2] Net positions by component have been restated based on Restatements of Beginning Balances described in Note 20

GOVERNMENT-WIDE CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Reported in Thousands)

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Expenses										
Governmental activities:										
General government	$ 59,377	$ 81,907	$ 42,187	$ 50,868	$ 49,370	$ 42,773	$ 39,812	$ 43,566	$ 35,068	$ 33,544
Public protection	230,280	222,982	201,256	223,651	207,831	195,327	177,636	157,415	141,370	131,718
Public ways and facilities	44,314	31,112	30,783	43,683	31,139	27,258	29,193	24,716	28,271	32,900
Health and sanitation	250,821	226,021	195,858	197,848	179,330	154,536	141,327	123,519	114,209	108,999
Public assistance	194,719	191,422	179,814	205,806	160,348	144,066	132,801	129,000	126,834	116,902
Education	8,014	7,525	6,305	6,099	5,757	5,996	5,884	5,746	6,005	5,537
Recreation and cultural services	18,099	15,068	11,452	11,485	12,182	11,772	11,549	10,784	8,900	7,202
Interest on long-term debt	12,832	11,757	4,760	1,890	3,270	2,157	1,746	2,210	2,764	3,307
Total government activities expenses	818,456	787,794	672,415	741,330	649,227	583,885	539,948	496,956	463,421	440,109
Business-type activities:										
County Disposal Sites										
CSA 9C	23,507	18,515	22,816	16,217	19,393	17,873	14,859	13,283	12,018	11,785
Boulder Creek CSA 7	632	464	467	428	419	542	401	308	362	332
Rolling Woods CSA 10	27	16	28	29	17	21	31	32	15	12
Septic Tank Maintenance										
CSA 12	2,011	1,532	1,426	1,555	1,328	1,124	923	1,016	1,090	1,058
Freedom County										
Sanitation District	1,711	1,289	1,183	1,175	1,206	766	1,123	1,090	808	965
Davenport County										
Sanitation District	763	800	833	1,127	810	551	581	556	518	656
Place de Mer CSA 2	155	94	124	234	176	164	157	30	38	50
Sand Dollar Beach CSA 5	352	381	273	309	294	328	323	247	237	275
Trestle Beach CSA 20	84	68	83	69	95	51	56	62	45	51
Summit West CSA 54	-	-	-	-	-	2	-	-	-	-
Graham Hill CSA 57	-	-	-	-	-	-	-	8	11	35
Total business-type activities expenses	29,242	23,159	27,233	21,143	23,738	21,422	18,454	16,632	15,142	15,219
Total primary government expenses	$ 847,698	$ 810,953	$ 699,648	$ 762,473	$ 672,965	$ 605,307	$ 558,402	$ 513,588	$ 478,563	$ 455,328
Program Revenues										
Governmental activities:										
Charges for services										
General government	$ 24,833	$ 30,702	$ 27,224	$ 23,901	$ 23,768	$ 26,432	$ 19,799	$ 21,379	$ 19,053	$ 18,605
Public protection	26,768	26,981	28,937	31,132	22,982	23,899	23,357	22,877	22,514	22,913
Public ways and facilities	7,214	6,800	7,374	7,535	6,528	7,085	6,154	6,129	4,930	5,624
Health and sanitation	54,436	69,704	46,012	41,979	41,219	39,863	41,364	38,413	33,927	27,520
Public assistance	1,424	1,533	1,123	589	524	1,071	1,278	415	700	568
Education	3	2	1	2	2	1	-	-	-	-
Recreation and cultural services	4,764	4,273	2,708	2,332	3,014	3,354	3,392	3,279	3,122	2,594
Debt service	-	-	41	2,106	1,560	285	-	-		-
Operating grants and contributions	488,720	447,171	399,130	369,375	290,021	279,861	259,972	261,567	244,016	243,896
Capital grants and contributions	47,180	16,015	14,984	32,521	18,532	22,829	19,532	8,193	8,798	7,005
Total governmental activities program revenues	655,342	603,181	527,534	511,472	408,150	404,680	374,848	362,252	337,060	328,725
Business-type activities:										
Charges for services	32,718	28,655	22,274	22,817	21,291	18,506	18,022	15,638	14,763	13,933
Operating grants and contributions	6,494	726	2,712	2,941	425	1,232	2,856	342	490	226
Capital grants and contributions	1	4	-	-	-	-	-	327	129	118
Total business-type activities program revenues	39,213	29,385	24,986	25,758	21,716	19,738	20,878	16,307	15,382	14,277
Total primary government program revenues	$ 694,555	$ 632,566	$ 552,520	$ 537,230	$ 429,866	$ 424,418	$ 395,726	$ 378,559	$ 352,442	$ 343,002
Net (expense)/revenue										
Governmental activities	$ (163,114)	$ (184,613)	$ (144,881)	$ (229,858)	$ (241,077)	$ (179,205)	$ (165,100)	$ (134,704)	$ (126,361)	$ (111,384)
Business-type activities	9,971	6,226	(2,247)	4,615	(2,022)	(1,683)	2,424	(325)	240	(942)
Total primary government net expense	$ (153,143)	$ (178,387)	$ (147,128)	$ (225,243)	$ (243,099)	$ (180,888)	$ (162,676)	$ (135,029)	$ (126,121)	$ (112,326)

(Continued)

GOVERNMENT-WIDE CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Reported in Thousands)

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	$ 152,963	$ 145,671	$ 136,154	$ 129,749	$ 123,044	$ 118,051	$ 117,337	$ 107,283	$ 100,143	$ 93,563
Other taxes	51,233	48,352	53,369	50,497	36,906	35,107	31,143	27,410	24,256	21,831
Grants and contributions not restricted for specific purposes	-	-	-	-	487	-	-	-	-	-
Interest and investment earnings	18,191	10,786	(4,067)	4,186	-	-	-	-	-	-
Use of money and property	-	-	-	-	6,283	6,619	4,454	3,741	4,096	3,473
Miscellaneous	16,531	8,355	12,010	25,207	28,371	19,945	16,253	7,960	9,460	4,306
Gain (Loss) on sale of assets	190	54	20	10	81	60	(7)	6	98	-
Total governmental activities	239,108	213,218	197,486	209,649	195,172	179,782	169,180	146,400	138,053	123,173
Business-type activities										
Property taxes	53	53	49	45	44	40	35	32	29	27
Interest and investment earnings	1,216	523	(497)	165	-	-	-	-	-	-
Use of money and property	-	-	-	-	334	366	(25)	(232)	(170)	49
Miscellaneous	242	289	3,545 [1]	820	448	1,608	70	333	332	6,539
Gain (Loss) on sale of assets	17	-	-	-	-	52	(91)	-	-	-
Total business-type activities	1,528	865	3,097	1,030	826	2,066	(11)	133	191	6,615
Total primary government	$ 240,636	$ 214,083	$ 200,583	$ 210,679	$ 195,998	$ 181,848	$ 169,169	$ 146,533	$ 138,244	$ 129,788
Change in Net Position										
Governmental activities	$ 75,994	$ 28,514	$ 52,603	$ (20,210)	$ (45,905)	$ 577	$ 4,080	$ 11,696	$ 11,692	$ 11,789
Business-type activities	11,499	7,183	852	5,645	(1,196)	383	2,413	(192)	431	5,673
Total primary government	$ 87,493	$ 35,697	$ 53,455	$ (14,565)	$ (47,101)	$ 960	$ 6,493	$ 11,504	$ 12,123	$ 17,462

[1] Miscellaneous revenuess have have been restated based on Restatements of Beginning Balances described in Note 20

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Reported in Thousands)

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
General Fund										
Nonspendable	$ 1,725	$ 1,974	$ 1,402	$ 1,696	$ 1,547	$ 1,707	$ 1,758	$ 703	$ 751	$ 1,135
Restricted	43,057	34,741	33,022	25,484	-	-	-	-	-	1
Committed	20,997	20,997	20,956	20,956	19,756	19,957	21,557	18,000	17,251	20,081
Assigned	116,418	81,700	80,169	63,583	36,390	48,162	37,094	37,159	33,767	29,059
Unassigned	-	-	-	-	-	-	-	(71)	(33)	(71)
Total General Fund	$ 182,197	$ 139,412	$ 135,549	$ 111,719	$ 57,693	$ 69,826	$ 60,409	$ 55,791	$ 51,736	$ 50,205
All other governmental funds										
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 61,558	$ -	$ 61,184
Restricted	183,659	167,418 [1]	151,725[1]	128,805 [1]	132,107[1]	122,614[1]	118,138 [1]	56,120 [1]	126,295 [1]	57,346 [1]
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	(722)	(21,298)	-	(1,906)	-	-	(4,989)	-	-	-
	$ 182,937	$ 146,120	$ 151,725	$ 126,899	$ 132,107	$ 122,614	$ 113,149	$ 117,678	$ 126,295	$ 118,530

[1] Fund balances have been restated based on Restatements of Beginning Balances described in Note 20

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Reported in Thousands)

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenues										
Taxes	$ 204,196	$ 194,023	$ 189,522	$ 180,246	$ 159,949	$ 153,158	$ 148,480	$ 134,693	$ 124,399	$ 115,394
Licenses and permits	16,939	16,175	16,787	13,782	12,829	12,591	12,665	13,268	11,881	11,053
Fines, forfeits and penalties	6,638	13,059	9,801	12,939	8,723	10,796	3,870	4,101	3,630	4,720
Use of money and property	16,855	10,091	(3,664)	3,901	5,674	5,930	4,197	3,623	4,083	3,417
Aid from other governments	535,645	462,949	414,108	401,443	308,552	302,690	279,504	269,760	252,814	250,902
Charges for services	96,451	97,979	86,832	82,856	78,045	78,603	78,809	75,124	68,734	62,050
Other	11,604	8,220	11,999	24,546	28,371	19,945	16,720	8,313	9,685	10,168
Total revenues	888,328	802,496	725,385	719,713	602,143	583,713	544,245	508,882	475,226	457,704
Expenditures										
Current										
General government	55,579	75,857	41,915	44,349	44,123	35,550	36,225	33,189	31,414	32,532
Public protection	218,489	205,226	318,652	195,009	182,291	172,236	161,157	156,582	146,434	137,893
Public ways and facilities	99,165	69,523	37,008	68,935	35,769	37,204	37,324	34,217	20,249	24,440
Health and sanitation	241,221	214,863	195,978	181,815	164,253	142,544	133,424	122,842	117,041	111,509
Public assistance	189,472	183,051	179,365	193,727	149,539	134,165	125,796	129,505	130,035	119,199
Education	7,168	6,671	5,606	5,458	5,518	5,753	5,655	5,535	5,793	5,325
Recreation and cultural services	16,948	13,716	10,532	9,828	10,842	10,460	10,471	10,014	8,667	7,156
Capital outlay	35,860	37,114	28,090	7,889	14,587	17,770	35,287	14,862	7,607	9,306
Debt service										
Principal	18,300	14,256	13,547	6,075	10,220	5,577	4,592	4,857	4,744	3,992
Bond redemption	-	-	-	-	-	-	-	-	-	-
Bond issue costs	829	320	844	-	-	-	-	-	-	-
Interest and fiscal charges	9,517	8,809	5,133	2,911	3,158	2,933	2,276	2,904	2,770	3,239
Total expenditures	892,548	829,406	836,670	715,996	620,300	564,192	552,207	514,507	474,754	454,591
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,220)	(26,910)	(111,285)	3,717	(18,157)	19,521	(7,962)	(5,625)	472	3,113
Other Financing Sources (Uses)										
Sale of capital assets	-	-	-	-	-	-	24	6	98	-
Debt issue cost	-	-	-	-	(281)	-	-	-	-	-
Proceeds from long-term debt	78,463	17,300	152,480	-	-	-	-	-	9,945	-
Issuance of Debt	1,140	-	-	-	-	-	-	-	-	-
Bond premium	2,971	620	3,214	-	995	-	(63)	951	60	-
Bond discount	(63)	-	(52)	-	-	-	-	-	-	-
Proceeds from refunding bonds	-	-	-	-	13,985	-	7,940	10,500	13,770	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	(10,620)	(13,097)	-
Transfers in	102,291	46,655	38,736	19,678	18,285	22,489	28,411	21,582	17,489	12,312
Transfers out	(101,527)	(52,388)	(43,871)	(19,802)	(18,362)	(23,157)	(28,496)	(21,750)	(17,701)	(18,706)
Lease inception	547	309	863	-	894	30	92	129	70	93
Miscellaneous	-	-	-	-	-	-	144	-	-	-
Total other financing sources (uses)	83,822	12,496	151,370	(124)	15,516	(638)	8,052	798	10,634	(6,301)
Net change in fund balances	$ 79,602	$ (14,414)	$ 40,085	$ 3,593	$ (2,641)	$ 18,883	$ 90	$ (4,827)	$ 11,106	$ (3,188)
Debt service as a percentage of noncapital expenditures	3.68%	2.87%	2.38%	1.33%	2.32%	1.61%	1.40%	1.63%	1.64%	1.69%

GENERAL FUND TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Reported in Thousands)

Fiscal Year	Current Property Taxes	Prior Property Taxes[1]	Delinquent Penalties and Costs	Sales and Use Tax	Transient Occupancy Tax	Business Tax[2]	Property Transfer Tax	Other Taxes	Total Tax Revenues [3]
2015	$ 77,497	$ 146	$ 2,017	$ 10,248	$ 6,482	$ 978	$ 2,243	$ 76	$ 99,687
2016	82,863	260	$ 2,436	10,071	7,084	2,504	2,267	82	107,567
2017	88,414	174	3,210	11,863	8,002	2,805	2,321	85	116,874
2018	94,000	135	6,780	11,514	8,385	3,138	2,609	83	126,644
2019	100,409	153	4,243	13,971	9,217	3,440	2,586	83	134,102
2020	104,689	234	3,134	16,640	7,410	4,294	2,411	84	138,896
2021	109,956	330	3,796	22,564	10,237	6,266	3,728	83	156,960
2022	115,620	195	4,894	24,280	14,137	3,014	3,782	72	165,995
2023	123,553	263	8,546	23,522	11,528	2,614	2,457	60	172,543
2024	129,826	365	3,574	24,262	12,811	3,155	2,448	60	176,501

[1] The County uses the Alternative Tax Apportionment Method, which treats prior taxes as payments against an outstanding taxes receivable balance. Amounts shown are either past adjustments or present delinquent payments applicable to the supplemental tax roll.

[2] The County began collecting Cannabis Business Tax during 2014-2015.

[3] The difference between total tax revenues reported above and revenues classified as taxes on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance is the above revenues classified as "Delinquent Penalties and Costs." These tax revenues are reported under "Fines, forfeits and penalties" on the Statement of Revenues, Expenditures and Changes in Fund Balance.

[4] Amounts for fiscal year 2022 were updated to agree with General Fund tax revenues. They were previously reported for Government-Wide tax revenues, erroneously.

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Reported in Thousands)

Fiscal Year Ended June 30	Total Secured Tax Levy for Fiscal Year[1]	Collections within the Fiscal Year of the Levy[2]		Collections in Subsequent Years[3]	Total Collections to Date	
		Amount	Percentage of Levy		Total Tax Collections	Percentage of Levy
2015	$ 443,002	$ 437,476	98.8%	$ 4,534	$ 442,010	99.8%
2016	470,552	465,411	98.9%	5,831	471,242	100.1%
2017	503,093	496,571	98.7%	4,739	501,310	99.6%
2018	536,687	530,953	98.9%	5,226	536,179	99.9%
2019	560,534	554,765	99.0%	3,547	558,312	99.6%
2020	587,578	580,758	98.8%	5,046	585,804	99.7%
2021	615,206	609,436	99.1%	5,997	615,433	100.0%
2022	638,000	631,953	99.1%	6,554	638,507	100.1%
2023	683,093	675,076	98.8%	5,932	681,008	99.7%
2024	719,922	710,649	98.7%	4,989	715,638	99.4%

[1] Secured tax levy for the County itself, school districts, cities and special districts under the supervision of their own governing boards.

[2] Included are amounts collected by the County on behalf of itself, school districts, cities and special districts under the supervision of their own governing boards.

[3] Under the Alternative Method of Tax Apportionment (the Teeter Plan), the County allocates to all taxing jurisdictions under the County, 100% of the secured property taxes billed, even if not yet collected. In return, the County retains the subsequent delinquent payments and associated penalties and interest. Refer to schedule of General Fund Tax Revenues by Source for property tax collections applicable to the County.

ASSESSED VALUE OF TAXABLE PROPERTY AND ACTUAL VALUE OF PROPERTY[1]
LAST TEN FISCAL YEARS
(Reported in Thousands)

Fiscal Year[5]	Secured[2]	Unsecured	Total Taxable Assessed Value[3]	Total Direct Tax Rate[4]
2015	$ 35,996,363	$ 873,141	$ 39,194,984	1.00%
2016	38,321,843	876,810	41,172,862	1.00%
2017	40,296,052	936,890	43,545,394	1.00%
2018	42,608,504	982,250	46,247,672	1.00%
2019	45,265,422	1,021,496	48,641,510	1.00%
2020	47,620,014	1,032,834	50,886,605	1.00%
2021	49,853,771	1,035,947	52,712,628	1.00%
2022	51,676,680	1,138,888	56,041,480	1.00%
2023	54,902,593	1,291,488	59,098,473	1.00%
2024	57,806,984	1,352,066	61,739,760	1.00%

[1] Assessed value of taxable property represents all taxable property within the County except as excluded or exempted by the State Constitution and the Legislature.

[2] Includes unitary properties (e.g., railroads, utilities), which are assessed by the State Board of Equalization.

[3] The County does not track the estimated actual value of all County properties due in part to the manner in which assessed value is calculated following the passage of California Proposition 13. Thus, the total taxable assessed value reported represents all property within the County.

[4] The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.

PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(Reported in Thousands)

Fiscal Year	Property Tax Rates Per $100 of Assessed Valuation Low	High	General Fund	Cities	School Districts	Special Districts[1]	Redevelopment Successor Agency	Total
2015	1.058	1.189	13.0	5.0	57.0	13.5	11.5	100.0
2016	1.056	1.178	13.0	5.0	57.0	13.5	11.5	100.0
2017	1.051	1.163	13.0	5.0	57.0	13.5	11.5	100.0
2018	1.064	1.118	13.0	5.0	57.0	13.5	11.5	100.0
2019	1.060	1.174	13.0	5.0	57.0	13.5	11.5	100.0
2020	1.063	1.183	13.0	5.0	57.0	13.5	11.5	100.0
2021	1.061	1.198	13.0	5.0	57.0	13.5	11.5	100.0
2022	1.061	1.212	13.0	5.0	57.0	13.5	11.5	100.0
2023	1.062	1.220	13.0	5.0	57.0	13.5	11.5	100.0
2024	1.038	1.211	13.5	5.0	57.0	13.5	11.0	100.0

[1] Includes Autonomous Special Districts, Board Governed Special Districts, the Library Special Revenue Fund and the Fire Special Revenue Fund.

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Reported in Thousands, Except Per Capita Information)

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Governmental activities										
Leases [1,7]	$ 8,716	$ 19,099	$ 19,913	$ 2,957	$ 3,719	$ 4,097	$ 5,579	$ 5,968	$ 6,739	$ 4,731
Refunding Certificates of Participation	14,828	18,647	22,315	25,830	29,814	33,648	37,333	40,896	38,095	27,726
Lease Revenue Bonds	149,669	73,944	57,613	29,645	30,720	21,083	21,948	14,504	14,927	12,325
Lease Revenue Refunding Bonds	4,521	4,847	5,167	5,480	5,821	1,428	1,496	1,561	1,627	1,690
Local Agency Revenue Bonds - 1999	-	-	-	-	-	35	70	105	135	165
Certificates of Participation	-	253	500	737	969	5,847	6,429	6,991	13,390	27,266
SCRUZPOB, 2021 Tax Pension	108,310	113,505	118,690	-	-	-	-	-	-	-
Subscription based Information Technology Agreements	271	1,611								
Loans Payable [6]	3,871	3,477	4,337	-	-	-	-	16	58	-
Internal Service Funds	-	-	-	-	-	-	-	-	-	26
Subscription based Information Technology Agreements	1,012	2,078	-	-	-	-	-	-	-	-
Leases [1,7]	1,697	1,849	10	-	-	-	-	-	-	-
Business-type activities										
Lease Revenue Bonds	4,467	4,861	5,171	5,471	5,756	6,030	6,295	6,550	6,799	-
Loans Payable	5,448	5,237	5,511	58	92	143	192	240	287	449
Leases	-	-	-	1,233	1,389	1,544	2	3	4	-
Total Primary government [2]	$ 302,810	$ 249,408	$ 239,227	$ 71,411	$ 78,280	$ 73,855	$ 79,344	$ 76,834	$ 82,061	$ 74,378
Percentage of personal income [3,5]	1.33%	1.09%	1.04%	0.35%	0.40%	0.39%	0.44%	0.46%	0.50%	0.47%
Per capita [4,5]	$ 1,135	$ 931	$ 893	$ 265	$ 287	$ 269	$ 288	$ 279	$ 299	$ 271

[1] Implementation of GASB 87 requires the term "leases" (rather than "capital leases") be used throughout the annual comprehensive financial report. Line items for capital leases have been removed and added to "leases".

[2] Excludes Component Unit. Total primary government, percentage of personal income and per capita data for prior periods were restated here to exclude amounts related to the Component Unit.

[3] Percentage of personal income is calculated from personal income data for the preceding calendar year, if available (e.g. percentage of personal income for Fiscal Year 2024 is based on 2022 calendar year personal income data). Personal income data is provided by the Bureau of Economic Analysis (BEA).

[4] Per capita data is calculated from per capita income data for the preceding calendar year, if available (e.g. per capita for Fiscal Year 2024 is based on 2022 calendar year per capita income data). Per capita income data is provided by the Bureau of Economic Analysis.

[5] Some prior period personal and per capita income data was revised by the Bureau of Economic Analysis and thus some prior period calculations have been restated here.

[6] Loans Payable was inadvertently excluded in 2022 and has been added to the schedule for related years.

[7] Lease amounts between governmental activities and internal service funds were updated to agree to their service area for FY22 and FY23. Overall lease liability amounts are unchanged.

COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

Fiscal Year [3]	Assessed Value [1]	Legal Debt Limit [2]	Total Net Applicable Debt	Legal Debt Margin	Debt Margin/ Debt Limit
2015	$ 35,996,363,446	$ 1,799,818,172	$ -	$ 449,954,543	100.00%
2016	38,321,843,499	1,916,092,175	-	479,023,044	100.00%
2017	40,296,052,356	2,014,802,618	-	503,700,654	100.00%
2018	42,608,503,591	2,130,425,180	-	2,130,425,180	100.00%
2019	45,265,421,591	2,263,271,080	-	2,263,271,080	100.00%
2020	47,620,014,333	2,381,000,717	-	2,381,000,717	100.00%
2021	49,853,771,007	2,492,688,550	-	2,492,688,550	100.00%
2022	51,676,680,196	2,583,834,010	-	2,583,834,010	100.00%
2023	54,902,592,846	2,745,129,642	-	2,745,129,642	100.00%
2024	57,806,984,366	2,890,349,218	-	2,890,349,218	100.00%

[1] Total Assessed Value includes exempt property.

[2] Section 29909 of the California Government Code limits the General Obligation Bond indebtedness to 5 percent of the total full cash valuation of all real and personal property within the County. The Legal Debt Margin is the Legal Debt Limit reduced by the General Bonded Debt. The County does not have any General Bonded Debt.

[3] Previous reported numbers were found to be one year behind. Numbers presented above have been updated to the correct fiscal year.

STATEMENT OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2024
(Reported in Thousands)

		Percentage Applicable [1]	Net Debt Outstanding
2023-2024 Total Net Assessed Valuation	$ 58,833,652		
Overlapping Tax and Assessment and General Obligation Debt			
SCHOOL DISTRICTS			
Elementary School Districts			
Live Oak Elementary		100.00%	$ 23,073
Santa Cruz City Elementary		100.00%	46,002
Soquel Union Elementary		100.00%	42,794
Mountain Elementary		100.00%	2,220
Santa Cruz City High		100.00%	134,354
Scotts Valley Unified		100.00%	19,045
San Lorenzo Valley Unified		100.00%	59,214
Pacific		100.00%	2,001
Pajaro Valley Unified		100.00%	155,768
Cabrillo College		100.00%	91,587
SPECIAL DISTRICTS			
Orchard Drive		100.00%	570
Consolidated Reassessment District 2021		100.00%	1,100
Place De Mer AD 2021-01		100.00%	2,520
Felton Community Facilities - District No. 1		100.00%	5,930
Total Overlapping Tax and Assessment and General Obligation Debt			586,178
Direct Debt			
Santa Cruz County [2]		100.00%	290,185
Total Direct Debt			290,185
Total Combined Overlapping and Direct Debt			$ 876,363
Ratio to 2023-2024 Assessed Valuation			
Total Overlapping Tax and Assessment and General Obligation Debt		1.00%	
Total Direct Debt		0.49%	
Total Combined Direct Debt and Overlapping Debt		1.49%	

[1] Percentage of overlapping agency's assessed valuation located within the boundaries of the County.

[2] Governmental activities debt excluding tax and revenue anticipation notes, compensated absences and estimated claims, business-type activities and debt related to the Santa Cruz County Sanitation District.

OUTSTANDING DEBT OF THE GOVERNMENTAL ACTIVITIES [1]
JUNE 30, 2024
(Reported in Thousands)

YEAR OF ISSUANCE	PRINCIPAL	INTEREST	TOTAL
Debt [2]			
1996	$ 4,570	$ 396	$ 4,966
2012A	1,057	302	1,359
2014	3,385	591	3,976
2015	185	7	192
2015	7,660	3,356	11,016
2016	5,985	1,483	7,468
2017	5,220	1,102	6,322
2020A	8,825	4,625	13,450
2020B	3,495	692	4,187
2021A	22,100	12,157	34,257
2021B	3,630	1,635	5,265
2021 Taxable Pension Obligation Bonds	108,310	28,481	136,791
2023A	17,300	12,112	29,412
2024A-1	35,000	14,771	49,771
2024A-2	7,208	1,639	8,847
2024B	9,080	3,868	12,948
2024C	27,175	19,806	46,981
Total debt outstanding for the Governmental Activities	$ 270,185	$ 107,023	$ 377,208

[1] All bonds noted are debts of The Public Financing Authority, a separate legal entity for whose debt the County is not liable except for the 2021 Taxable Pension Obligation Bonds.

[2] Certificates of Participation, Refunding Certificates of Participation, Lease Revenue Bonds, Lease Revenue Refunding Bonds, Revenue Bonds, and Local Agency Revenue Bonds.

GENERAL INFORMATION
LAST TEN FISCAL YEARS

Santa Cruz County is the second smallest county in the State of California, with an area of 440 square miles. It is also one of the original 27 counties formed in 1850, and, prior to California's independence, it was one of three Spanish Pueblos in California.

Santa Cruz County is located in the northern crescent of Monterey Bay, 74 miles south of San Francisco, 375 miles north of Los Angeles, 159 miles southwest of Sacramento, and 164 miles northwest of Fresno.

Fiscal Year	Population[1] (in thousands)	Budget Requirements[2] (in thousands)	Budget Per Capita	Current Property Taxes (in thousands)	Taxes Per Capita
2015	272	$ 505,725	$ 1,859	$ 77,497	$ 285
2016	276	539,798	1,956	82,863	300
2017	277	552,333	1,994	88,414	319
2018	276	590,759	2,140	94,000	341
2019	275	646,197	2,350	100,409	365
2020	271	685,431	2,529	104,689	386
2021	261	749,829	2,873	109,956	421
2022	267	875,026	3,277	135,907	509
2023	262	918,988	3,508[7]	145,339	555
2024	263	1,052,918	4,003	129,826	494

Fiscal Year	Assessed Valuation (in thousands)	Per Capita Income[3]	Personal Income[3] (in thousands)	School Enrollment[4]	Unemployment Rate[5]
2015	$ 38,321,843	$ 52,280	$ 14,209,814	$ 70,516	8.7%
2016	40,296,052	59,598	16,347,740	70,411	7.5%
2017	42,608,504	60,924	16,766,106	70,282	6.9%
2018	45,265,422	64,901	17,854,678	70,702	6.7%
2019	47,620,014	69,355	19,021,010	70,328	4.4%
2020	49,853,771	71,592	19,559,977	69,828	12.2%
2021	51,676,680	75,957	20,502,635	67,610	6.9%
2022	54,902,593	85,554	22,910,773	66,748	3.8%
2023	57,806,984	86,365	22,832,500	67,122	5.3%
2024	60,387,694	88,581	23,168,187	67,978	5.8%

SOURCES:

[1] Based on information compiled by the California Department of Finance.

[2] Santa Cruz County Final/Adopted Budgets.

[3] U.S. Bureau of Economic Analysis (BEA). Figures are for the preceding calendar year (e.g., Fiscal Year 2024 is 2023 calendar year data). All prior period numbers have been revised by the BEA and have been restated here.

[4] Total includes data obtained from the California Department of Education, the University of California at Santa Cruz, and Cabrillo College.

[5] Data reflects the annual average rate for the calendar year (e.g., Fiscal Year 2024 is annual average for 2023 calendar year) as calculated by the California Employment Development Department (EDD). Calendar year 2013 was revised by the EDD and has been restated here.

[6] School enrollment for fiscal year 22/23 was updated to reflect the correct number

[7] Prior year amount reported was adjusted to agree with actual.

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN CALENDAR YEARS

Calendar Year	New Dwelling Units[1] Single Family	Multiple Family	Total Units	Valuation of New Units[1] (in thousands) Residential	Non-Residential	Total Valuation	Deposits[2] Amount (in thousands)
2014	113	5	118	$ 70,444	$ 79,182	$ 149,626	$ 4,729,351
2015	101	62	163	72,860	42,430	115,290	5,439,646
2016	116	202	318	102,393	93,011	195,404	6,076,534
2017	66	1	67	18,228	1,025	19,253	6,133,076
2018	34	1	35	9,189	315	9,504	6,269,787
2019	50	1	51	12,227	995	13,222	7,415,466
2020	59	-	59	11,124	221	11,345	8,426,670
2021	144	1	145	27,475	4,769	32,244	8,937,210
2022	203	9	212	54,822	1,272	56,094	8,213,622
2023	108	4	112	23,055	9,072	32,127	8,069,564

[1] Compiled by the California Department of Finance - Economic Research Unit. Calendar year 2024 new construction and property valuation data is not available.

[2] Complied by the Federal Deposit Insurance Corporation (FDIC) as reported in the Deposit Market Share Report reflecting deposits as of June 30, 2024.

[3] Compiled by the County of Santa Cruz Planning Department. Figures from prior years have been restated to reflect the data the county planning department tracks. Data from the cities of Watsonville, Scotts Valley, Capitola, and Santa Cruz are not included in these restated figures.

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS

	Debt Service Funds		Enterprise Funds	
Year Ended June 30,	Special Assessment Billed	Special Assessment Collected	Special Assessment Billed	Special Assessment Collected / (Refunded)
2015	$ 195,882	$ 185,882	$ 90,298	$ 90,298
2016	193,708	204,728	91,601	91,598
2017	264,054	275,353	91,707	91,703
2018	211,083	246,813	92,271	91,349
2019	212,413	248,062	-	(129,567)
2020	151,767	208,299	-	-
2021	184,246	197,373	-	-
2022	168,264	294,764	-	-
2023	149,690	294,982	-	-
2024	144,995	290,225	-	-

Note: The billings and collections shown are for those special assessment bonds for which the County has established redemption funds for the purpose of facilitating bond payment in the case of delinquent accounts.

PRINCIPAL TAXPAYERS
CURRENT AND TEN YEARS AGO

Taxpayer	Type of Business	Assessed Value 2023-2024	Percentage of Total Assessed Valuation 2023-2024 [1]
Pacific Gas & Electric Company	Gas & Electric Utility	$ 543,388,965	0.92%
Dignity Health	Hospital	167,475,127	0.28%
Santa Cruz Seaside Company	Property management	138,123,742	0.23%
Regency Hilltop LLC	Property management	122,514,600	0.21%
MGP XI Capitola LLC - Capitola Mall	Property management	122,310,468	0.21%
LHO Santa Cruz Hotel One LP	Property management	69,968,496	0.12%
Anton Santa Cruz LLC	Property management	69,909,901	0.12%
S. Martinelli & Co	Property management	69,603,085	0.12%
Mt. Hermon Road Association Inc.	Property management	69,334,048	0.12%
Rancho Del Mar Center LLC	Property management	62,687,659	0.11%
1440 Devco LLC	Real Estate Investment	57,943,670	0.10%
Totals		$ 1,493,259,761	2.54%

Taxpayer	Type of Business	Assessed Value 2013-2014	Percentage of Total Assessed Valuation 2013-2014 [2]
Pacific Gas and Electric	Gas & Electric Utility	$ 226,180,539	0.66%
Santa Cruz Seaside Company	Amusement Park	76,494,242	0.22%
Pacific Bell Telephone Co.	Telephone Utility	51,638,082	0.15%
SC Beach Hotel Partners	Hotel Operator	42,521,219	0.12%
George Ow, Jr. et al	Real Estate	42,394,457	0.12%
Cypress Point RE Investors LLC	Real Esate	41,372,892	0.12%
Bei-Scott Co.	Property Management	37,391,896	0.11%
SC Shaffer Road Investors	Real Estate	35,259,943	0.10%
S. Martinelli & Co.	Beverage Producer	31,036,236	0.09%
Watsonville Hospital	Hospital	8,998,427	0.03%
Totals		$ 593,287,933	1.72%

Note: Principal taxpayer data for fiscal year 2023-24 is derived from the 2023 tax roll, which was billed and collected during 2024. Data for fiscal year 2013-2014 is derived from the 2014 tax roll, which was billed and collected during 2013.

[1] Percentage of total assessed valuation for 2023-24 is calculated from the total net assessed valuation of $58,833,652,202.

[2] Percentage of total assessed valuation for 2013-14 is calculated from the total net assessed valuation of $34,123,151,535.

PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO

Employer	Product/Service	Number of Employees 2023-2024 [1]	Percentage of Total Employment 2023-2024 [2]
University of California at Santa Cruz	Education	1,000-4,999	2.00%
Santa Cruz Government Center	County Services	1,000-4,999	2.00
Dominican Hospital	Hospital	1,000-4,999	2.00
Santa Cruz Health Center	County Services	500-999	0.59
Granite Rock	Excavating Contractors	500-999	0.59
Plantronics Inc	Telephone Apparatus Mfg.	500-999	0.59
Watsonville City Sewer Dept	City Serivces	500-999	0.59
Source Naturals	Vitamin Manufacturer	500-999	0.59
Cabrillo Senson House 1	Venue and Event spaces	500-999	0.59
Monterey Mushrooms	Agriculture	500-999	0.59
Larse Farms Inc	Agriculture	500-999	0.59
Ameri-Kleen	Services NEC	500-999	0.59

Employer [3]	Product/Service [3]	Number of Employees 2013-2014 [3]	Percentage of Total Employment 2013-2014 [3]
University of California, Santa Cruz	Education	1,000-4,999	2.08%
County of Santa Cruz	County Services	1,000-4,999	2.08
Pajaro Valley Unified School District	Education	1,000-4,999	2.08
Dominican Hospital	Hospital	1,000-4,999	2.08
Santa Cruz Beach Boardwalk	Amusement/Recreation	1,000-4,999	2.08
Cabrillo College	Education	500-999	0.52
City of Santa Cruz	City Services	500-999	0.52
Threshold Enterprises	Manufacturing	500-999	0.52
Watsonville Community Hospital	Hospital	500-999	0.52
West Marine	Retail	500-999	0.52
Plantronics	Telephone Apparatus Mfg.	500-999	0.52
Santa Cruz City School District	Education	500-999	0.52

[1] Number of employees reflects a range provided by California Employment Development Department (EDD) data.

[2] Average of the reported range divided by total civilian employment of 125,943 as reported by the EDD for June 2024.

[3] Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2014.

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
Function	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**
Public Assistance										
Human Services Department										
Adult Protective Services										
Referrals received	2,253	2,082	1,899	1,825	1,792	1,764[2]	1,406[1]	1,011	936	754
Investigations completed	1,853	1,662	1,570	1,474	1,550	1,649[2]	1,098[1]	906	816	601
Family and Children's Services										
Annual referrals (families)	2,139	2,314	2,096	2,399	2,399	2,699[2]	2,788[1]	2,770	2,635	2,727
Finalized adoptions	13	13	19	28	28	40[2]	37[1]	52	50	45
Licensed foster homes (monthly average)	120	124	112	141	141	100[2]	60[1]	139	130	125
Benefit Services										
Average number of Medi-Cal recipients	78,791	91,519	81,045	75,626	69,355	71,077[2]	73,041[1]	76,713	73,060	64,344
Public Ways and Facilities										
Public Works										
Roads										
Miles of road maintained	600	600	600	600	600	596	596	596	600	600
Potholes repaired	9,520	10,294	7,707	6,193	9,592	1,756	4,295	4,013	3,750	3,994
Minor culverts maintained	3,330	2,262	2,262	2,262	2,262	2,262	2,262	2,262	2,262	2,262
Bridges and major culverts maintained	160	160	160	160	160	160	160	160	160	160
Traffic signs replaced/ repaired	1,444	722	1,368	1,505	1,500	2,938	2,657	1,047	1,377	1,238
Miles of street swept	1,928	1,670	899	424	1,133	186	112	285	518	381
Sanitation										
Miles of pipe maintained	228	228	228	87	98	245	245	245	245	244
Maintenance call responses	306	393	110	282	573	279	401	150	209	319
Landfill										
Waste generated (tons)	115,278	141,606	177,225	179,484	178,898	166,332	168,225	197,810	155,789	172,555
Waste disposed (tons)	69,201	98,216	91,420	96,384	95,762	100,097	103,067	125,610	91,399	83,642
Recreation and Cultural Services										
Parks, Open Space and Cultural Services										
Facility bookings	6,267	5,778	4,989	3,069	4,516	7,409	7,602	6,927	6,716	7,621
Recreation registrations	5,652	2,804	2,259	3,022	7,116	7,144	7,025	7,591	7,295	6,720
Swim admissions	96,066	82,989	89,446	77,148	128,725	200,628	188,127	184,064	178,882	178,289

Sources: Various County Departments

[1] Prior period reported an estimate which has been restated here to reflect actual data.

[2] Prior period restated here consistent with Capital Assets Statistics by Function.

[3] New reporting system with more precise tracking capabilities was implemented.

OPERATING INDICATORS BY FUNCTION (CONTINUED)
LAST TEN FISCAL YEARS

Function	Fiscal Year 2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Public Protection										
Agricultural Commissioner										
High risk quarantine inspections	468	554	887	453	697	943	1,228	1,394	1,468	1,347
District Attorney										
Criminal Prosecution										
Felony filings	1,564	2,071	1,390	1,462	2,034	2,022	1,859	2,379	1,757	2,113
Juvenile filings	280	399	288	262	348	414	385	591	817	413
Consumer Affairs										
Number of calls received	58	107	132	167	176	226	412	2,198	1,821	2,143
Number of written complaints received	87	119	125	117	138	163	243	148	127	129
Planning										
Building permits issued	6,801	6,303	5,992	5,565	4,009	4,424	4,452	4,463	4,072	4,097
Building permit inspection sites visited	12,219	10,742	10,355	12,925	9,580	9,924	11,979	10,998	9,503	10,084
Code compliance cases resolved	133	96	111	97	91	216	251	114	102	105
Probation										
Juvenile division referrals	484	530	504	504	559	693	765	913	980	1,220
Juvenile division petitions filed	261	276	169	169	240	298	327	362	430	569
Juvenile court investigations	17	40	54	33	53	67	69	54	53	60
Public Defender										
Total cases	7,397	6,779	6,576	6,530	6,300	11,038	10,955	10,900	10,800	10,445
Sheriff/Coroner(Investigation Division)										
Total cases reviewed	10,389	10,500	10,024	10,418[3]	10,581[2]	11,138	10,990	11,072	10,481	10,471
Total arrests	137	150	137	142[3]	112[2]	104	64	85	86	168
Detention										
Main jail bookings	7,433	8,102	7,468	6,907	7,411	9,404	9,208	10,641	11,305	10,964
Weights and Measures										
Establishments visited	1,302	824	1,057	1,053	1,229	1,537	1,348	1,200	1,200	1,039
Special District										
Mosquito Abatement/Vector Control CSA #53										
Mosquito inspections	12,206	11,258	11,021[1]	13,518	10,501	7,104	7,228	8,423	8,859	6,440

Sources. Various County Departments

[1]Prior period reported an estimate which has been restated here to reflect actual data.
[2]Data is presented on a calendar year basis, which is not yet available.
[3]Data is now reported on a fiscal year period with updated system abilities

BUDGETED POSITIONS
LAST TEN FISCAL YEARS

DEPARTMENT/FUNCTION	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
COUNTY ADMINISTRATIVE OFFICE	16.00	16.00	15.75	15.75	17.00	17.00	22.00	22.00	22.00	18.00
CLERK OF THE BOARD (5 added to CAO)	5.00	5.00	4.00	4	5	5	5	5	-	-
AGRICULTURAL COMMISSIONER	18.81	18.81	19.81	19.81	19.81	18.40	16.40	16.40	16.40	20.40
MOSQUITO ABATEMENT/VECTOR CONTROL	9.00	9.00	9.00	9.00	10.00	10.00	10.00	10.00	10.00	9.00
AGRICULTURAL EXTENSION	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
ASSESSOR	26.00	26.00	26.00	26.00	26.00	26.00	26.00	26.00	29.00	33.25
AUDITOR-CONTROLLER/TREASURER-TAX COLLECTOR[1]	45.55	44.55	44.25	42.75	45.75	45.75	44.75	42.75	42.75	30.00
BOARD OF SUPERVISORS	17.00	17.00	17.00	17.00	18.00	18.00	18.00	18.00	18.00	18.00
CANNABIS LICENSING	3.00	4.25	5.00	5.00	5.00	5.00	0.00	0.00	0.00	0.00
RECORDER	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
COMMUNITY DEVELOPMENT & INFRASTRUCTURE[2]	366.25	356.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
COUNTY CLERK/ELECTIONS	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00
COUNTY COUNSEL	22.00	20.50	20.50	20.50	20.50	19.50	18.50	18.50	18.50	18.50
DISTRICT ATTORNEY	109.00	107.00	106.00	106.00	106.00	103.00	99.00	97.00	94.00	90.50
CHILD SUPPORT SERVICES	32.00	33.00	34.00	34.00	49.00	49.00	51.00	59.00	59.00	61.00
EMERGENCY SERVICES	0.00	0.00	0.00	1.00	2.00	2.00	2.00	1.50	2.00	2.00
GENERAL SERVICES	10.00	6.00	6.00	9.00	9.00	9.00	9.00	9.00	8.00	8.80
FACILITIES MAINTENANCE	46.00	47.00	44.00	43.00	43.00	42.00	42.00	42.00	42.00	44.00
CENTRAL STORES/DUPLICATING	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
PURCHASING	0.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00
SERVICE CENTER	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00
HEALTH SERVICES	770.60	754.90	747.00	615.00	607.90	568.20	550.45	531.85	534.30	526.95
HOMELESS SERVICES COORDINATION	0.00	0.00	0.00	2.00	2.00	1.00	0.00	0.00	0.00	0.00
HUMAN SERVICES	579.00	575.00	595.50	525.50	532.50	532.50	530.50	570.00	574.50	515.00
VETERANS SERVICES	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
INFORMATION SERVICES/TELEPHONE	36.00	33.00	63.00	54.00	57.00	56.00	56.00	56.00	57.00	64.50
INFORMATION SERVICES/COMM. TECH.	31.00	35.00	5.00	7.00	7.00	7.00	7.00	7.00	7.00	6.00
OFFICE OF RESPONSE, RECOVERY AND RESILIENCE	5.00	5.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PARKS OPEN SPACE & CULTURAL SERVICES	58.50	54.50	53.50	48.00	52.25	49.25	47.50	45.75	44.75	40.80
PERSONNEL	30.00	30.00	30.00	27.00	27.00	27.00	27.00	27.00	25.00	26.50
PUBLIC DEFENDER	60.00	57.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RISK MANAGEMENT	13.00	13.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	11.00
PLANNING	0.00	0.00	72.50	72.00	71.50	71.00	66.50	65.25	64.00	65.25
PROBATION	104.00	102.00	101.50	98.50	98.50	97.50	97.25	96.25	91.25	93.25
JUVENILE HALL	31.00	31.00	31.00	30.00	30.00	30.00	30.00	31.00	30.50	30.50
PUBLIC WORKS	0.00	0.00	269.75	270.50	268.80	267.80	262.80	256.80	256.00	267.50
SHERIFF-CORONER	192.50	191.50	192.50	192.50	187.50	180.00	175.00	175.00	173.00	173.00
CORRECTIONS	152.00	152.00	151.00	150.00	166.00	152.00	151.00	150.00	151.00	149.00
COURT SECURITY	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
TREASURER-TAX COLLECTOR[2]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.75
WORKFORCE INNOVATIONS	5.00	0.00	4.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	2,851.21	2,805.26	2,795.56	2,516.81	2,557.01	2,481.90	2,437.65	2,452.05	2,443.95	2,398.45

Source: Annual Adopted County Budget

[1]On January 5, 2015, the County began consolidating the offices of Auditor-Controller and Treasurer-Tax Collector.
[2]During FY22/23, the Department of Public Works (DPW) & Planning merged to form Community Development & Infrastructure

SCHEDULE OF INSURANCE IN EFFECT
JUNE 30, 2024

COVERAGE	DETAILS OF COVERAGE	LIMITS
Property	CSAC-Excess Insurance Authority Blanket buildings and equipment including EDP, Vehicles, Contractors' Equipment, Boiler & Machinery. All Risk, flood, replacement cost-agreed amount including earthquake at scheduled locations	
	All Risk & Flood Limits	$ 600,000,000
	Earthquake Limits	565,000,000
	Deductible	25,000
	Alliant Insurance: (A) National Unition Fire Ins Co; (B) Berkeley Ins Co; (C)	
Crime Bond	Great American Ins Co Faithful Performance Bond (covers failure to faithfully perform duties and employee dishonesty). Includes all employees and Treasurer	10,000,000
	Deductible	2,500
Non-owned aircraft	USI Insurance Services, LLC National Union Fire Includes passengers' bodily injury, terrorism and property damage combined each occurrence	5,000,000
Excess Workers' Compensation Employer's Liability	CSAC-Excess Insurance Authority Workers' Compensation Employer's Liability $500,000 Self-Insured Retention Deductible (per occurrence) Workers' Compensation and Employer's Liability	Statutory Limits
Medical Malpractice and General Liability	CSAC-Excess Insurance Authority Comprehensive hospital professional and general liability for HSA staff and operations and Jail Medical Unit	21,500,000
	Deductible	25,000
Fine Arts	Falvey Insurance Group Includes fossils and fine arts for all County locations	125,000
	Deductible	1,000
Excess Liability (GLII)	CSAC-Excess Insurance Authority Excess Liability Insurance $1,000,000 Self-Insured Retention to $25,000,000	25,000,000
Optional Excess	CSAC - Excess Insurance Authority $25,000,000 excess of $25,000,000	25,000,000
County Fire Auto & Liability Insurance	USI - National Fire Ins Co of Pittsburgh, PA Includes property insurance for County owned fire stations including contents, business interruption, money & securities, boiler & machinery	
	Fire Liability	3,000,000
	Auto Liability	1,000,000
	Deductible	1,000
	Equipment Deductible	100
Pollution Program	PRISM - Public Risk Innovation, Solutions, and Management Pollution Program	10,000,000
	Self-Insured Retention Deductible	250,000
Cyber Liability	PRISM - Public Risk Innovation, Solutions, and Management Claims Made Policy protecting against information security & privacy insurance with electronic media liability	16,000,000
	Self-Insurance Retention Deductible	100,000
Watercraft Coverage	PRISM - Public Risk Innovation, Solutions, and Management Protection and Indemnity	5,000,000
	Deductible	1,000

Source: Santa Cruz County Risk Department

CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Function										
Public protection										
Jail facilities	3	3	3	3	3	3	3	3	3	3
Rehabilitation center	1	1	1	1	1	1	1	1	1	1
Juvenile center	2	2	2	1	1	1	1	1	1	1
Courthouses	3	3	3	3	3	3	3	3	2	3
Morgue	1	1	1	1	1	1	1	1	1	1
Center for Public Safety	2	2	2	2	2	2	2	1	1	1
Public assistance										
Other buildings[3]	4	5	4	-	-	-	-	-	-	-
Child day care center	-	-	-	-	1	1	1	1	1	1
Elder day care center	1	1	1	1	1	1	1	1	1	1
Residential care facility	2	1	1	1	1	1	1	1	1	1
Volunteer center	1	1	1	1	1	1	1	1	1	1
Veterans centers	1	1	1	2	2	2	2	2	2	2
Clinics[2]	4	2	2	-	-	-	-	-	-	-
Behavioral Health Unit	1	1	1	1	1	1	1	1	1	1
Recreation and culture										
Parks acreage	237	237	237	237	236	236	236	228	228	228
Sites	66	66	66	65	65	65	65	63	60	60
Athletic fields	17	17	17	17	17	17	17	17	17	17
Swimming pools	4	4	4	4	4	4	4	4	4	4
Public ways and facilities										
Roads										
Pavement (miles)	600	600	600	600	600	596	596	596	600	600
Junction structures	2,964	2,964	2,964	2,964	2,964	2,964	2,964	2,964	2,964	2,964
Minor culverts [4]	2,262	2,262	2,262	2,262	2,262	2,262	2,262	2,262	2,262	2,262
Bridges and major culverts[4]	160	160	160	160	160	160	160	160	160	160
Sanitation										
Pipe (miles)	228	228	228	232	232	245	245	245	245	244
Pump stations/treatment plants	63	63	62	62	62	60	61	61	63	64
General government										
Administrative/other facilities[1]	17	13	13	12	12	12	12	12	12	12

Source: Various County Departments

[1]Includes buildings and centers utilized by various departments within different functions.

[2]There have been one to two clinic sites previously, however, were added to this schedule in fiscal year 2022. Prior periods were not updated.

[3]Other buildings are included for the first time during fiscal year 2022 and include buildings that are either unoccupied or rented to other entities. Prior periods were not updated.

[4]Data has been restated for prior years

Glossary (Unaudited)

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2024

ACCOUNTS PAYABLE. A short-term liability account reflecting amounts owed to private persons or organizations for goods and services received by a government.

ACCOUNTS RECEIVABLE. An asset account reflecting amounts due from private persons or organizations for goods and services furnished by a government (but not including amounts due from other funds or other governments).

ACCRUAL BASIS. The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events, and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

ACCUMULATED DEPRECIATION. A contra-asset account used to report the accumulation of periodic credits to reflect the expiration of the estimated service life of capital assets.

ADVANCE FROM OTHER FUNDS. A liability account used to record noncurrent portions of a long-term debt owed by one fund to another fund within the same reporting entity. See DUE TO OTHER FUNDS and INTERFUND RECEIVABLE/PAYABLE.

ADVANCE TO OTHER FUNDS. An asset account used to record noncurrent portions of a long-term loan from one fund to another fund within the same reporting entity. See DUE FROM OTHER FUNDS.

AGENCY FUND. A fund normally used to account for assets held by a government as an agent for individuals, private organizations, or other governments and/or other funds.

AMORTIZATION. (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR). A financial report that encompasses all funds and component units of the government. The ACFR should contain (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. The ACFR is the governmental unit's official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance related legal and contractual provisions, and statistical data.

APPROPRIATION. A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

ASSESSED VALUATION. A valuation set upon real estate or other property by a government as a basis for levying taxes.

ASSIGNED FUND BALANCE. Amounts that are constrained by the County's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority or by a body or an official designated for that purpose. This is also the classification for residual funds in the County's special revenue funds.

AUDITOR'S REPORT. In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with GAAP or some other comprehensive basis of accounting.

BALANCE SHEET. The financial statement disclosing the assets, liabilities, and equity of an entity at a specified date in conformity with GAAP.

BASIC FINANCIAL STATEMENTS (BFS). The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP. Basic financial statements have three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

BASIS OF ACCOUNTING. A term used to refer to when revenues, expenditures, expenses, and transfers and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the nature of the measurement, on either the cash or the accrual basis.

BUDGET. A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

BUDGETARY CONTROL. The control or management of a government or enterprise in accordance with an approved budget to keep expenditures within the limitations of available appropriations and available revenues.

CAPITAL ASSETS. Long-lived tangible assets obtained or controlled as a result of past transactions, events or circumstances. Capital assets include buildings, equipment, improvements other than buildings, land and infrastructure. In the private sector, these assets are referred to most often as property, plant, and equipment.

CAPITAL EXPENDITURES. Expenditures resulting in the acquisition of or addition to the government's general capital assets.

CAPITALIZATION POLICY. The criteria used by a government to determine which outlays should be reported as capital assets.

CAPITAL LEASE. Prior to the implementation of GASB 87 in the fiscal year ended June 30, 2022, a capital lease was a long-term, non-cancelable agreement that was essentially a purchase agreement. Capital leases are no longer reported in the financial statements, however the term is still used in the Ratios of Outstanding Debt by Type on page 220 which compares financial data over the past ten years.

CAPITAL PROJECTS FUND. A fund created to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

CASH BASIS. A basis of accounting under which transactions are recognized only when cash is received or disbursed.

CASH WITH FISCAL AGENT. An asset account reflecting deposits with fiscal agents, such as commercial banks, for the payment of bond principal and interest.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM. A voluntary program administered by the Government Finance Officers Association (GFOA) to encourage governments to publish efficiently organized and easily readable ACFRs and to provide technical assistance and peer recognition to the finance officers preparing them.

CHANGE IN THE FAIR VALUE OF INVESTMENTS. The difference between the fair value of investments at the beginning of the year and at the end of the year, taking into consideration investment purchases, sales, and redemptions.

COMMITTED FUND BALANCE. Amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (the Board of Supervisors), and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

COMPENSATED ABSENCES. Absences, such as vacation and illness, for which it is expected employees will be paid. The term does not encompass severance or termination pay, postretirement benefits, deferred compensation, or other long-term fringe benefits, such as group insurance and long-term disability pay.

CONTINGENT LIABILITY. Items that may become liabilities as a result of conditions undetermined at a given date, such as guarantees, pending lawsuits, judgments under appeal, unsettled disputed claims, unfilled purchase orders and uncompleted contracts. Contingent liabilities should be disclosed within the financial statements (including the notes) when there is a reasonable possibility a loss may have been incurred. Guarantees, however, should be disclosed even though the possibility of loss may be remote.

COST-SHARING MULTIPLE-EMPLOYER PLAN. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer.

CURRENT FINANCIAL RESOURCES MEASUREMENT FOCUS. Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for State and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

DEBT. An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants, and notes.

DEBT SERVICE FUND. A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

DEFERRED CHARGES. Expenditures that are not chargeable to the fiscal period in which they were made but that are carried as an asset on the balance sheet, pending amortization or other disposition (e.g., bond issuance costs). Deferred charges differ from prepaid items in that they usually extend over a long period of time (more than five years) and are not regularly recurring costs of operation.

DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES. The consumption or acquisition of net position in one period that is applicable to future periods.

DEFICIT. (1) The excess of the liabilities of a fund over its assets. (2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

DEFINED BENEFIT PENSION PLAN. A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation.

DEPRECIATION. (1) Expiration in the service life of capital assets, other than wasting assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence. (2) The portion of the cost of a capital asset, other than a wasting asset, charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated service life of such an asset and each period is charged with a portion of such cost. Through this process, the entire cost of the asset is ultimately charged off as an expense.

DUE FROM OTHER FUNDS. An asset account used to indicate amounts owed to a particular fund by another fund for goods sold or services rendered. This account includes only short-term obligations on open account, not interfund loans.

DUE TO OTHER FUNDS. A liability account reflecting amounts owed by a particular fund to another fund for goods sold or services rendered. These amounts include only short-term obligations on open account, not interfund loans.

ECONOMIC RESOURCES MEASUREMENT FOCUS. Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net position. The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. It is also used by business enterprises in the private sector.

ENCUMBRANCES. Commitments related to unperformed (executory) contracts for goods or services. Used in budgeting, encumbrances are not GAAP expenditures or liabilities, but represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed.

ENTERPRISE FUND. Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

EXPENDITURE-DRIVEN GRANTS. Government-mandated or voluntary nonexchange transactions in which expenditure is the prime factor for determining eligibility. Also referred to as reimbursement grants.

EXCHANGE-LIKE TRANSACTION. Transaction in which there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange.

EXPENDITURES. Decreases in net financial resources. Expenditures include current operating expenses requiring the present or future use of net position, debt service and capital outlays, and intergovernmental grants, entitlement, and shared revenues.

EXPENSES. Outflows or other using up of assets or incurrences of liabilities (or a combination of both) from delivering or producing goods, rendering services, or carrying out other activities that constitute the entity's ongoing major or central operations.

EXTERNAL AUDITORS. Independent auditors typically engaged to conduct an audit of a government's financial statements.

EXTERNAL INVESTMENT POOL. An arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsors reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual State or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

FAIR VALUE. The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

FIDUCIARY FUNDS. The trust and agency funds used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds.

FINANCIAL RESOURCES. Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments). Financial resources may also include inventories and prepaids (because they obviate the need to expend current available resources).

FISCAL AGENT. A fiduciary agency, usually a bank or county treasurer, who performs the function of paying debt principal and interest when due.

FUND. A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations.

FUND BALANCE. The difference between fund assets and fund liabilities of governmental and similar trust funds.

FUND FINANCIAL STATEMENTS. Basic financial statements presented on the basis of funds. Term used in contrast with *government-wide financial statements.*

FUND TYPE. Anyone of seven categories into which all funds are classified in governmental accounting. The seven fund types are: general, special revenue, debt service, capital projects, enterprise, internal service, and trust and agency.

GENERAL REVENUES. All revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues and should be reported by type of tax – for example, property tax, sales tax, transient occupancy tax. All other nontax revenues (including interest, grants and contributions) that do not meet the criteria to be reported as program revenues should also be reported as general revenues.

GENERAL FUND. The General Fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for State and local governments are set forth by Statements of Auditing Standards (SAS) No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report.*

GOVERNMENTAL ACCOUNTING. The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of governments.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB). The ultimate authoritative accounting and financial reporting standard-setting body for State and local governments. The GASB was established in June 1984 to replace the National Council on Governmental Accounting (NCGA).

GOVERNMENTAL FUNDS. Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the General Fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

GOVERNMENT-WIDE FINANCIAL STATEMENTS. Financial statements that incorporate all of a government's governmental and business-type activities, as well as its non-fiduciary component units. There are two basic government-wide financial statements: the statement of net position and the statement of activities. Both basic governmental financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

INFRASTRUCTURE. Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

INTERFUND RECEIVABLE/PAYABLE. Short-term loans made by one fund to another, or the current portion of an advance to or from another fund.

INTERFUND TRANSFERS. Flow of assets (such as cash or goods) between funds and blended component units of the primary government without equivalent flows of assets in return and without a requirement for payment.

INTERNAL SERVICE FUND. A fund used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

JOINT VENTURE. A legal entity or other contractual arrangement in which a government participates as a separate and specific activity for the benefit of the public or service recipients and in which the government retains an ongoing financial interest.

LAPSE. As applied to appropriations, the automatic termination of an appropriation. Except for indeterminate appropriations and continuing appropriations, an appropriation is made for a certain period of time. At the end of the period, any unexpended or unencumbered balance thereof lapses, unless otherwise provided by law.

LEASE. An agreement that conveys the right to use property, plant, or equipment, usually for a stated period of time.

LEGAL LEVEL OF BUDGETARY CONTROL. The level at which spending in excess of budgeted amounts would be a violation of law.

LEVEL OF BUDGETARY CONTROL. The level at which a government's management may not reallocate resources without special approval from the legislative body.

LIABILITIES. Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

LOANS RECEIVABLE. An asset account reflecting amounts loaned to individuals or organizations external to a government, including notes taken as security for such loans. Loans to other funds and governments should be recorded and reported separately.

MAJOR FUND. A governmental fund or enterprise fund reported as a separate column in the basic fund financial statements. The General Fund is always a major fund. Otherwise, major funds are funds whose revenues/expenditures,

assets, or liabilities are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. Any other governmental or enterprise fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users.

MANAGEMENT'S DISCUSSION AND ANALYSIS. A component of required supplementary information used to introduce the basic financial statements and to provide an analytical overview of the entity's financial activities.

MEASUREMENT FOCUS. A way of presenting an entity's financial performance and position by considering which resources are measured (financial or economic) and when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

MODIFIED ACCRUAL BASIS. The accrual basis of accounting adapted to the governmental fund-type measurement focus. Under it, revenues and other financial resource increments (e.g., bond issue proceeds) are recognized when they become susceptible to accrual, that is when they become both "measurable" and "available to finance expenditures of the current period." "Available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally, expenditures are recognized when the fund liability is incurred. All governmental funds, expendable trust funds, and agency funds are accounted for using the modified accrual basis of accounting.

NET INVESTMENT IN CAPITAL ASSETS. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NET POSITION. The residual of all other elements of the statement of financial position. In other words, the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources.

NONSPENDABLE FUND BALANCE. Amounts that cannot be spent because they are either (1) not spendable in form or (2) legally or contractually required to be maintained intact.

OTHER FINANCING SOURCES. An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the other financing sources category is limited to items so classified by GAAP.

OTHER FINANCING USES. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of other financing uses category is limited to items so classified by GAAP.

OVERLAPPING DEBT. The proportionate share that property within each government must bear of the debts of all local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessment receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

PROGRAM REVENUES. Term used in connection with the government-wide statement of activities. Revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the net cost of the function to be financed from the government's general revenues.

PROPRIETARY FUNDS. Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

PRIVATE-PURPOSE TRUST FUND. Trust fund used to report resources of other trust arrangements in which principal and income benefit individuals, private organizations, or other governments.

REBATABLE ARBITRAGE. A term used in connection with the reinvestment of the proceeds of tax-exempt debt. A requirement to remit to the Federal government interest revenue in excess of interest costs when the proceeds from the sale of tax-exempt securities are reinvested in a taxable money market instrument with a materially higher yield.

REPORTING ENTITY. The oversight unit and all of its component units, if any, that are combined in the ACFR/BFS.

REQUIRED SUPPLEMENTARY INFORMATION. Consists of statements, schedules, statistical data, or other information which, according to the GASB, is necessary to supplement, although not required to be a part of the basic financial statements.

RESERVED FUND BALANCE. The portion of a governmental fund's net position that is not available for appropriation.

RESTRICTED ASSETS. Assets whose use is subject to constraints that are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED FUND BALANCE. Amounts with constraints placed on their use that are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

RESTRICTED NET POSITION. A component of net position calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

REVENUE BONDS. Bonds whose principal and interest are payable exclusively from earnings of an enterprise fund. In addition to a pledge of revenues, such bonds sometimes contain a mortgage on the enterprise fund's property.

RISK MANAGEMENT. All the ways and means used to avoid accidental loss or to reduce its consequences if it does occur.

SELF-INSURANCE. A term often used to describe the retention by an entity of a risk of loss arising out of the ownership of property or from some other cause, instead of transferring that risk to an independent third party through the purchase of an insurance policy. It is sometimes accompanied by the setting aside of assets to fund any related losses. Because no insurance is involved, the term self-insurance is a misnomer.

SINGLE AUDIT. An audit performed in accordance with *Title 2 U.S. Code of Federal Regulations*. The Single Audit Act allows or requires governments (depending on the amount of Federal assistance received) to have one audit performed to meet the needs of all Federal agencies.

SPECIAL DISTRICT. An independent unit of local government organized to perform a single government function or a restricted number of related functions. Special districts usually have the power to incur debt and levy taxes; however, certain types of special districts are entirely dependent upon enterprise earnings and cannot impose taxes. Examples of special districts are water districts, drainage districts, flood control districts, hospital districts, fire protection districts, transit authorities, port authorities, and electric power authorities.

SPECIAL REVENUE FUND. A fund used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

TAX AND REVENUE ANTICIPATION NOTES (TRANS). Notes issued in anticipation of the collection of taxes and revenues, usually retireable only from tax collections, and frequently only from the proceeds of the tax and revenues levy whose collection they anticipate.

TRUST FUNDS. Funds used to account for assets held by a government in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

UNASSIGNED FUND BALANCE. The residual classification for the County's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

UNMODIFIED OPINION. An opinion rendered without reservation by the independent auditor that financial statements are fairly presented.

UNRESERVED FUND BALANCE. That portion of a fund balance available for spending or appropriation in the future.

UNRESTRICTED NET POSITION. That portion of net position that is neither restricted nor invested in capital assets (net of related debt).

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APPENDIX D

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture, the Lease, the Site Lease and the Assignment Agreement. The following also includes definitions of certain terms used therein and in this Official Statement. Such summary is not intended to be definitive. Reference is directed to said documents for the complete text thereof. Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given.

DEFINITIONS

"Act" means Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

"Additional Bonds" mean the Bonds of an additional Series authorized by a Supplemental Indenture that are issued pursuant to the Indenture.

"Additional Rental" means Additional Rental due under the Lease.

"Assignment Agreement" means that certain Amended and Restated Assignment Agreement, dated as of September 1, 2025, by and between the Authority and the Trustee.

"Authority" means the Santa Cruz County Capital Financing Authority, a joint powers authority duly organized and existing under the Joint Exercise of Powers Agreement and the laws of the State.

"Authority Board" means the governing body of the Authority.

"Authorized Denominations" means, with respect to the 2025A Bonds, $5,000 or any integral multiple thereof, and with respect to a Series of Additional Bonds, shall have the meaning set forth in the related Supplemental Indenture.

"Base Rental Payments" means the 2024 Base Rental Payments, the 2025A Base Rental Payments, and any additional base rental payments made under the Lease, as amended and supplemented, with respect to any Additional Bonds issued in accordance with the Indenture.

"Bond Counsel" means (a) Norton Rose Fulbright US LLP or any successor thereto, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act, as in existence on the Closing Date or as thereafter amended from time to time.

"Bond Year" means, with respect to the 2024C Bonds, each twelve-month period extending from June 2 in one calendar year to June 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and shall end on June 1, 2025, and, with respect to the 2025A Bonds, each twelve-month period extending from June 2 in one calendar year to June 1 of the

succeeding calendar year, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and shall end on June 1, 2026.

"Bonds" means, collectively, the 2024C Bonds, the 2025A Bonds and any Additional Bonds.

"Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Trust Office are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

"Certificate of the Authority" means a certificate in writing signed by the Executive Director or Assistant Executive Director of the Authority or by any other officer of the Authority duly authorized by the Executive Director or Assistant Executive Director or by the Authority for that purpose, as evidenced in writing to the Trustee.

"Certificate of the County" means a certificate in writing signed by the County Executive Officer or Assistant County Executive Officer of the County or by any other officer of the County duly authorized for that purpose.

"Closing Date" means, with respect to the 2025A Bonds, the date of delivery of the 2025A Bonds to the Original Purchaser thereof, and with respect to a Series of Additional Bonds, shall have the meaning set forth in the related Supplemental Indenture.

"Code" means the Internal Revenue Code of 1986 and any regulations promulgated thereunder.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses (including fees and expenses of Bond Counsel and Disclosure Counsel), filing and recording costs, rating agency fees, costs of preparation and reproduction of documents, costs of printing and fees and costs for any guaranty, surety bond, letter of credit or other credit facility.

"County" means the County of Santa Cruz, California.

"Defeasance Securities" means:

(1) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series — "SLGS")

(2) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.

(3) Resolution Funding Corp. (REFCORP); Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

(4) Pre-refunded municipal bonds rated "Aaa" by Moody's and ""AA+" by S&P.

(5) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

(a) U.S. Export-Import Bank (EXIM Bank)

(i) Direct obligations or fully guaranteed certificates of beneficial ownership

(b) Farmers Home Administration (FmHA)

(i) Certificates of beneficial ownership

(c) Federal Financing Bank

(d) General Services Administration

(i) Participation certificates

(e) U.S. Maritime Administration

(i) Guaranteed Title XI financing

(f) U.S. Department of Housing and Urban Development (HUD)

(i) Project Notes

(ii) Local Authority Bonds

(iii) New Communities Debentures – U.S. government guaranteed debentures

(iv) U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds.

"Depository" means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the Authority discontinues use of the Depository pursuant to the Indenture, any other securities depository which agrees to follow the procedures requested to be followed by a securities depository in connection with the Bonds and which is selected by the Authority.

"Depository Participant" means a member of, or participant in, the Depository.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events described in the Indenture.

"Expiration Date" means the date set forth in the Lease.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Independent Certified Public Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom:

(a) is in fact independent and not under domination of the Authority or the County;

(b) does not have any substantial interest, direct or indirect, in the Authority or the County; and

(c) is not connected with the Authority or the County as an officer or employee of the Authority or the County but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the County.

"Information Services" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board, at http://emma.msrb.org; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called Bonds as the Authority may designate in writing to the Trustee.

"Insurance Consultant" means an individual or firm retained by the County as an independent insurance consultant, experienced in the field of risk management.

"Insurance Proceeds and Condemnation Awards Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Interest Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Interest Component" means the interest component of any Base Rental Payments as set forth in the Lease relating to such Base Rental Payments.

"Interest Payment Date" means June 1 and December 1 of each year, commencing, with respect to the 2025A Bonds, June 1, 2026.

"Lease" means that certain Lease Agreement, dated as of June 1, 2024, as amended and supplemented by the First Amendment to Lease Agreement, dated as of September 1, 2025, each by and between the County and the Authority, pursuant to which the County leases the Leased Property from the Authority.

"Lease Revenue Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Leased Property" means, collectively, those certain parcels of real property, together with the improvements thereon, leased by the Authority to the County pursuant to the Lease, as more fully described in Exhibit A to the Lease, as such Exhibit A may be revised and amended from time to time pursuant to the terms of the Indenture and of the Lease.

"Moody's" means Moody's Investors Service, and its successors and assigns.

"Net Proceeds" means proceeds of any casualty or title insurance or condemnation awards, paid with respect to the Leased Property, remaining after payment therefrom of all expenses in the collection thereof.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

"Original Purchaser" means, with respect to the 2025A Bonds, Stifel, Nicolaus & Company, Incorporated, and with respect to any Series of Additional Bonds, shall have the meaning set forth in the related Supplemental Indenture.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore executed, issued and delivered by the Authority under the Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within as defined in the Indenture; and

(c) Bonds in lieu of which or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

"Owner" when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Permitted Investments" means any of the following:

(i) Any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged;

(ii) Obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America;

(iii) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P;

(iv) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee and its affiliates), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation;

(v) Commercial paper rated, at the time of purchase, "A-1+" or better by S&P;

(vi) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "A-1+" or better by S&P;

(vii) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives and retains a fee for services provided to the fund, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(viii) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either rated A or better by S&P, or fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b) of this definition;

(ix) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of $500,000,000, which obligations are rated A or better by S&P;

(x) Bonds or notes issued by any state or municipality which are rated A or better by S&P;

(xi) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name; or

(xii) County Treasurer's Pooled Investment Fund.

"Permitted Encumbrances" means, with respect to the Leased Property, as of any particular time, (i) the Site and Facility Lease; (ii) the Lease, (iii) the Indenture and the Assignment Agreement and the Trustee's and the Authority's interests in the Leased Property, (iv) liens for taxes and assessments not then delinquent, (v) utility, access and other easements and rights of way, restrictions and exceptions that as certified in a Certificate of the County will not interfere with or impair the use intended to be made of the Leased Property; (vi) encumbrances upon any additions and improvements to the Leased Property as permitted in the Lease and which do not materially impair the use intended to be made of the portions of the Leased Property other than such additions and improvements; (vii) any sublease or use permitted by the Lease, (viii) covenants, conditions or restrictions or liens of record relating to the Leased Property and existing on the Closing Date; and (ix) such minor defects, irregularities, encumbrances and clouds on title

as normally exist with respect to property similar in character to the Leased Property and as do not materially impair the use intended to be made of property affected thereby.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Principal Payment Date" means each June 1, commencing on June 1, 20__, in respect of the 2025A Bonds.

"Principal Component" means the principal component of any Base Rental Payments as set forth in the exhibit to the Lease relating to such Base Rental Payments.

"Rebate Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the 15th day of the month immediately prior to which such Interest Payment Date occurs, whether or not such day is a Business Day.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"Request of the Authority" means a request in writing signed by the Chairperson, Vice Chairperson, Executive Director or Assistant Executive Director of the Authority or by any other officer of the Authority duly authorized for that purpose, as evidenced in writing to the Trustee.

"Request of the County" means a request in writing signed by the County Executive Officer or Assistant County Executive Officer or by any other officer of the County duly authorized for that purpose, as evidenced in writing to the Trustee.

"Rental Payments" means collectively, Base Rental Payments and Additional Rental.

"Responsible Officer" means any officer of the Authority or any other person authorized by resolution of the Board of Directors of the Authority to act on behalf of the Authority under or with respect to the Lease or the Indenture.

"Revenues" means (i) all Base Rental Payments paid or payable by the County pursuant to the Lease (including prepayments) and (ii) any insurance proceeds or condemnation awards received by or payable to the Trustee under the Lease and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Lease.

"S&P" means S&P Global Ratings, and its successors and assigns.

"Securities Depositories" means The Depository Trust Company, New York, New York and its successors and assigns or if (i) the then Securities Depository resigns from its functions as depository of Bonds or (ii) the Authority discontinues use of the then Securities Depository pursuant to the Indenture, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Authority.

"Series" whenever used in the Indenture with respect to the 2024C Bonds, the 2025A Bonds or Additional Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

"Site Lease" means that certain Site and Facility Lease, dated as of June 1, 2024, as amended and supplemented by the First Amendment to Site and Facility Lease, dated as of September 1, 2025, each by and between the County and the Authority, pursuant to which the Authority leases the Leased Property from the County.

"State" means the State of California.

"Supplemental Indenture" means any agreement supplemental to or amendatory of the Indenture entered into in accordance with the provisions of the Indenture.

"Tax Certificate" means, in respect of the 2025A Bonds, the Tax Certificate for the 2025A Bonds, dated the date of the original delivery of the 2025A Bonds relating to the requirements of certain provisions of the Code, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

"Trust Office" means the corporate trust office of the Trustee in Los Angeles, California or, solely for purposes of the presentation of Bonds for payment, transfer or exchange, the corporate trust operations or agency office designated by the Trustee or such other offices as may be specified to the Authority by the Trustee in writing.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., and its successors and assigns, and any other corporation or association that may at any time be substituted in its place as provided in the Indenture.

"Written Request of the Authority" means a request in writing signed by a Responsible Officer.

"2024C Bonds" means the Authority's Lease Revenue Bonds, 2024 Series C.

"2025A Base Rental Payments" means the Base Rental Payments due under the Lease in accordance with the 2025A Base Rental Payment Schedule attached thereto as an Exhibit.

"2025A Bonds" means the Authority's Lease Revenue Bonds, 2025 Series A.

"2025A Construction Costs" means the capital costs of acquisition and construction of the 2025A Project as determined in accordance with the Tax Certificate.

"2025A Construction Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"2025A Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"2025A Project" means the acquisition of certain real property at 420 and 440 May Avenue, Santa Cruz, California and other public capital improvements.

THE INDENTURE

The Bonds

Method of Payment. Interest with respect to any Bond shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the Record Date, such interest to be paid by check of the Trustee, mailed by first class mail no later than the Interest Payment Date to the Owner at his address as it appears, on such Record Date, on the Registration Books maintained by the Trustee; provided, however, that at the written request of the Owner of at least $1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Trustee prior to any Record Date, interest on such Bonds shall be paid to such Owner on each succeeding Interest Payment Date (unless such request has been revoked in writing) by wire transfer of immediately available funds to an account in the United States designated in such written request. Payments of defaulted interest with respect to the Bonds shall be paid by check or draft to the registered Owners of the Bonds as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the registered Owners of the Bonds not less than ten days prior thereto. The principal of and premium, if any, on the Bonds are payable by check when due upon surrender thereof at the Trust Office in lawful money of the United States of America.

The Bonds are special obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from and secured by a first lien on and pledge of the Revenues as provided in the Indenture. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues (other than deposits to the Rebate Fund created by the Indenture), and the Revenues (other than deposits to the Rebate Fund created by the Indenture) constitute a trust fund for the security and payment of the principal of and interest on the Bonds. The full faith and credit of the Authority are not pledged for the payment of the principal of or interest or premium (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Indenture.

Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon presentation and surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, interest rate, maturity and aggregate principal amount in Authorized Denominations. The cost of printing any Bonds and any services rendered or expenses incurred by the Trustee in connection with any such transfer shall be paid by the Authority, except that the Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee shall not be required to transfer, pursuant to the Indenture, (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bond selected for redemption pursuant to the Indenture.

Exchange of Bonds. Bonds may be exchanged at the Trust Office of the Trustee for the same aggregate principal amount of Bonds of the same Series, tenor, interest rate and maturity and of other Authorized Denominations. The cost of printing any Bonds and any services rendered or expenses incurred by the Trustee in connection with any such exchange shall be paid by the Authority, except that the Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required

to exchange, pursuant to the Indenture, (a) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (b) any Bond selected for redemption pursuant to the Indenture.

Mutilated, Lost, Destroyed or Stolen Bonds. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor, series designation, maturity and aggregate principal amount in an Authorized Denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond issued under the Indenture shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence shall be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Authority may require payment of a reasonable fee for each new Bond issued under the Indenture and of the expenses that may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of the Indenture in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

Registration Books. The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which shall at all times during regular business hours be open to inspection by the Authority with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on said records, Bonds as provided in the Indenture.

Funds and Accounts

Establishment and Use of 2025A Cost of Issuance Fund. There is established under the Indenture a fund to be held by the Trustee known as the "2025A Cost of Issuance Fund," into which shall be deposited a portion of the proceeds of the sale of the 2025A Bonds pursuant to the Indenture. The moneys in the 2025A Cost of Issuance Fund shall be used to pay Costs of Issuance related to the 2025A Bonds from time to time and shall be disbursed by the Trustee upon delivery to the Trustee of a requisition, substantially in the form required by the Indenture, executed by an officer of the Authority. On the date that is 180 days following the Closing Date of the 2025A Bonds, or upon the earlier receipt by the Trustee of a Request of the Authority certifying that all Costs of Issuance related to the 2025A Bonds have been paid or provided for, the Trustee shall transfer any remaining amounts in the 2025A Cost of Issuance Fund to the 2025A Construction Fund and the Trustee shall then close the 2025A Cost of Issuance Fund.

Establishment of 2025A Construction Fund. Under the Indenture, there is established in trust a special fund designated the "2025A Construction Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. Monies in the 2025A Construction Fund shall be expended for the purposes specified in the Indenture.

There shall be deposited in the 2025A Construction Fund that portion of the proceeds of the 2025A Bonds required to be deposited therein pursuant to the Indenture. The Trustee shall from time to time disburse monies from the 2025A Construction Fund to pay related 2025A Construction Costs, in each case promptly after receipt of a payment request in the form required by the Indenture. In making all

such payments, the Trustee may rely upon the representations made in such written payment request. If for any reason the County should decide prior to the payment of any item in such written payment request not to pay such item, then it may give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment. In no event shall the Trustee be responsible for the improper use of money properly disbursed pursuant to requests made under the Indenture.

If, after payment by the Trustee of all written requests theretofore tendered to the Trustee under the provisions of the Indenture, and delivery to the Trustee of a Certificate of Completion with respect to all of the 2025A Project, there shall remain any balance of money in the 2025A Construction Fund, all money so remaining shall be transferred, at the written direction of the County, to any of the following accounts in such amounts as the County shall direct: (i) to the Interest Account of the Lease Revenue Fund, to be used to pay interest on the Bonds, and (ii) to the Principal Account of the Lease Revenue Fund, to pay principal of the Bonds.

Additional Bonds

In addition to the 2025A Bonds, the Authority and the Trustee may by execution of a Supplemental Indenture, without the consent of the Owners, provide for the issuance and delivery of Additional Bonds in one or more series. Upon the Written Request of the Authority, the Trustee may authenticate and deliver Additional Bonds in an aggregate principal amount authorized by such Supplemental Indenture. The proceeds of such Additional Bonds may be used for any purpose, including for the purpose of refunding Outstanding Bonds. Such Additional Bonds may only be issued upon compliance by the Authority with the provisions of the Indenture, and subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

(1) The Authority shall not be in default under the Indenture or any Supplemental Indenture, as evidenced by a Certificate of the Authority, and the County shall not be in default under the Lease, as evidenced by a Certificate of the County;

(2) A Supplemental Indenture may provide for the funding of a debt service reserve for such Additional Bonds;

(3) The Additional Bonds shall be payable as to principal on June 1 of each year in which principal is due and shall be payable as to interest on each Interest Payment Date;

(4) The aggregate principal amount of Bonds issued and at any time Outstanding under the Indenture or under any Supplemental Indenture shall not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture, as evidenced by a Certificate of the Authority and the County and shall not, in accordance with the Lease, exceed the fair market value of the Leased Property and the amount sufficient to support the remaining Base Rental Payments supporting debt service on the Bonds, as evidenced by the Certificate of the County to the effect that (i) the value of the Leased Property shall not be less than the aggregate principal amount of the Outstanding Bonds and Additional Bonds to be issued, (ii) the annual fair rental value of the Leased Property is at least equal to the maximum annual Base Rental Payments on the Outstanding Bonds and the Additional Bonds to be issued, and (iii) the useful life of the Leased Property is at least equal to the term of the Outstanding Bonds and Additional Bonds;

(5) The Lease shall have been amended, if necessary, so as to increase the Base Rental Payments payable by the County thereunder by an aggregate amount equal to the principal and interest due and payable on such Additional Bonds, payable at such times and in such manner as may be

necessary to provide for the payment of the principal and interest on such Additional Bonds, as evidenced by a Certificate of the County;

(6) Such Supplemental Indenture shall provide the maturity dates of Additional Bonds (including the final maturity which is not limited to the final maturity of the Bonds), redemption dates and/or mandatory redemption of Additional Bonds in amounts sufficient to provide for payment of the Additional Bonds when the applicable Base Rental Payments are due;

(7) Any Additional Bonds shall be on a parity with, and each Owner thereof shall have the same rights upon an Event of Default as the Owner of, any other Bonds issued and delivered under the Indenture, except as otherwise provided in the Supplemental Indenture under which Additional Bonds are issued; and

The Supplemental Indenture shall prescribe the form or forms of such Additional Bonds, and subject to the provisions of the Indenture, shall provide for the distinctive designation, denominations, dates, principal payment dates, interest payment dates, interest rates, provisions for redemption, and places of payment for principal and interest.

Pledge of Revenues; Lease Revenue Fund

Pledge of Revenues; Assignment of Rights in Lease. Subject to the provisions of the Indenture, the Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent provided) of all of the Revenues and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund), including all of the moneys in the Interest Account and Principal Account, and all amounts derived from the investment of such amounts on deposit in such funds. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such amounts on deposit in such funds and accounts without priority for number, date of the Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any portion thereof shall be and are secured by an exclusive pledge, charge and lien upon the Revenues and such amounts on deposit. So long as any of the Bonds are Outstanding, the Revenues and such amounts on deposit shall not be used for any other purpose; except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

The Authority pursuant to the Assignment Agreement transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest (but none of the obligations) of the Authority in and to the Lease, including its rights to receive the Base Rental Payments scheduled to be paid by the County under and pursuant to the Lease and any and all of the other rights of the Authority under the Lease as may be necessary to enforce payment of such Base Rental Payments when due or otherwise to protect the interest of the Owners of the Bonds, including its leasehold title to the Leased Property leased to the County pursuant to the Lease with respect to the Base Rental Payments, all to the extent provided in the Assignment Agreement. The Trustee accepts such assignments. The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Lease Revenue Fund; Receipt, Deposit and Application of Revenues. All Revenues shall be deposited by the Trustee in a special fund designated as the "Lease Revenue Fund," which the Trustee shall establish, maintain and hold in trust under the Indenture. In the event the County pays more than

100% of the Base Rental Payments coming due five days prior to any Interest Payment Date, the Trustee shall deposit into the Lease Revenue Fund only that portion of the Base Rental Payments which the County is required to make under Section 3(a) of the Lease, and shall remit any excess to the County.

On or before each Interest Payment Date, the Trustee shall transfer from the Lease Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Lease Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

Interest Account. The Trustee shall establish and maintain a separate account within the Lease Revenue Fund to be known as the "Interest Account." On or before each Interest Payment Date, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all respective Outstanding Bonds. No deposit shall be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all respective Outstanding Bonds on each succeeding Interest Payment Date within the then current Bond Year. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity).

Principal Account. The Trustee shall establish and maintain a separate account within the Lease Revenue Fund to be known as the "Principal Account." On or before each Interest Payment Date, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds maturing on such Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds.

Surplus. On or before June 1 and December 1 of each year the Trustee shall determine the amount, if any, remaining in the Lease Revenue Fund after making the deposits required to the Interest Account and the Principal Account described above and the transfers of investment earnings pursuant to the Indenture, and shall apply such amount as a credit against the next following Base Rental Payment. Notwithstanding the foregoing, if directed in a Request of the County, the Trustee shall, with respect to all or any portion of such amount, pay, or set aside an amount for the payment of, any Rebate Requirement (as defined in the Tax Certificate) in accordance with a computation made by the County.

Prepayment Account. The Trustee shall establish and maintain a separate account within the Lease Revenue Fund to be known as the "Prepayment Account." The Trustee, on the prepayment date specified in the Request of the County filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Lease, shall deposit in the Prepayment Account that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Monies in the Prepayment Account shall be used and withdrawn by the Trustee for the purpose of paying the principal, premium, if any, and interest with respect to any Bonds to be redeemed (other than the mandatory sinking fund redemption of term Bonds, which will be made from amounts on deposit in the Principal Account).

Investments

Held in Trust. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments pursuant to the written direction of the Authority given to the Trustee two Business Days in advance of the making of such investments. In the absence of any such direction from the Authority, the Trustee shall invest any such moneys in money market funds described in subsection (i) of the definition of Permitted Investments. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account.

Any income, profit or loss on the investment of moneys held by the Trustee under the Indenture shall be credited to the fund or account from which such investment was made. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture. The Trustee or any of its affiliates may act as principal or agent in the acquisition of any investment and may impose its customary charges therefor. The Trustee or any of its affiliates may act as manager, sponsor, advisor or depository with respect to any Permitted Investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture. The Authority acknowledges that regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of security transactions to be effected by the Trustee under the Indenture as they occur, at no additional cost. The Authority specifically waives the right to receive such confirmation to the extent permitted by applicable law and agrees that it will instead receive periodic cash transaction statements which shall include detail for the investment transactions effected by the Trustee under the Indenture; provided, however, that the Authority retains its right to receive brokerage confirmation on any investment transaction requested by the Authority. The Trustee may rely on the investment directions of the Authority as to both the suitability and legality of the directed investments. Ratings of Permitted Investments shall be determined at the time of purchase and without regard to ratings subcategories, and the Trustee shall have no responsibility to monitor ratings.

Disposition of Investments. For the purpose of determining the amount in any fund or account, Permitted Investments credited to such fund or account shall be valued at least semiannually on or before each Interest Payment Date at cost (excluding any brokerage commissions and excluding any accrued interest) by the Authority.

Application of Insurance Proceeds and Condemnation Awards.

The Trustee shall receive all moneys which may become due and payable under any insurance policies obtained pursuant to the Lease and shall apply the proceeds of such insurance as provided in the Lease. The Trustee shall not be responsible for the sufficiency of any insurance required by the Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County.

Except as provided below, in the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by the policies of insurance required to be maintained by the County pursuant to the Lease, the County shall cause the proceeds of such insurance (other than rental interruption insurance which is to be placed in the Lease Revenue Fund) to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property. The Trustee shall hold said proceeds in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund," to the end that such proceeds shall be applied to the repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by

the use of said proceeds. The Trustee shall permit withdrawals of said proceeds from time to time upon receiving the Request of the County, stating that the County has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred. Any balance of said proceeds not required for such repair, reconstruction or replacement as evidenced by a Certificate of the County to the effect that such repair, reconstruction or replacement has been completed and all amounts owing therefor have been paid or provision for the payment therefor has been made shall be treated by the Trustee as prepaid Base Rental Payments and transferred to the Prepayment Account and applied in the manner provided by the Indenture. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to redeem all Outstanding Bonds, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be transferred to the Prepayment Account and used for the redemption of Outstanding Bonds pursuant to the Indenture. Notwithstanding the foregoing, the County shall cause the proceeds of such insurance to be utilized for the purpose of repair, reconstruction or replacement in the event the County is directed to do so by the Authority, and the proceeds of such insurance are sufficient to pay the costs of all of such repair, reconstruction or replacement or, if such proceeds are insufficient for that purpose, the County shall deposit or provide for deposit with the Trustee, prior to the commencement of the work of repair, reconstruction or replacement, an amount equal to the amount by which such proceeds are less than the amount necessary to complete such repair, reconstruction or replacement. The proceeds of any award in eminent domain shall be deposited by the Trustee in the Prepayment Account and applied to the prepayment of Outstanding Bonds pursuant to the Indenture.

Certain Covenants of the Authority

Punctual Payment**.** The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds**.** The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture shall be deemed to limit the right of the Authority to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds. Nothing in this Section shall be deemed to limit the right of the Authority to issue Additional Bonds, or issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds. The final maturity of any Additional Bonds shall not be limited to the maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more

other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Lease and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee (subject to the provisions of the Indenture) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions by the Trustee relating to the proceeds of Bonds, the Revenues, the Lease and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the County during regular business hours with reasonable prior notice.

Additional Obligations. The Authority covenants that no additional bonds, notes or indebtedness shall be issued or incurred that are payable out of the Revenues in whole or in part.

Lease. The Trustee, as assignee of the Authority's rights under the Lease pursuant to the Indenture and the Assignment Agreement, shall receive Base Rental Payments due from the County pursuant to the Lease.

Except as otherwise provided in the Lease or the Site Lease, so long as any Bond remains Outstanding, the Authority will not alter, amend or modify the Lease or the Site Lease without the prior written consent of the Trustee, which consent shall be given only (i) if the Trustee receives an opinion of counsel selected by the Authority that such alteration, amendment or modification will not result in any material impairment of the covenants made or the security given or intended to be given for the payment of the Base Rental Payments, or (ii) if the Trustee first obtains the written consents of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding to such alteration, amendment or modification.

Tax Covenants. The Authority and the County shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any of the 2025A Bonds to become includable in the gross income of the owner thereof for federal income tax purposes.

The Trustee

Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States, is appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The Authority agrees that it will maintain a Trustee which has (or which is a wholly-owned subsidiary of a corporation which has) a combined capital and surplus of at least $75,000,000, and which is subject to

supervision or examination by Federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company or such parent corporation publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture the combined capital and surplus of such bank or trust company or such parent corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is authorized to pay the principal of and interest and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds and accounts administered by it and of all Bonds paid and discharged. So long as no Event of Default shall have happened and be continuing, the County may remove the Trustee initially appointed for good cause, and any successor thereto, and may appoint a successor or successors thereto; provided, that any such successor shall be a bank, national banking association or trust company meeting the requirements set forth in the Indenture.

Acceptance of Trusts. The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to express terms and conditions including the following:

(a) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(b) Whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action under the Indenture, the Trustee (unless other evidence is specifically prescribed in the Indenture) may, in the absence of bad faith on its part, rely upon a Certificate of the Authority.

(c) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(d) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document.

(e) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no covenants of or against the Trustee shall be implied in the Indenture. In case an Event of Default under the Indenture or under the Lease has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by the Indenture and by the Lease, and shall use the same degree of care and skill in the exercise of such rights and powers as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(f) The Trustee may execute any of the trusts or powers under the Indenture and perform the duties required of it under the Indenture either directly or by or through attorneys, receivers or agents, shall not be liable for the acts or omissions of such attorneys, receivers or agents appointed with due care,

and shall be entitled to advice of counsel concerning all matters of trust and its duties under the Indenture. The Trustee may conclusively rely on an opinion of counsel as full and complete authorization and protection for any action taken, suffered or omitted by it under the Indenture.

(g) The Trustee shall not be responsible for any recital in the Indenture, in the Lease, or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured by the Indenture and makes no representation as to the validity or sufficiency of the Bonds, the Indenture or the Lease. The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority under the Lease or on the part of the Authority or the County under the Lease. The Trustee shall not be responsible for the application by the Authority or the County of the proceeds of the Bonds.

(h) The Trustee may become the Owner or pledgee of Bonds secured by the Indenture with the same rights it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(i) The Trustee may rely and shall be protected in acting or refraining from acting, in good faith and without negligence, upon any notice, resolution, opinion, report, direction, request, requisition, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and to have been signed or presented by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to the Indenture or the Lease upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected in the Registration Books.

(j) The permissive right of the Trustee to do things enumerated in the Indenture or in the Lease shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default. The immunities, indemnities, rights and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents and shall apply to the Trustee's actions and omissions to act under the Lease and the Site Lease.

(k) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Indenture or under the Lease except failure by the Authority to make any of the payments of principal of or interest on the Bonds to the Trustee required to be made by the Authority pursuant to the Indenture or to the Lease or actual knowledge of the Trustee of the failure by the Authority or the County to file with the Trustee any document required by the Indenture or the Lease to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority or by the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by the Indenture to be delivered to the Trustee must, to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default under the Indenture except as aforesaid.

(l) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right but shall not be required to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records which are not privileged by statute or by law.

(m) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises of the Indenture.

(n) Notwithstanding anything elsewhere in the Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.

(o) All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(p) Whether or not expressly provided in the Indenture, every provision of the Indenture and the Lease relating to the conduct or affecting the liability of the Trustee shall be subject to the provisions of the Indenture.

(q) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee and signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds. The Authority may also remove the Trustee at any time upon 30 days written notice, except during the existence of an Event of Default. The Trustee may be removed at any time for any breach of the Trustee's duties set forth in the Indenture.

Modification and Amendment of the Indenture

Amendment of the Indenture. The Indenture and the rights and obligations of the Authority and of the Owners of a Series of Bonds may be modified or amended at any time by a Supplemental Indenture, which shall become binding upon adoption, without consent of any Owner, to the extent permitted by law, but only for any one or more of the following purposes:

(i) to issue Additional Bonds in accordance with the Indenture;

(ii) to add to the covenants and agreements of the Authority in the Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds, or to limit or surrender any rights or powers reserved to or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners, as evidenced by the opinion of counsel pursuant to the Indenture;

(iii) to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes under the Code; or

(iv) for any other purpose that does not materially adversely affect the interests of the Owners, as evidenced by the opinion of Bond Counsel pursuant to the Indenture.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Authority and of the Owners may only be modified or amended at any time by a Supplemental Indenture, which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the affected Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) modify any of the rights or obligations of the Trustee without its written consent thereto.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties thereto and all Owners of Outstanding Bonds, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Events of Default and Remedies of Owners

Events of Default. The following events shall be Events of Default under the Indenture:

(i) Default in the due and punctual payment of the principal of or premium on any Bonds, including Additional Bonds, when and as the same shall become due and payable, whether at maturity as therein expressed, or by proceedings for redemption.

(ii) Default in the due and punctual payment of any installment of interest on any Bonds, including Additional Bonds, when and as such interest installment shall become due and payable.

(iii) Any Default (as defined in the Lease) shall have occurred and be continuing.

(iv) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than as referred to in the preceding clauses (i) and (ii), for a period of 30 days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Outstanding Bonds; *provided, however,* that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such 60-day period, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within such 60-day period and diligently pursued until such failure is corrected.

(v) The filing by the Authority or the County of a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority or the County, seeking reorganization under the Federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or the County or of the whole or any substantial part of the property of the Authority or the County.

Remedies; No Acceleration. Upon the occurrence of an Event of Default the Trustee shall have the right:

(i) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or any member, officer or employee thereof, to compel the Authority or any such member, officer or employee to perform and carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him contained in the indenture;

(ii) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(iii) by suit in equity upon the happening of an Event of Default to require the Authority and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least 25% in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as shall be deemed most expedient in the interests of the Owners. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Owners under the Indenture or thereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver or any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient. The Trustee shall have no right to declare the principal of or interest on the Bonds to be due and payable immediately. Nothing in the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture shall be applied by the Trustee in the following order upon presentation of the Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid:

(i) First to the payment of the fees, costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel; and

(ii) Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid; *provided, however*, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Power of Trustee to Control Proceedings. If the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however*, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation and if the Trustee is indemnified as provided in the Indenture. Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is appointed (and the successive respective Owners issued under the Indenture by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Non-waiver. A waiver of any default or breach of duty or contract by the Trustee or any Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Owners by the Bond Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners, as the case may be.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

Rights of Owners. No Owner shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners.

The right of any Owner to receive payment of the principal of and interest and premium (if any) on such Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of the Indenture or any other provision of the Indenture.

Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture, respectively, with regard to the property subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Defeasance; Discharge of Indenture

If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premiums (if any) on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums (if any); or

(c) by irrevocably depositing with the Trustee or an escrow agent, in trust pursuant to an escrow deposit agreement, Defeasance Securities in such amount as an Independent Certified Public Accountant shall determine in a written report acceptable in form and substance to the Authority, and addressed, to the Authority and the Trustee, filed with the Trustee (upon which report the Trustee may conclusively rely) will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and delivering an opinion of Bond Counsel acceptable in form and substance to the Authority, and addressed, to the Authority and the Trustee to the effect that the Bonds are no longer Outstanding under the Indenture, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners not so surrendered and paid all sums

due thereon from amounts set aside for such purpose as aforesaid, and all amounts due the Trustee. Any funds held by the Trustee following any payment or discharge of the Outstanding Bonds pursuant to the Indenture, which are not required for said purposes, shall after payment of amounts due the Trustee under the Indenture be paid over to the Authority.

THE LEASE

Term

Pursuant to the Lease, the Authority leases to the County and the County leases from the Authority, on the terms and conditions set forth in the Lease, the Leased Property. The term of the Lease shall commence on the date set forth in the Lease.

The term of the leasehold interest created by the Lease shall expire on the earliest of (i) the Expiration Date; (ii) the date the last Base Rental Payment is made under the provisions of the Lease; or (iii) the date of discharge of all of the Bonds pursuant to the Indenture. Notwithstanding the foregoing, the term of the Lease shall automatically be extended for a period of ten (10) years, if, on the Expiration Date, the Bonds have not been fully paid and discharged, and shall terminate on the date when the Bonds have been fully paid and discharged.

Throughout the term of the Lease, fee title to the Leased Property shall remain in the County.

Rental

Subject to the provisions of the Lease, the County agrees to pay to the Authority, its successors or assigns, as rental for the use and possession of the Leased Property, the following amounts at the following times:

Base Rental Payments. The County shall pay the Base Rental Payments to the Trustee, as assignee of the Authority, in accordance with the Base Rental Payment Schedules attached to the Lease, less any amounts credited against the Base Rental Payments pursuant to the Indenture. On or before each May 25 and November 25 the County shall pay to the Trustee the Base Rental Payments coming due on the next succeeding June 1 and December 1, respectively, as set forth in and such payments shall constitute payment in arrears in consideration for the County's use and possession of the Leased Property for the six-month period preceding the due date of such Base Rental Payments. The obligation of the County to pay the Base Rental Payments with respect to the Bonds shall rank *pari passu* with the obligation of the County to pay base rental payments with respect to any Additional Bonds. Upon and after the issuance of any Additional Bonds secured by base rental payments with respect to the Leased Property, the County shall pay the Base Rental Payments with respect to such Additional Bonds as provided in the Supplemental Lease for such Additional Bonds, in accordance with an additional Base Rental Payment schedule which shall be attached to the Lease as an additional exhibit prior to the delivery of such Additional Bonds, as adjusted for any prepayments.

Additional Rental. The County shall also pay, as "Additional Rental" under the Lease, in addition to the Base Rental Payments and any base rental payments under the Lease made with respect to Additional Bonds, to the Authority or to the Trustee, as provided in the Lease, such amounts in each year as shall be required for the payment of all costs and expenses (not otherwise paid for or provided for out of the proceeds of sale of the Bonds) incurred by the Authority or the Trustee in connection with the execution, performance or enforcement of the Lease or the assignment of the Lease, the Indenture, or the Authority's or the Trustee's interest in the Leased Property, including, but not limited to, all fees, costs and expenses, all administrative costs of the Authority relating to the Leased Property (including, without limiting the generality of the foregoing, salaries and wages of employees, overhead, insurance premiums, taxes and assessments (if any), expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture), fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of the Bonds or of the Indenture.

Such Additional Rental shall be billed to the County by the Authority or the Trustee from time to time. Amounts so billed shall be paid by the County within sixty (60) days after receipt of the bill by the County.

Fair Rental Value. Such payments of Base Rental Payments and Additional Rental for each rental payment period shall constitute the total rental for said rental payment period, and shall be paid by the County in each rental payment period for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property during each such period for which said rental is to be paid. The parties to the Lease have agreed and determined that such total rental is not in excess of the fair rental value of the Leased Property for each such period. In making such determination, consideration has been given to other obligations of the parties under the Lease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the County and the general public.

Payment of Base Rental Payments. Each installment of Base Rental Payments payable under the Lease shall be paid in lawful money of the United States of America to the order of the Trustee at the corporate trust office of the Trustee in Los Angeles, California, or such other place as the Trustee shall designate. All Base Rental Payments shall be made on a *pari passu* basis with each other. Notwithstanding any dispute between the County and the Authority, the County shall make all Base Rental Payments when due, without deduction or offset of any kind, and shall not withhold any Base Rental Payments pending the final resolution of any such dispute. In the event of a determination that the County was not liable for said Base Rental Payments or any portion thereof, said Base Rental Payments or excess of payments, as the case may be, shall, at the option of the County, be credited against subsequent Base Rental Payments due under the Lease or be refunded at the time of such determination.

Increases in Aggregate Base Rental Payments. The County covenants that it shall not permit an increase in the aggregate Base Rental Payments or permit additional base rental payments with respect to Additional Bonds without first obtaining an opinion of Bond Counsel to the effect that the incurring of such increased Base Rental Payments will not (i) impair the validity and enforceability of the Lease and (ii) in and of itself impair the exclusion of interest on the Bonds and, to the extent applicable, any Additional Bonds from the gross income of the owners thereof for federal income tax purposes.

Covenant to Budget and Appropriate. The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Rental due under the Lease in its annual budget and to make the necessary annual appropriations for all such Base Rental Payments and Additional Rental, subject only to abatement as provided in the Lease. The covenants on the part of the

County contained in the Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the County. The obligation of the County to make Base Rental Payments or Additional Rental payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. The obligation of the County to make Base Rental Payments and payments of Additional Rental does not constitute an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Maintenance, Utilities, Taxes and Assessments

During such time as the County or any assignee or sublessee thereof is in possession of the Leased Property, all maintenance and repair, ordinary or extraordinary, of the Leased Property shall be the responsibility of the County, and the County shall pay for or otherwise arrange for the payment of (a) all utility services supplied to the Leased Property, (b) the cost of operation of the Leased Property, and (c) the costs of maintenance of and repair to the Leased Property resulting from ordinary wear and tear or want of care on the part of the County. The County shall at the County's sole cost and expense keep and maintain the Leased Property clean and in a safe and good condition and repair. The Authority shall have no obligation to alter, remodel, improve, repair, decorate, or paint the Leased Property or any part thereof, and the parties to the Lease affirm that the Authority has made no representations or warranties to the County respecting the condition of the Leased Property.

Abatement of Rental

The obligation of the County to pay Base Rental Payments and Additional Rental Payments shall be abated during any period in which by reason of any damage, destruction, condemnation or title defect there is substantial interference with the use by the County of the Leased Property or any portion thereof. Such abatement shall be in an amount such that the resulting Base Rental Payments in any year during which such interference continues does not exceed the fair rental value of the portions of the Leased Property as to which such damage, destruction, taking or title defect does not substantially interfere with the County's use and right of possession, as evidenced by a Certificate of the County. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Leased Property, and ending with the substantial completion of the work of repair or replacement of the Leased Property, or the portion thereof so damaged or destroyed, and the term of the Lease shall be extended as provided in the Lease.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts.

Substitution of Alternate Lease Property and Release of Leased Property

The County shall have, so long as the Lease is in effect, and is hereby granted, the option at any time and from time to time to substitute and/or add real property (the "Substitute Property") for, in the case of a substitution, any portion of the Leased Property (the "Former Property") or release any identifiable real property and/or improvements currently constituting the Leased Property (in such case, Substitute Property shall mean the Former Property less any portion released pursuant to the Lease or including any added property); provided, that the County shall satisfy all of the following requirements, which are conditions precedent to such substitution, addition or release:

(i) No default under the Lease or Event of Default shall have occurred and be continuing;

(ii) The County shall file with the Authority and the Trustee, and cause to be recorded in the office of the County Recorder, sufficient memorialization of amendments to the Lease and the Site Lease which replace Exhibit A to the Lease and Exhibit A to the Site Lease with a description of such Substitute Property and which delete therefrom the description of the Former Property;

(iii) The County shall obtain a CLTA policy of title insurance insuring the County's fee estate in such Substitute Property, the County's leasehold estate under the Lease and the Authority's leasehold estate under the Site Lease in such Substitute Property, subject only to Permitted Encumbrances, in an amount not less than the aggregate principal amount of the Outstanding Bonds; provided, however, that this requirement shall not apply to Substitute Property that consists only of Former Property less any released portion;

(iv) The County shall provide a Certificate of the County to the Authority and to the Trustee that such Substitute Property constitutes property which the County is permitted to lease under the laws of the State of California;

(v) The substitution and/or addition of the Substitute Property shall not cause the County to violate any of its covenants, representations and warranties made in the Lease;

(vi) The County shall file with the Authority and the Trustee a certificate of a qualified employee of the County who need not be a certified appraiser or an independent certified real estate appraiser selected by the County establishing that the annual fair rental value of the Substitute Property after such substitution, addition or release will be at least equal to 100% of the maximum amount of the Base Rental Payments becoming due in the then current fiscal year or in any subsequent fiscal year and the useful economic life of the Substitute Property shall be at least equal to the maximum remaining term of the Lease;

(vii) The County shall furnish to the Trustee an opinion of Bond Counsel addressed to the Trustee, the County and the Authority to the effect that the substitution, addition or release is permitted under the Lease and will not in and of itself impair the validity and enforceability of the Lease or impair the exclusion of interest on the Bonds and, if applicable, any Additional Bonds from the gross income of the owners thereof for federal income tax purposes; and

(viii) The County shall have certified to the Trustee that the Substitute Property is essential for performing the County's governmental functions.

Upon the satisfaction of all such conditions precedent, and upon the County delivering to the Authority and the Trustee a Certificate of the County certifying that the conditions set forth in the Lease have been satisfied, the Term of the Lease shall thereupon end as to the Former Property and shall thereupon commence as to the Substitute Property, and all references to the Former Property shall apply with full force and effect to the Substitute Property. The County shall not be entitled to any reduction, diminution, extension or other modification of the Base Rental Payments whatsoever as a result of any substitution or removal under the Lease.

The parties to the Lease specifically acknowledge that the annual fair rental value of the Leased Property is in excess of the maximum annual Base Rental Payments. Without substituting, adding or releasing any of the Leased Property, the County and the Authority may amend the Lease to increase the amount of Base Rental Payment payable under the Lease for the purpose of allowing the Authority to issue Additional Bonds pursuant to the Indenture; provided the County shall provide the Trustee and the Authority (i) a Certificate of the County certifying that (a) the value of the Leased Property shall not be less than the aggregate principal amount of the Outstanding Bonds and Additional Bonds to be issued and (b) the annual fair rental value of the Leased Property is in excess of the maximum annual Base Rental Payments on the Outstanding Bonds and the Additional Bonds to be issued, and (ii) a new or amended CLTA policy of title insurance in an amount not less than the aggregate principal amount of the Outstanding Bonds and Additional Bonds to be issued.

Changes to the Leased Property

The County shall have the right during the term of the Lease to acquire and construct improvements or to attach fixtures, structures or signs to the Leased Property if such improvements, fixtures, structures or signs are necessary or beneficial for the use of the Leased Property by the County; provided, however, that no such acquisition or construction shall result in a material reduction in the value of the Leased Property, reduce the fair rental value thereof or substantially alter the nature of the Leased Property.

Upon termination of the Lease, the County may remove any fixture, structure or sign added by the County, but such removal shall be accomplished so as to leave the Leased Property, except for ordinary wear and tear and damage by casualty, in substantially the same condition as it was in before the fixture, structure or sign was attached.

Insurance

(a) Public Liability and Property Damage Insurance. The County shall maintain or cause to be maintained throughout the term of the Lease, a standard comprehensive general insurance policy or policies in protection of the Authority and the County, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Said policy or policies shall provide coverage in the liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of $100,000 (subject to a deductible clause of not to exceed $5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County, and such liability insurance may be maintained in whole or in part in the form of self-insurance by the County, subject to the provisions of the Lease, or in the form of the participation by the County in a joint powers

agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied by the County toward extinguishment or satisfaction of the liability with respect to which paid.

(b) Fire and Extended Coverage Insurance. The County shall procure and maintain, or cause to be procured and maintained, throughout the term of the Lease, insurance against loss or damage to any structures constituting a part of the Leased Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance, when required, shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the judgment of the County, and only with respect to structures. Such insurance shall be in an amount at least equal to the one hundred percent (100%) of the replacement cost of all of the insured improvements. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County, and may be maintained in whole or in part in the form of the participation by the County in a joint powers agency or other program providing pooled insurance or, in the form of self-insurance by the County. The Net Proceeds of such insurance shall be applied as provided in the Lease.

(c) Rental Interruption Insurance. The County shall procure and maintain, or cause to be procured and maintained, throughout the term of the Lease, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Leased Property as a result of any of the hazards covered in the insurance required by the Lease, in an amount at least equal to the maximum Base Rental Payments coming due and payable during any future twenty four (24) month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County, and, may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose, but not in the form of self-insurance by the County. The proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Lease Revenue Fund, and shall be credited towards the payment of the Base Rental Payments as the same become due and payable.

(d) Recordation; Title Insurance. On or before the Closing Date the County shall, at its expense, (a) cause the Site Lease and the Lease, or a memorandum hereof or thereof, in each case in form and substance approved by Bond Counsel, to be recorded in the office of the Santa Cruz County Recorder, and (b) obtain a policy of title insurance which insures the County's leasehold estate in the Leased Property in an amount equal to the aggregate principal amount of the Bonds and names the Trustee as an additional insured. All proceeds received under said policy shall be deposited with the Trustee and shall be applied pursuant to the Indenture. The policy may not permit the title insurer (i) to purchase any Bonds in lieu of providing payment under the policy unless, upon purchase, such Bonds are canceled, or (ii) to settle claims with any person other than the Trustee.

(e) Net Proceeds of Insurance; Form of Policies. Each policy or other evidence of insurance required by paragraphs (b), (c) and (d) of above shall provide that all proceeds thereunder shall be payable to the Trustee as and to the extent required under the Lease, shall name the Trustee as an additional insured and all proceeds shall be applied as provided in the Lease. Insurance must be provided by an insurer rated "A" or better by S&P or A.M. Best Company. The County shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease. All policies evidencing required insurance shall provide thirty (30) days' prior written notice to the Authority, the County, and the Trustee of any cancellation, reduction in amount or material change in coverage, or such time as the insurer will provide such notice. The Trustee shall not be responsible for the sufficiency or amount of any insurance or self-insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

In the event that any insurance maintained pursuant to paragraph (a) above shall be provided in the form of self-insurance, the County shall file with the Trustee annually, within ninety (90) days following the close of each Fiscal Year, a statement of the County risk manager, insurance consultant or actuary identifying the extent of such self-insurance and stating the determination that the County maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the County, the County shall not be obligated to make any payment with respect to any insured event except from such reserves. The results of such review shall be filed with the Trustee.

Damage, Destruction and Condemnation; Application of Net Proceeds

If prior to the termination of the term of the Lease (a) the Leased Property is destroyed (in whole or in part) or is damaged by fire or other casualty, or (b) title to, or the temporary use of, any portion of the Leased Property or the estate of the Authority or the County in the Leased Property or any portion shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the County and the Authority shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the County elects not to repair or replace the Leased Property or portion thereof, in accordance with the provisions of the Lease. In the event that Net Proceeds are insufficient to repair or replace the Leased Property or portion thereof, the County shall, to the extent permitted by law, use its best efforts to fund any deficiency from any legally available funds.

If there is an abatement of rental payments pursuant to the Lease as a result of such casualty or event, and the County elects pursuant to the Lease to apply such insurance proceeds and such other sums as are deposited by the County pursuant to such provisions of the Lease to the prepayment of Base Rental Payments rather than replacing or repairing the destroyed or damaged portion of the Leased Property, then the Lease shall terminate with respect to the destroyed or damaged portion of the Leased Property as of the later of the date of such election by the County or the date the amount required by the Lease is received by the Trustee.

The provisions of Section 1932, Subdivision 2, and Section 1933, Subdivision 4, of the California Civil Code, including any amendments thereto and any other law which may be in force during the term of the Lease which authorizes the termination of the Lease upon the partial or complete destruction of the Leased Property, are waived by the County.

The County covenants and agrees, to the extent it may lawfully do so, that so long as any of the Bonds and any Additional Bonds remain outstanding and unpaid, the County will not exercise the power of condemnation with respect to the Leased Property. The County further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the County should fail or refuse to abide by such covenant and condemns the Leased Property, the appraised value of the Leased Property shall not be less than the greater of (i) if such Bonds are then subject to redemption, the principal, premium, if any, and interest due on the Bonds outstanding through the date of their redemption, or (ii) if such Bonds are not then subject to redemption, the amount necessary to defease such Bonds to the first available redemption date in accordance with the Indenture.

The County shall deposit any proceeds received from insurance and condemnation awards with respect to the destruction or partial destruction of Leased Property with the Trustee for deposit into: (a) the Insurance Proceeds and Condemnation Awards Fund if the County elects to repair the Leased Property or (b) the Prepayment Account of the Lease Revenue Fund if the County elects to redeem the Bonds. The County shall have 45 days from the date of any such destruction or partial destruction to

determine whether to repair the Leased Property or use insurance and condemnation award proceeds received to redeem Bonds. If the County determines to repair the Leased Property, disbursements by the Trustee shall only be made upon presentation of a requisition in a form substantially similar to the one attached to the Indenture with necessary modifications. If the County determines to cause the redemption of less than the full amount of the Bonds Outstanding, such redemption shall only be made to the extent the remaining fair market value of the Leased Property is sufficient to support the remaining Base Rental Payments supporting debt service on the Bonds.

Mechanics' Liens

In the event the County shall at any time during the term of the Lease cause any improvements or other work to be done or performed or materials to be supplied, in or upon the Leased Property, the County shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon or about the Leased Property and which may be secured by any mechanics', materialmen's or other liens against the Leased Property or the Authority's interest therein, and will cause any such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the County desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the County shall forthwith pay and discharge said judgment.

Assignment; Sublease

The parties understand that the Lease and the rights of the Authority under the Lease, with certain exceptions, will be assigned to the Trustee as provided in the Indenture and the Assignment Agreement, to which assignments the County consents.

Neither the Lease nor any interest of the County under the Lease shall be sold, mortgaged, pledged, assigned or transferred by the County by voluntary act or by operation of law or otherwise; *provided, however,* that the Leased Property may be subleased in whole or in part by the County, but only subject to the following conditions, which are made conditions precedent to any such sublease:

(i) The Lease and the obligation of the County to make all Rental Payments under the Lease shall remain the primary obligation of the County;

(ii) The County shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(iii) No such sublease by the County shall cause the Leased Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California;

(iv) Any sublease of the Leased Property by the County shall explicitly provide that such sublease is subject to all rights of the Authority under the Lease; and

(v) The County shall have filed or caused to be filed with the Authority and the Trustee an opinion of Bond Counsel to the effect that such sublease will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Amendment

The Lease may be amended in writing as may be mutually agreed by the Authority and the County, subject to the written consent of Trustee; *provided*, that no such amendment that materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than majority in aggregate principal amount of the Bonds and any Additional Bonds then Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any Base Rental Payment, without the prior written consent of the Owner of each Bond and any Additional Bond so affected, or (b) reduce the percentage of the Bonds the consent of the Owners of which is required for the execution of any amendment of the Lease.

The Lease and the rights and obligations of the Authority and the County under the Lease may also be amended or supplemented at any time by an amendment of the Lease or supplement to the Lease which shall become binding upon execution by the Authority and the County without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Authority or the County to be observed or performed in the Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the County, or to surrender any right or power reserved in the Lease to or conferred in the Lease on the Authority or the County, and which in either case shall not materially adversely affect the interests of the Owners;

(ii) to make such provisions for the purpose of curing any ambiguity of correcting, curing or supplementing any defective provision contained in the Lease or in regard to questions arising under the Lease which the Authority or the County may deem desirable or necessary and not inconsistent with the Lease, and which shall not materially adversely affect the interests of the Owners;

(iii) to effect a substitution, addition or removal of any portion of the Leased Property pursuant to the Lease;

(iv) to increase the amount of Base Rental Payment payable under the Lease for the purpose of allowing the Authority to add any real property to be acquired and leased under the Lease or for the issuance of Additional Bonds; or

(v) for any other purpose which shall not materially adversely affect the interests of the Owners.

Events of Default and Remedies

Default. If the County shall:

1. fail to deposit with the Trustee any Base Rental Payment required to be so deposited pursuant to the Lease by the close of business on the day such deposit is required to be made pursuant to the Lease;

2. fail to pay any item of Additional Rental as and when the same shall become due and payable pursuant to the Lease; or

3. breach any other terms, covenants or conditions contained in the Lease, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Trustee to the County, then and in any such event the County shall be deemed to be in default under the Lease ("Default"); provided, however, that if the failure stated in the notice cannot be corrected within such period, then such period will be extended so long as corrective action is instituted by the County within such period and diligently pursued until the default is corrected, but only if such extension would not materially adversely affect the interest of any Owner as evidenced by an opinion of Bond Counsel.

Remedies.

1. Whenever any Default referred to in the Lease shall have occurred and be continuing, the Authority, and any assignee of the rights of the Authority under the Lease, shall have the right, at its option, without any further demand or notice, to enforce all of its rights and remedies under the Lease, including the right to recover Base Rental Payments as they become due under the Lease (pursuant to Section 1951.4 of the California Civil Code with respect to all components of the Leased Property), by pursuing any remedy available at law or in equity, except as otherwise expressly provided in the Lease. Without limiting the foregoing, upon a Default the Authority may exercise any and all rights of entry and re-entry upon the Leased Property, and also, at its option, with or without such entry, may terminate the Lease as provided in the Lease; provided, that no such termination shall be effected either by operation of law or acts of the parties to the Lease, except only in the manner expressly provided in the Lease. The County acknowledges and agrees that no act by the Authority under the Lease shall be grounds for termination by the County of the Lease.

2. In the event the Authority does not elect to terminate the Lease in the manner provided for in the Lease, the County agrees to and shall remain liable for the payment of all Base Rental Payments and the performance of all conditions contained in the Lease and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Property, or, in the event the Authority does not re-lease the Leased Property, then for the full amount of all Base Rental Payments to the end of the Lease Term, but said Base Rental Payments and/or deficiency shall be payable only at the same time and in the same manner as provided in the Lease for the payment of Base Rental Payments under the Lease notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the exercise of any other remedy by the Authority. The County irrevocably appoints the Authority as the agent and attorney-in-fact of the County to enter upon and re-lease the Leased Property upon the occurrence and continuation of any Default and to remove all personal property whatsoever situated upon the Leased Property to place such property in storage or other suitable place in Santa Cruz County, for the account of and at the expense of the County, and the County exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease. The County waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Leased Property as provided in the Lease and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the County that may be in or upon the Leased Property. The County agrees that the terms of the Lease constitute full and sufficient notice of the right of the Authority to re-lease the Leased Property in the event of such re-entry without effecting a surrender of the Lease, and

further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of the Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, upon the occurrence and during the continuance of any Default under the Lease, the right to terminate the Lease shall vest in the Authority to be effected in the sole and exclusive manner provided for in the Lease. The County further waives the right to any rental obtained by the Authority in excess of the Base Rental Payments and conveys and releases such excess to the Authority as compensation to the Authority for its services in re-leasing the Leased Property.

3. Upon the occurrence and continuation of any Default under the Lease, the Authority at its option may terminate the Lease and re-lease all or any portion of the Leased Property. In the event of the termination of the Lease by the Authority at its option and in the manner provided in the Lease on account of a Default by the County (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing or sale of the Leased Property), the County nevertheless agrees to pay to the Authority all costs, loss or damages provided in the Lease in the case of payment of the Base Rental Payments. Any surplus received by the Authority from such re-leasing shall be the absolute property of the Authority and the County shall have no right thereto, nor shall the County be entitled to any credit in the event of a deficiency in the rentals received by the Authority from the Leased Property. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Authority shall of itself operate to terminate the Lease, and no termination of the Lease on account of default by the County shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the County of the election on the part of the Authority to terminate the Lease. The County covenants and agrees that no surrender of the Leased Property or of the remainder of the Lease Term or any termination of the Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

4. All damages and other payments received by the Authority or its assignee pursuant to the exercise of its rights and remedies pursuant to the Lease shall be applied in the manner set forth in the Indenture.

No Acceleration of Base Rental Payments. Notwithstanding any other provision of the Lease or the Indenture, in no event shall the Authority have the right to accelerate the payment of any Base Rental Payments under the Lease.

Remedies Cumulative. Each and every remedy of the Authority or any assignee of the rights of the Authority under the Lease is cumulative and the exercise of one remedy shall not impair the right of the Authority or its assignee to any or all other remedies. If any statute or rule validly shall limit the remedies given to the Authority or its assignee, the Authority or its assignee nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

Prepayment of the Lease

Prepayment From Net Proceeds.

1. The County may prepay, from Net Proceeds of casualty or title insurance or a condemnation award received by it pursuant to the Lease, the Principal Component of Base Rental Payments then unpaid (and corresponding Interest Component), in whole or in part on any

date, pursuant to the Lease, at a prepayment price equal to the sum of the Principal Component prepaid plus accrued interest thereon to the date of prepayment.

2. Prepayments made pursuant to this provision shall be allocated pro rata among the Principal Components of Base Rental Payments and any Additional Bonds.

Optional Prepayment.

The County may at its option, in accordance with the Indenture, prepay from any source of available moneys for redemption of Bonds pursuant to the Lease or the Indenture, all or any part (in Authorized Denominations) of the Principal Component of Base Rental Payments (and corresponding Interest Component), so that the aggregate annual amounts of Principal Component of Base Rental Payments which shall be payable after such prepayment shall each be in an Authorized Denomination, at a prepayment price equal to the principal amount to be redeemed, plus accrued but unpaid interest to the prepayment date, without premium.

Before making any prepayment pursuant to the Lease, the County shall give written notice to the Trustee specifying the date on which the prepayment will be made, which date shall be not less than forty-five (45) days from the date such notice is given unless the Trustee agrees to a shorter period.

The Authority and the County agree that any prepayment in part under the Lease and the redemption of any Bonds by the Authority pursuant to the Indenture shall be credited towards the County's obligations under the Lease at the option of the County in any manner determined in writing delivered to the Trustee by the County. A prepayment made pursuant to the Lease shall not cause a defeasance of any Bonds unless the requirements of the Indenture are satisfied.

In the event of prepayment in full of the Principal Component of all Base Rental Payments, such that the Lease shall be terminated by its terms as provided in the Lease, all amounts then on deposit under the Indenture which are to be credited to the County's obligations to make Base Rental Payments shall be credited towards the amounts then required to be so prepaid.

THE SITE LEASE

Pursuant to the Site Lease, the County leases the Leased Property to the Authority, and the Authority leases the Leased Property to the County, upon the terms and conditions of the Site Lease. Certain of the Authority's rights under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement.

THE ASSIGNMENT AGREEMENT

Pursuant to the Assignment Agreement, the Authority assigns all of its right, title and interest in and to the Lease and the Site Lease (excepting only the Authority's rights to give consents and approvals thereunder and the Authority's right to the payment of Additional Rental pursuant to the Lease and to indemnification pursuant to the Lease) to the Trustee, including its right to receive and collect Base Rental Payments, as well as its right to enforce payment of such Base Rental Payments when due or otherwise to protect its interests in the event of a default by the County under the Lease, in accordance with the terms thereof, in trust nonetheless.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate"), dated as of _____, 2025, is executed and delivered by the County of Santa Cruz (the "County") in connection with the issuance of Santa Cruz County Capital Financing Authority ("the Authority") Lease Revenue Bonds, 2025 Series A (the "2025A Bonds") pursuant to an Indenture dated as of June 1, 2024, as amended and supplemented by a First Supplemental Indenture, dated as of September 1, 2025 (as amended and supplemented, the "Indenture") by and between the Authority and The Bank of New York Mellon Trust Company, N.A.

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the holders and beneficial owners of the 2025A Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2025A Bond (including persons holding any 2025A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2025A Bond for federal income tax purposes.

"Disclosure Representative" means the Auditor-Controller-Treasurer-Tax Collector of the County, or such person's designee, or such other officer or employee of the County as the County shall designate as the Disclosure Representative hereunder in writing to the Dissemination Agent from time to time.

"*Dissemination Agent*" means Harrell & Company Advisors, LLC, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the Authority and the County in connection with the issuance of the 2025A Bonds.

"*Participating Underwriter*" means the original underwriter of the 2025A Bonds required to comply with the Rule in connection with offering of the 2025A Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The County shall, or shall cause the Dissemination Agent to, not later than the February 15 occurring after the end of each fiscal year of the County, commencing with the report for the 2024-25 fiscal year, which is due not later than February 15, 2026, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that any audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b), and subsequent Annual Report filings shall be made no later than six months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than 5 Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b) of this Section 3 for providing the Annual Report to EMMA), the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the County.

(d) *Report of Non-Compliance*. If the County is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the County shall in a timely manner send a notice to EMMA in an electronic format prescribed by the MSRB. If the County is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in a timely manner in an electronic format prescribed by the MSRB.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the County, file a report with the County certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements*. Audited financial statements of the County for the most recently completed fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information*. The Annual Report for each fiscal year shall also include the following information for the most recently completed fiscal year:

(i) Gross Assessed Value of All Taxable Property;

(ii) Largest Taxpayers;

(iii) County-wide Secured Property Tax Levies and Collections;

(iv) Tax Revenues by Source;

(v) General Fund Balance Sheet; and

(vi) General Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

(c) *Cross References*. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which are available to the public on EMMA. The County shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information*. In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the County shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2025A Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the County or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the County or an obligated person, or the sale of all or substantially all of the assets of the County or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect security holders, if material.

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties.

(b) The County shall, or shall cause the Dissemination Agent (if not the County) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2025A Bonds under the Indenture.

(c) The County acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a 2025A Bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the 2025A Bonds. The County shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the County obtains knowledge of the occurrence of any of these Listed Events, the County will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the County will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental County has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental agency, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental agency having supervision or jurisdiction over substantially all of the assets or business of the County.

(e) The term financial obligation means a (1) debt obligation; (2) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (e)(1) or (e)(2). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2025A Bonds.

Section 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The

initial Dissemination Agent shall be Harrell & Company Advisors, LLC. Any Dissemination Agent may resign by providing 30 days' written notice to the County.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations and further provided that the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2025A Bonds, or type of business conducted;

(b) *Compliance as of Issue Date*. The undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2025A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) *Consent of Holders; Non-impairment Opinion*. The proposed amendment or waiver either (i) is approved by holders of the 2025A Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2025A Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the County to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the County fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2025A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this

Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the County hereunder, and shall not be deemed to be acting in any fiduciary capacity for the County, the 2024 Bond holders or any other party. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2025A Bonds.

(b) The Dissemination Agent shall be paid compensation by the County for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the 2025A Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2025

COUNTY OF SANTA CRUZ

By: _____

Auditor-Controller-Treasurer-Tax Collector

AGREED AND ACCEPTED:
HARRELL & COMPANY ADVISORS, LLC,
as Dissemination Agent

By: _____

APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINION

On the delivery date of the 2025A Bonds, Norton Rose Fulbright US LLP, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

[Delivery Date]

Santa Cruz County Capital Financing Authority
Santa Cruz, California

County of Santa Cruz
Santa Cruz, California

Re: Santa Cruz County Capital Financing Authority Lease Revenue Bonds, 2025 Series A

Greetings:

We have acted as Bond Counsel to the Santa Cruz County Capital Financing Authority (the "Authority") in connection with the issuance by the Authority of its $_____ Lease Revenue Bonds, 2025 Series A (the "2025A Bonds"). The 2025A Bonds are being issued under the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "Bond Law"), and pursuant to an Indenture, dated as of June 1, 2024, as supplemented by the First Supplemental Indenture, dated as of September 1, 2025 (as so supplemented, the "Indenture"), each by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The 2025A Bonds are payable exclusively from Revenues and certain other funds pledged to the 2025A Bonds under the Indenture. "Revenues" means (i) all Base Rental Payments (including prepayments) paid or payable by the County of Santa Cruz (the "County") pursuant to the Lease Agreement, dated as of June 1, 2024, as amended by the First Amendment to Lease Agreement, dated as of September 1, 2025 (as so amended, the "Lease Agreement"), each by and between the Authority and the County, and (ii) any insurance proceeds or condemnation awards received by or payable to the Trustee under the Lease and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Lease. Under a Site and Facility Lease, dated as of June 1, 2024, as amended by the First Amendment to Site and Facility Lease, dated as of September 1, 2025 (as so amended, the "Site and Facility Lease"), each by and between the County and the Authority, the Authority has agreed to lease certain Leased Property from the County. Under the Lease Agreement, the Authority has agreed to lease such Leased Property back to the County in consideration for the Base Rental Payments. Under the Amended and Restated Assignment Agreement, dated as of September 1, 2025 (the "Assignment Agreement"), between the Authority and the Trustee, the Authority has assigned without recourse all of its rights to receive Base Rental Payments and certain other rights to the Trustee.

As Bond Counsel, we have reviewed relevant portions of the Bond Law, the Indenture, the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and certifications of the Authority, the County, the Trustee and others, opinions of counsel to the Authority, the County and the Trustee, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein.

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

Based upon the foregoing, as of the date hereof, we are of the opinion that:

1. The 2025A Bonds constitute valid and binding limited obligations of the Authority as provided in the Indenture, and are entitled to the benefits of the Indenture.

2. The Indenture has been duly and validly authorized, executed and delivered by the Authority and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the 2025A Bonds, of the Revenues and certain other amounts held by the Trustee in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. The Site and Facility Lease and the Lease Agreement have been duly and validly authorized, executed and delivered by the Authority and the County and constitute the legally valid and binding obligations of the Authority and the County, enforceable against the Authority and the County in accordance with their terms.

4. The Assignment Agreement has been duly and validly authorized, executed and delivered by the Authority and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.

5. Under existing law, and assuming compliance with the covenants mentioned below after the date hereof and applicable requirements of the Internal Revenue Code of 1986 (the "Code"), interest on the 2025A Bonds is excluded from the gross income of the owners thereof for federal income tax purposes.

6. Under existing law, interest on the 2025A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax on individuals. We express no opinion regarding the applicability of the corporate alternative minimum tax to the adjusted financial statement income of any owner of the 2025A Bonds. We further express no opinion regarding any other federal income tax consequences caused by the ownership of, or the receipt or accrual of interest on, the 2025A Bonds.

7. Under existing law, interest on the 2025A Bonds is exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the 2025A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2025A Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the 2025A Bonds. Pursuant to the Indenture, the Lease Agreement and the Tax Certificate being delivered by the Authority and the County, as applicable, in connection with the issuance of the 2025A Bonds, the Authority and the County are making representations relevant to the determination of, and are undertaking certain covenants regarding or affecting, the exclusion of interest on the 2025A Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of and have relied upon such representations and the present and future compliance by the Authority and the County with such covenants.

Certain requirements and procedures contained or referred to in the Indenture, the Lease Agreement or the Tax Certificate may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. With respect to the exclusion from gross income of the interest on the 2025A Bonds for federal income tax purposes, we express no opinion as to the effect of any change to any document pertaining to the 2025A Bonds or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance on the advice of counsel other than Norton Rose Fulbright US LLP.

The opinions expressed in paragraphs 1, 2, 3 and 4 above are qualified to the extent the enforceability of the 2025A Bonds, the Indenture, the Site and Facility Lease, the Lease Agreement and the Assignment Agreement may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the 2025A Bonds, the Indenture, the Site and Facility Lease, the Lease Agreement and the Assignment Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California.

No opinion is expressed herein on the accuracy, completeness or fairness of any offering material relating to the 2025A Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

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APPENDIX G

THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the 2025A Bonds, payment of principal, interest and other payments on the 2025A Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2025A Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the 2025A Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the 2025A Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2025A Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2025A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2025A Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2025A Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange

Commission. More information about DTC can be found at www.dtcc.com. *The information contained on such Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds and distributions on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption

proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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