

**SANTA CRUZ COUNTY REGIONAL
TRANSPORTATION COMMISSION**

AUDIT REPORT
June 30, 2020

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Santa Cruz County Regional Transportation Commission
Santa Cruz, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Cruz County Regional Transportation Commission (the Commission) as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Cruz County Regional Transportation Commission, as of June 30, 2020, and the respective changes in financial position thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the basic financial statements in March 2020, the World Health Organization has declared COVID 19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any financial impact cannot be reasonably estimated at this time. Our opinion is not modified to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 19, the budgetary information on pages 55 through 62, the schedule of changes in the OPEB liability and related ratios on page 63, the schedule of OPEB contributions on page 64, the schedule of proportionate share of net pension liability on page 65, and the schedule of pension contributions on page 66, be presented to supplement the basic financial statements. Such information, 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, of 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 Commission's basic financial statements. The schedules of allocations and expenditures are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules of allocations and expenditures are the responsibility of management and was derived from and is related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information section is fairly stated in all material respects in relating to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2021, on our consideration of the Santa Cruz County Regional Transportation Commission'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 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 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 Commission's internal control over financial reporting and compliance.

Moss, Remy & Hurlbain LLP

Santa Maria, California
April 22, 2021

Management Discussion and Analysis

Fiscal Year Ending June 30, 2020

1.INTRODUCTION

The Santa Cruz County Regional Transportation Commission (RTC) was established in 1972 under the provisions of the California Transportation Development Act (TDA) of 1971. In 1989, the RTC was established as the Service Authority for Freeway Emergencies under California Streets and Highways Code Sections 2550-2559. This allowed the RTC to provide highway call boxes, freeway service patrols and other motorist aid services to Santa Cruz County with funds collected from a \$1 vehicle registration fee on all cars registered in the County. In 2001, Section 67941 was added to the Government Code giving the RTC the power of eminent domain and the power to preserve, acquire, construct, improve, and oversee multimodal transportation projects and services on rail right-of-way within Santa Cruz County. RTC purchased the Santa Cruz Branch Rail Line in 2012 and contracts with an operator to provide freight and recreational rail service. The RTC is also the designated administrator and taxing authority for the Measure D ½-cent sales tax, which was approved by over two-thirds of the Santa Cruz County voters in November of 2016.

The RTC is governed by a Board of Directors comprised of 12 members and 1 ex-officio member. The Board sets policies related to transportation planning, funding, projects and programs throughout the county, delivers regional projects, and, for FY 2019/20, oversaw 19 full and part-time employees representing 18 full-time equivalent positions.

2.MAJOR PROGRAMS

The RTC sets priorities and secures funding for capital improvements to transportation infrastructure including: highways, local roads, public transportation, rail, and bicycle and pedestrian facilities. The RTC also pursues and allocates funds for all elements of transportation, adopts policies to improve the regional transportation system, plans future projects and programs, provides services to encourage the use of active and sustainable transportation modes, improves the safety and operation of the transportation system, and reduces vehicle emissions.

The RTC is the state-designated Regional Transportation Planning Agency (RTPA) for Santa Cruz County. As the RTPA for Santa Cruz County, the RTC is responsible for distributing Transportation Development Act funds raised through a 1/4-cent state sales tax, as well as selecting projects and programs to receive the county's

formula shares of State Transit Assistance (STA) and Senate Bill 1 (SB1) State of Good Repair, State Transportation Improvement Program (STIP), Surface Transportation Block Grant Program/Regional Surface Transportation Program Exchange (STBG/ RSTPX), Low Carbon Transit Operations Program (LCTOP), and SB1 Local Partnership Program (LPP) funds. As the RTPA, the RTC is also responsible for developing both the state-mandated *Regional Transportation Plan (RTP)* and *Regional Transportation Improvement Program (RTIP)*. The RTC is required to meet numerous other state and federal requirements to develop a variety of transportation system plans and to help ensure more efficient, effective, and resilient transportation systems.

The RTP is the long-range transportation planning document which identifies the region's goals, needs, and potential funding sources over a 20+ year period. The RTP is updated every 4-5 years. An update was adopted in June 2018. The RTP includes sustainability targets and an evaluation of the transportation plan's ability to meet the targets. Project and funding information in the RTP is consistent with the California Transportation Commission's (CTC) RTP Guidelines and the SB 375-mandated Sustainable Communities Strategy prepared by the region's MPO, the Association of Monterey Bay Area Governments (AMBAG).

As certain state and federal funding becomes available, the RTC selects specific transportation projects to receive those funds and lists those selected projects in the RTIP, which covers a 5-year period. Programmed funds are included in RTC's annual budgets in the year in which expenditures are expected.

The RTC contributed and/or secured state and federal funds for local agencies for the following projects which were under construction or were implemented in FY 2019/20 (the dollar amounts reflect the RTC's contribution to the total project costs):

- Brommer St. Complete Streets Improvements, Capitola: \$470,000 RSTPX
- Water St. Pavement Rehabilitation (N. Branciforte-Ocean St.), Santa Cruz: \$47,000 RSTPX and \$398,000 STIP
- River St. Pavement Rehabilitation (Water St. to Potrero St.), Santa Cruz: \$370,000 RSTPX and \$775,000 STIP
- Segment 7-phase one Monterey Bay Sanctuary Scenic Trail Network (MBSST) Rail Trail (Natural Bridges to Bay/California), Santa Cruz: \$1,805,000 STIP and \$1.1 million Measure D-Trail
- Glenwood Dr. Rehabilitation and Bicycle Improvement Project, Scotts Valley: \$310,000 RSTPX
- Airport Blvd Improvements from Westgate Dr./Larkin Valley Rd to Hanger Way, Watsonville: \$1,195,000 STIP and \$177,000 RSTPX
- Green Valley Road Reconstruction from Struve Slough to Freedom Boulevard, Watsonville, \$795,000 STIP and \$306,000 RSTPX

- Freedom Blvd Plan Line, Watsonville: \$64,677 RSTPX
- Bicycle Safety Improvements/Green Lanes, Watsonville: \$505,000
- Segment 18 Rail Trail (Ohlone Parkway to city Slough Trail connection), Watsonville: \$600,000 RSTPX
- Citywide Roadway Preservation, Watsonville: \$1,130,000 RSTPX
- Aptos Village Improvements, County of Santa Cruz: \$1,927,000 RSTPX
- Aptos Creek Road and Soquel Dr. Traffic Signal, Sidewalks and Bike Lanes: \$2,300,000 RSTPX
- Bike Challenge+, Ecology Action: \$50,000 RSTPX
- Countywide Bike Route Signage, RTC and local jurisdictions: \$149,000 RSTPX and \$320,000 ATP
- CNG Bus Replacements, METRO: \$500,000 RSTPX
- Bus Refurbishments, METRO: \$900,000 STIP
- Electric Buses, METRO: \$870,000 STIP and \$155,000 RTC-formula SB1-LPP
- Lift Line Electric Vehicle Paratransit Van and Infrastructure: \$292,605 LCTOP
- Highway 1-Scotts Creek Bridge planning, Caltrans: \$43,000 RSTPX
- Project PASEO-Slow Streets, Earn-a-Bike and Open Streets: \$100,000 RSTPX
- Great Meadow Path upgrades, University of California at Santa Cruz (UCSC): \$154,000

Highway 1 Projects

In FY 2019/20, the RTC continued sponsorship and delivery of regionally significant projects on Highway 1 using Measure D, federal, and state funds. The RTC in partnership with Caltrans developed a program of multimodal projects to reduce congestion, improve safety, improve transit travel time and reliability of Santa Cruz METRO routes, and construct bicycle and pedestrian overcrossings to improve access and connectivity for active transportation users. Improvements include auxiliary lanes, a Bus on Shoulder facility, bridge replacements, and the construction of new bicycle and pedestrian overcrossings. In 2019, the RTC incorporated Bus on Shoulder elements into the program of projects, which currently includes three projects to construct five sets of auxiliary lanes. Staff prepared a grant application for cycle 2 of the Solutions to Congested Corridors Program (SCCP) and Local Partnership Program (LPP), to fully fund the first two projects: auxiliary lanes and bus on shoulder improvements between Soquel Drive and State Park Drive interchanges, which includes bicycle and pedestrian overcrossings at Chanticleer Avenue and Mar Vista Drive.

Highway 1 – 41st to Soquel BOS / AUX Lane Project

The bus on shoulder elements were added to the final design of the Highway 1 Auxiliary Lanes project between 41st Avenue and Soquel Drive interchanges. A Supplemental Project Report was prepared for the Bus on Shoulder improvements to gain formal Caltrans approval of the facility. The Environmental Impact Report (EIR) was revalidated to incorporate the Bus on Shoulder improvements in March of 2020. The project's final design and right of way phases are underway and is on schedule for the Ready to List (RTL) milestone in early 2021.

Highway 1 – State Park to Bay/Porter BOS / AUX Lane Project

RTC issued an Request For Proposal(RFP) to procure a contract to prepare an Environmental Impact Report/Environmental Assessment (EIR/EA) for the auxiliary lanes and bus on shoulder project between the Bay Avenue/Porter Street and State Park Drive interchanges. The project improvements include auxiliary lanes between the Bay/Porter and State Park Drive interchanges, a 3 mile bus on shoulder facility, replacement of the Capitola Avenue overcrossing, soundwalls, and retaining walls. A professional engineering services agreement was entered into in July of 2019 for the preliminary engineering and environmental analysis of the project. A Notice of Preparation (NOP) was released in September of 2019 and a scoping meeting was held in October of 2019. In May of 2020, the pedestrian and bicycle overcrossing at Mar Vista Drive was added to the project.

Highway 1 – Freedom to State Park BOS / AUX Lane Project

In November of 2019, the RTC issued an RFP to procure a contract to prepare an Environmental Impact Report/Environmental Assessment (EIR/EA) for the auxiliary lanes and Bus on Shoulder improvements between State Park Drive and Freedom Boulevard interchanges. Improvements include auxiliary lanes and Bus on Shoulder improvements, replacement of two railroad bridges, construction of a 1.25 mile long multiuse trail along the Santa Cruz Branch Rail Corridor (segment 12 of the Coastal Rail Trail). A professional engineering service agreement was entered into in the spring of 2020 for the preliminary engineering and environmental analysis of the project.

Rail Corridor

The Regional Transportation Commission (RTC) acquired the 31-mile Santa Cruz Branch Rail Line right-of-way in 2012. In FY 2015/16, the RTC completed reconstruction of the La Selva Beach trestle and rehabilitation of three other railroad bridges. In December 2015, the RTC completed a feasibility study of passenger rail service in the corridor. In early 2019, the RTC completed a unified corridor investment study, which included use of the rail corridor for passenger

rail services and a bicycle and pedestrian path. In fiscal year 2019/20, the RTC worked on alternatives analysis for high capacity public transit on the rail corridor.

In early 2017 the state of California, including Santa Cruz County, experienced historic rain and flooding which caused damage to the Santa Cruz Branch Rail Line. The heavy rain and storm runoff caused fallen trees, landslides, and erosion within the railroad right of way. In February of 2017, the Federal Emergency Management Agency (FEMA) announced that federal disaster assistance had been made available for emergency repair of facilities damaged by the severe winter storms to eligible local government agencies across California. A Request for Public Assistance was submitted by the RTC for storm damage repair work along the rail line, which was approved. Subsequently, inspections of the rail line with RTC and FEMA Public Assistance Program staff occurred from December 2017 to January 2018 and RTC staff awarded a contract to an engineering consultant to prepare the construction documents for the repairs in March of 2018.

RTC staff is managing the consultant efforts and obtaining permits for seven storm damage repair projects and one debris removal project. Two of the storm damage sites, located adjacent to Harkins Slough near mileposts 5.0 to 5.1, put the Santa Cruz Branch Rail Corridor out of service for most of its length. The repair work includes construction of a double box culvert, each box being 4 feet in height and 6 feet in width, with wingwalls, grading and drainage improvements to re-establish the drainage pattern. In order to construct the repair, the RTC obtained a permit from the US Army Corps of Engineers (USACE), Regional Water Quality Control Board (RWQCB), California Fish and Wildlife Services, and Coastal Commission. In FY 2019/20, geotechnical testing, topographic surveys and designs were completed for significant storm damage sites. The RTC approved the completed plans, specifications, and engineer's estimates and is ready to advertise contracts for storm damage sites 1 and 2 and emergency bridge repair for construction next Fiscal Year.

The RTC procured on-call professional engineering services for civil, structural and construction management services. Task orders include bridge inspections and load ratings, preparing construction documents for the Laurel/Chestnut grade crossing repair, and storm damage repair projects.

A preventative maintenance program for the Santa Cruz Branch Rail corridor was developed by RTC staff and implemented in March of 2018. The maintenance program includes a process for responding to maintenance reports from the community or local jurisdictions, and guidelines for regular maintenance inspections for preventative maintenance efforts. In FY 2019/20, staff procured and managed maintenance contractors for janitorial work. This included encampment coordination and clean up, hazard tree removal and pruning, vegetation control, drainage culvert maintenance, drainage ditch maintenance,

slope and erosion control projects, bridge handrail and walkway repairs, and track repairs. Staff also procured and managed consultants for property management and analysis and modernization of the hundreds of railroad and property agreements along the corridor.

Monterey Bay Sanctuary Scenic Trail Network (and Coastal Rail Trail)

Implementation of segments of the Monterey Bay Sanctuary Scenic Trail (MBSST) Network, a multi-use bicycle and pedestrian pathway spanning the Santa Cruz coastline from the San Mateo County line to the Monterey County line, continued during FY 2019/20. The MBSST Network will see the 31-mile rail right-of-way as the system's spine within the shared use rail corridor. Initiation of projects began following adoption of the award-winning Master Plan, a document that serves as the guiding blueprint for the project's implementation and divides the trail into 20 different segments between the limits of the trail. RTC works with local jurisdictions to determine who is best to implement various segments of the trail. RTC oversees all trail development activities.

The City of Santa Cruz started construction of Phase 1 of Segment 7 of the rail trail project from Natural Bridges Drive to Bay/California (1.2 miles) in FY 2019/20. The city continued final design of the Seg 7 Phase 2 section from Bay/California to the Wharf roundabout (0.9 miles).

The City of Watsonville started construction of Phase 1 of Segment 18 of the trail, located between Ohlone Parkway and the Watsonville Slough Trail. They continued advancing the design of Phase 2 of the trail, which is located between Lee Road and Ohlone and between the Slough Trail and Walker Street.

The City of Capitola continued preliminary design of a small project connecting the City parking lot to the intersection of Monterey and Park Avenues along the rail corridor.

RTC, in coordination with the Federal Highway Administration Central Federal Lands Division continued preconstruction activities, including environmental, right-of-way and design work for the North Coast Rail Trail, a portion of Segment 5 of the MBSST, in FY 2019/20. This is a 7.5 mile segment of the rail trail with funds from the Land Trust of Santa Cruz County and Federal Lands Access Program (FLAP).

RTC used Measure D funds to provide oversight on each of these project segments. Measure D funds have been programmed to future Rail Trail projects between Seabright and Aptos (Segments 8-12) as part of the Measure D Five-Year Program of Projects. RTC continued collaborations with the Land Trust of Santa Cruz County, Bike Santa Cruz County and Friends of the Rail and Trail who

are raising private funds and building community stewardship of the rail trail project.

SAFE and FSP

The Service Authority for Freeway Emergencies (SAFE) annual budget provides funds for a number of programs, including the Safe on 17 Program to maintain a reduced collision rate on Highway 17 by providing the resources for additional CHP enforcement officers. The funding is provided by the RTC SAFE (\$50,000) and the Metropolitan Transportation Commission (MTC) SAFE (\$50,000) programs. In FY 2018/19, RTC SAFE allocated an additional \$50,000 annually for extra enforcement using Measure D Highway funds.

The SAFE program provides call boxes on Highways 1, 9, 17, 129, and 152 throughout the county and connects stranded motorists with assistance. Nearly 430 calls were placed from 48 call boxes in the county in FY 2019/20. Cruz511, a 511 traveler information project (described in more detail in the next section), is also funded in part through the SAFE budget.

The RTC, serving as the SAFE agency in Santa Cruz County, operates the Freeway Service Patrol (FSP) program. The FSP program consists of roving tow trucks looking for disabled vehicles or debris on designated highway segments. The FSP provides on-the-spot help to stranded motorists. The purpose of the FSP is to decrease traveler delay associated with non-recurrent congestion, improve safety, air quality, and reduce fuel consumption by rapidly clearing incidents. The FSP provided 1,127 assists in FY 2019/20. The current benefit-cost ratio is 4.0.

Cruz511 and Alternatives to Driving Alone

Since 1979, the RTC has provided the community with a centralized resource for transportation information. Cruz511 is the umbrella brand under which all RTC traveler information services take place including those previously delivered through Commute Solutions. While the programs' offerings have evolved over the years in response to changing needs and opportunities, the mainstay has been to provide tools, information and encouragement to commuters about options for travel other than driving alone. These alternatives include carpooling, vanpooling, bicycling, walking, taking public transit, and telecommuting. The program also assists employers, schools, and other organizations in developing travel programs for their employees and constituents. In FY 2019/20, Cruz511 staff and the City of Santa Cruz continued preparing for the implementation of a pilot program, MyCruz511. MyCruz511 is a web-based commuter management and rewards platform using RideAmigos enterprise technology. A full countywide launch for MyCruz511 was delayed in 2020 due to the COVID-19 global pandemic and is planned for 2021.

Transit Corridor Alternatives Analysis and Rail Network Integration Study

In the second half of 2019, the Santa Cruz County Regional Transportation Commission (RTC), in partnership with Santa Cruz Metropolitan Transit District (METRO), initiated the next phase of planning for a transit corridor along the existing Santa Cruz Branch Rail Line right-of-way. The Transit Corridor Alternatives Analysis and Rail Network Integration Study (TCAA/RNIS) are evaluating public transit investment options that provide an integrated transit network for Santa Cruz County utilizing all or part of the length of the rail right-of-way as a dedicated transit facility. A performance-based planning approach based on a triple bottom line sustainability framework is being utilized to assess various public transit options for the rail right-of-way. A locally-preferred alternative will be determined that offers the greatest benefit to Santa Cruz County in terms of equity, environment, and economy. Agency partners, local and regional stakeholders, and the general public have had the opportunity to provide valuable input into the planning process at key milestones of the project. Input was solicited through open houses both in person and online during the pandemic. Input was received through email and RTC's online comment form. Meetings were held with the RTC Advisory Committees (Bike Committee, Elderly and Disabled Transportation Advisory Committee, and Interagency Technical Advisory Committee), and Partner Agencies to present information, answer questions and receive input on the project. This study is primarily funded by Measure D and a \$100,000 network integration grant from Caltrans.

SR9 San Lorenzo Valley (SLV) Complete Streets Corridor Transportation Plan

The RTC completed work on the Highway 9/San Lorenzo Valley (SLV) Complete Streets Corridor Plan in FY 2018/19. Priorities identified in the plan improve safety for pedestrians, bicyclists and motorists; improve access to schools, businesses, residences, and transit; and improve traffic operations throughout this travel corridor. RTC entered into a Cooperative Agreement with Caltrans to prepare a Project Initiation Document (PID) for the complete streets elements identified in the plan. Work included coordination with Caltrans to develop the Complete Streets PID and coordinating the addition of complete streets elements into Caltrans Capital Maintenance PID (Cap-M PID), community outreach, and stakeholder engagement.

3.FINANCIAL STATEMENTS

The Basic Financial Statements consist of RTC-Wide Financial Statements (Governmental funds only), Funds Financial Statements (Governmental and Fiduciary funds) and Notes to Financial Statements.

A. RTC Wide Financial Statements

The RTC-wide statements (Statement of Net Position and the Statement of Activities) are on full accrual basis of accounting and consistent with the Government Accounting Standards Board (GASB) Statement 34, the fixed assets are capitalized, depreciated, and reported net of accumulated depreciation on the Statement of Net Position (balance sheet). In addition, the expenses are recognized for accrued vacation and sick leave (compensated absences) and the related outstanding balance is reflected in the liability section. In accordance with GASB 75, the RTC Wide Financial Statements include the expenses and liabilities associated with Other Post-Employment Benefits (OPEB) as discussed in Note 9 of the report. The RTC adheres to GASB 68, which requires the measurement and reporting of the pension liability, and pension is discussed in detail in Note 7 starting on page 45. The impact of GASB 75 and GASB 68 is the ever increasing Noncurrent (long-term) liability and decreasing Net Position.

B. Funds Financial Statements

The RTC had thirteen funds in FY 2019/20. There are eight governmental funds (pages 22 – 31) and seven fiduciary funds (pages 32 – 35).

The RTC uses the following fund balance classifications, which are in line with GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions:

1. Nonspendable Fund Balance
2. Restricted Fund Balance
3. Committed Fund Balance
4. Assigned Fund Balance
5. Unassigned Fund Balance (for the General Fund only)

Not all fund categories may be present in any one reporting year, and the current financial statements have just three: 1) Nonspendable, 2) Restricted, and 3) Unassigned.

4. FINANCIAL HIGHLIGHTS

FY 2019/20 is another year of major accomplishments, which included programming over \$20 million in local transportation funding thanks to Measure D, adding bus on shoulder elements to the final design of the 41st Avenue-Soquel Drive Auxiliary Lanes and Tier 1 Highway 1 corridor environmental document, prepare an Environmental Impact Report/Environmental Assessment (EIR/EA) for the auxiliary lanes and Bus on Shoulder improvements between State Park Drive and Freedom Boulevard interchanges, preparation for the implementation of MyCruz511 a web-based commuter management and rewards platform, work on the Highway 9/San Lorenzo Valley (SLV) Complete Streets Corridor Plan priorities including community outreach, and stakeholder engagement, and implementation of segments of the Monterey Bay Sanctuary Scenic Trail (MBSST) Network.

The implementation of Government Accounting Standards Board Statement 75 (GASB 75), Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and GASB 68 Accounting and Financial Reporting for Pensions continue to have significant negative impact on Net Position of Government wide financial statements. The fund statements, however, show governmental funds in strong financial position.

Governmental Activities

Net Position

The Net Position is up \$817,563 to \$21,051,188 from \$20,233,625 in FY 2019. While the combined fund balance is healthy at \$4,894,651 (page 23) the Net Position has a negative Unrestricted balance of \$1,609,775 (page 20) due to the continuing rise of pension and OPEB liabilities. While there are adequate current assets to finance current liabilities, Noncurrent Liability Balance of \$4,726,944 cannot be fully covered. The ability to meet these long-term obligations depends mostly on the benefit plans offered and/or the funding strategies. The table on the following page shows how the Noncurrent liabilities – OPEB (\$2,732,914), Compensated Absences (\$328,310), and Net Pension Liability (\$1,665,720), are depressing the Net Position when capital assets are excluded:

UNRESTRICTED NET POSITION DEFICIT ANALYSIS

	<u>FY2020</u>	<u>FY2019</u>
Current Assets (Cash & Receivables) *	\$9,171,991	\$6,959,115
Less:		
Restricted Fund Balance**	(2,765,058)	(2,014,397)
Current Liabilities (Net of D/T Other Funds)*	<u>(4,383,006)</u>	<u>(3,339,179)</u>
Unassigned Fund Balance**	2,023,927	1,605,539
Less Noncurrent Liabilities***	(4,726,944)	(4,138,866)
Add:		
Prepays*	105,666	42,475
Net Deferred Outflows & Inflows***	<u>1,014,347</u>	<u>846,200</u>
Less:		
Restricted Prepays	<u>(26,771)</u>	
Unrestricted Net Position	<u>\$(1,609,775)</u>	<u>\$(1,644,652)</u>

* *Statement of Net Position* – page 19 or *Governmental Fund Balance*- pages 20-21

** *Governmental Fund Balance*- pages 20-21

*** *Statement of Net Position* – page 19 or *Note 6, Long-term Debt* on page 45

Cash, Receivables, and Payables

Cash and Investment balance shows an increase of \$904,981 to \$5,050,026 from \$4,145,045 (pages 22 – 23) on 6/30/2019. The RTC has adequate resources to meet its current obligations with a 2.0x current ratio. The current liabilities have increased by \$1,288,766 mostly due to increased Accounts Payable (\$3,424,457).

Capital Assets

Net fixed assets totaled \$19,869,134 in FY2020. The non-depreciable assets value remained unchanged from FY2019 at \$19,848,411. The depreciable fixed assets increased by \$5,254 to \$20,723. The increase is the difference between office equipment acquisition of \$12,630 and the depreciation expense of \$7,376 (Page 45).

Other Balance Sheet Highlights

- Due From and Due To Other funds (\$516,492 each) consist of \$110,000 due to Rail/Trail from Administration and Planning; \$50,000 due to Cruz 511 from SAFE; \$70,043 due to Rail from Administration and Planning; \$261,252 due to Administration and Planning from Rail; and \$25,197 due to Administration and Planning from Freeway Service Patrol (FSP).

- Unearned Revenue decreased by \$367,435 to \$398,077 as a result of revenue recognition in the Highway and Rail Funds. The Unearned Revenue balance in FY2020 is distributed as follows: \$ 141,076 LCTOP funds in Administration and Planning, \$70,000 RSTPX funds in Active Transportation/MBSST and \$187,001 RSTPX funds in Rail/Trail.

Condensed Balance Sheet of Governmental Funds

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Change</u>
Cash	\$5,050,026	\$4,145,045	\$ 904,981
Accounts Receivables and Due From	4,121,965	3,085,623	1,036,342
Prepaid Items	<u>105,666</u>	<u>42,475</u>	<u>63,191</u>
	<u>9,277,657</u>	<u>7,273,143</u>	<u>2,004,514</u>
Accounts Payable and Due To	3,984,929	2,845,220	1,139,709
Unearned Revenue	<u>398,077</u>	<u>765,512</u>	<u>(367,435)</u>
Total Liabilities	<u>4,383,006</u>	<u>3,610,732</u>	<u>772,274</u>
Total Fund Balances	<u>4,894,651</u>	<u>3,662,411</u>	<u>1,232,240</u>
Total Liabilities and Fund Balances	<u>\$9,277,657</u>	<u>\$7,273,143</u>	<u>\$2,004,514</u>

Revenues

The combined governmental funds revenues are up \$3,744,584 to \$11,815,048. The table below is a year to year revenue comparison:

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Change</u>
RSTPX	\$297,226	\$572,471	\$(275,245)
Local transportation Fund (TDA)	1,455,439	1,490,063	(34,624)
Measure D	4,957,639	3,728,090	1,229,549
FTA Section 5304	0	71,154	(71,154)
CA Dept of Transp Grant- SB1	47,821	0	47,821
RPA (Admin & Planning)	297,482	424,392	(126,910)
LCTOP	151,529	0	151,529
Sust Transp Grant WCB	84,621	0	84,621
Sust Transp Grant CDFW	8,583	0	8,583
Fed 5304 SR9	41,432	0	41,432
FEMA	456,457	0	456,457
Motor Vehicle Fees	252,191	260,839	(8,648)
Active Transportation Program	137,155	101,358	35,797
Aid From Other Governments	50,853	0	50,853
STIP	2,814,338	622,322	2,192,016
Caltrans Grant (FSP)	262,401	185,600	76,801
Land Trust	216,813	381,766	(164,953)
Interest, Lease & Other	<u>283,068</u>	<u>232,409</u>	<u>50,659</u>
Total	<u>\$11,815,048</u>	<u>\$8,070,464</u>	<u>\$3,744,584</u>

There are three major funding sources with the State at 35% and Measure D 42% of all revenues. The local revenues (\$2,069,138) comprise 18% of revenues and consist of TDA funds (\$1,455,439), Motor Vehicle fees (\$252,191), Land Trust (\$216,813), Lease by Rail/Trail (\$94,695), and MTC Safe for Safe on 17 (\$50,000).

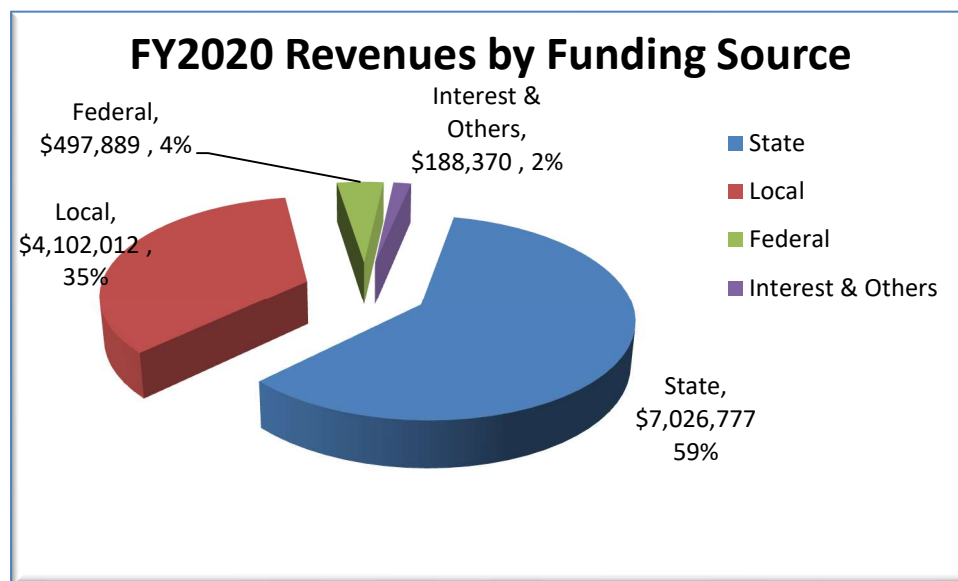
The funding sources comparative table and the graph (Figure 1) are presented below:

Table
FY2020 Funding by Source

	<u>FY2020</u>	<u>FY2019</u>
Local	\$ 7,026,777 (59%)	\$5,981,511 (74%)
State	4,102,012 (35%)	1,951,533 (24%)
Federal	497,889 (4%)	71,154 (1%)
Interest & Others	188,370 (2%)	66,266 (1%)
Total	<u>\$11,815,048 (100%)</u>	<u>\$8,070,464 (100%)</u>

Figure 1

FY2020 Funding by Source



Expenditures

- The expenditures are up \$3,051,037 to \$10,606,381 and major expenditures were for payroll (\$2,880,147), Transit Corridor Alternatives

Analysis (\$412,496), Towing in FSP (\$311,470), and consultants in various funds.

- Payroll costs (\$2,880,147) are down 11% due to: a vacant position for part of the year, retirement benefit membership status, lower insurance costs than anticipated, and they are \$217,523 (7%) less than budget (\$3,097,670).
- Overall, costs are in line and in accordance with the budget.

Fiduciary Funds

- With the implementation of ½-cent sales tax Measure D in November 2016, there are now 7 fiduciary funds.
- The combined cash balance remains high and is up \$7,871,365 (25.8%) to \$38,437,776 from a year ago due to unclaimed allocations, revenue growth, the unspent FY2020 Measure D proceeds (\$27,032,542), and the undistributed (Unallocated) RSTPX (\$9,498,610) and TDA (\$805,078) funds. The undistributed RSTPX funds balance of \$9,498,610 includes \$3,493,405 received for FY 2020.

The unclaimed allocations by funding sources and claimants are presented below:

UNCLAIMED TDA AND STP EXCHANGE ALLOCATIONS			
FY 2020 ENDING 6/30/2020			
	RSTP Exchange	TDA	Total
County of Santa Cruz	\$4,725,097	\$762,507	\$5,487,604
City of Capitola	1,306,264	233,392	1,539,656
City of Santa Cruz	2,854,832	252,037	3,106,869
City of Scotts Valley	815,263	42,072	857,335
City of Watsonville	1,199,840	676,767	1,876,607
Santa Cruz Metro (SCMTD)	200,000	0	200,000
UCSC	546,000	0	546,000
SCCRTC	524,583	0	524,583
Unallocated	<u>739,264</u>	<u>805,078</u>	<u>1,544,342</u>
TOTAL ALLOCATED	<u>\$12,911,144</u>	<u>\$2,771,853</u>	<u>\$15,682,997</u>

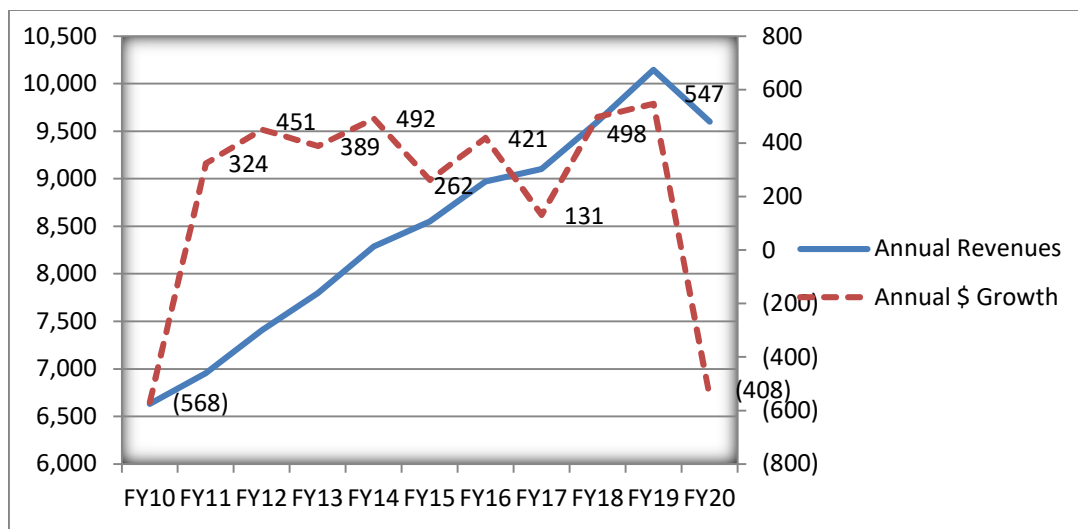
- The Net Position increased by \$7,867,328 (21.6%) to \$44,257,593 due to Measure D revenues (\$21,313,880) which are offset by expenses and disbursements to claimants of \$15,056,704 (pages 34-35). The STA (\$4,446,687) and STPX (\$3,493,405) revenues show growth of 4.5% and 3.9% respectively.

- The audit report shows an decrease in TDA of \$477,844 (4.7%) to \$9,797,187 from \$10,275,031 in FY2019. The TDA revenues dropped for the first time since 2010 when comparing just July to June receipts. The TDA performance in the last ten years is shown on the following table and graph:

The TDA cash receipts performance over the last ten years:

<u>Fiscal Year</u>	<u>Actual Receipts</u>	<u>(Change)</u>	
FY2010	\$ 6,631,837	\$ (568,296)	(7.9%)
FY2011	6,956,059	324,222	4.9%
FY2012	7,407,427	451,368	6.5%
FY2013	7,796,002	388,575	5.2%
FY2014	8,287,590	491,588	6.3%
FY2015	8,549,340	261,750	3.2%
FY2016	8,970,056	420,716	4.9%
FY2017	9,101,315	131,259	1.5%
FY2018	9,599,732	498,417	5.5%
FY2019	10,147,019	547,287	5.7%
FY2020	9,738,939	(408,080)	(4.0%)

Figure 2
TDA Annual Revenues and Changes – Last Ten (10) Years
FY2010 – FY2020
(\$ in 000)



The graph is based on actual monthly receipts during the fiscal year, which goes from July to June, therefore these receipts may not agree to the audited TDA revenues, which include July and August receipts of the following fiscal year.

The SCMTD receives 85.5% of all TDA allocated funds after the RTC share and all of the STA funds with the exception of \$100,000 apportioned to Community Bridges Lift Line. The expenditure levels in the fiduciary funds are dependent on revenue fluctuations, allocations, and claims for disbursement.

5. CURRENT FINANCIAL ISSUES AND CONCERNS

The COVID-19 global pandemic impacted the RTC and transportation agencies in Santa Cruz County in the second half of FY 2019/20. With many businesses modifying operations, thousands of commuters working from home, vacations canceled, and significant transit ridership declines, many of the revenue sources used to fund the transportation system were impacted, including revenues from gas tax, transit fares, and sales taxes. Federal COVID relief, SB1, and adjustment to how online sales taxes are collected have softened the financial blow to some degree, but significant uncertainty remains.

Management has been able to control the discretionary expenses, however, continuing to secure new revenue sources to meet existing and increasing transportation needs continues to be a priority in FY2019/20. In November of 2016, Santa Cruz County voters approved Measure D, a comprehensive transportation sales tax measure which will help address some of the backlog of local road, highway, and transit shortfalls, as well as leverage grants and fund priority transportation projects. The California legislature's approval of Senate Bill 1 in April of 2017 provided a degree of stability to transportation funding. Nonetheless, these new fund sources have still not provided sufficient funds for all of the identified transportation needs, so the RTC will continue to work with agencies throughout the county and state to increase transportation funding and use existing funds efficiently.

Funding RTC core functions continues to be a challenge since the elimination of federal Planning (PL) funding in FY 2016 and the severe reduction in other state and federal grant dollars. The *2018 Regional Transportation Plan* identified a funding gap of over \$3.4 billion for transportation needs countywide through the year 2040, even with the Measure D ½ cent sales tax and SB1 revenues.

Major RTC projects currently under development for which existing funding is insufficient to fully fund include the Highway 1 Corridor Investment program, the Monterey Bay Sanctuary Scenic Trail (MBBST) Network project, and rail projects. The RTC has identified smaller projects within the Highway 1 corridor which could be constructed incrementally as funds become available, including new auxiliary lanes and bicycle/pedestrian overcrossings. Throughout FY 2019/20, the RTC continues to implement the voter-approved investment plan for the Measure D

sales tax measure. Measure D is estimated to raise approximately \$20 million per year over 30 years. The expenditure plan included in Measure D includes Neighborhood Projects such as local streets and roads, safety, bicycle and pedestrian, and school safety projects; Community Projects such as transit and paratransit projects; and Regional Projects such as Highways, Rail/Trail, and other transportation improvements on the rail corridor.

With the RTC purchase of the Santa Cruz Branch Rail Line and an agreement with a shortline railroad operator, freight service continues, and recreational passenger rail service was implemented. Unfortunately, the 2017 winter storms caused significant damage to portions of the rail line right-of-way. By agreement with the current short-line operator, procured in 2018, the RTC is responsible for repairing the storm damage and all damaged bridges, overpasses, trestles, culverts and track necessary to allow the railroad to operate. Once that damage is repaired and the railroad can operate, the railroad operator will be responsible for the maintenance and management of the rail infrastructure.

The 2017 storm damage was caused by a federally declared disaster and considered eligible for Federal Emergency Management Agency (FEMA) reimbursement. The RTC continues to make progress on repairs but is still working with the FEMA on reimbursement. Costs for a number of these storm damage repairs are significantly greater than FEMA estimated. If full reimbursement from FEMA is not received, RTC will need to use other funding to pay for the repairs. Measure D Rail funding and revenue generated from the SCBRL property are eligible fund sources to backfill any repair work not reimbursed by FEMA.

The RTC will also need to work to ensure that other repairs and continued maintenance and operation of the rail line can be funded by available funding, including any revenue generated by the freight service, recreational rail service, other leased uses of the real estate, and Measure D-Rail category funding. A Longer-term use of the rail corridor for passenger transit services will require capital and operation funding from other sources.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 5,050,026
Receivables	4,121,965
Prepaid items	105,666
Capital assets:	
Nondepreciable	19,848,411
Depreciable, net	<u>20,723</u>
Total assets	<u>29,146,791</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	840,901
OPEB	<u>398,764</u>
Total deferred outflows of resources	<u>1,239,665</u>
LIABILITIES	
Accounts payable	3,425,783
Accrued expenses	106,283
Due to other agencies	452,863
Unearned revenue	398,077
Noncurrent liabilities:	
Compensated absences	328,310
OPEB liability	2,732,914
Net pension liability	<u>1,665,720</u>
Total liabilities	<u>9,109,950</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	148,931
OPEB	<u>76,387</u>
Total deferred inflows of resources	<u>225,318</u>
NET POSITION	
Net investment in capital assets	19,869,134
Restricted for programs	2,791,829
Unrestricted	<u>(1,609,775)</u>
Total net position	<u><u>\$ 21,051,188</u></u>

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

		Program Revenues		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
				Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Transportation	\$ 11,021,058	\$ -	\$ 11,531,980	\$ -
Total governmental activities	<u>\$ 11,021,058</u>	<u>\$ -</u>	<u>\$ 11,531,980</u>	<u>\$ -</u>
General Revenues				
Investment income				149,204
Other				<u>133,864</u>
Total general revenues				<u>283,068</u>
Change in net position				<u>793,990</u>
Net position - beginning of fiscal year				20,233,625
Prior period adjustment				<u>23,573</u>
Net position - beginning of fiscal year - restated				<u>20,257,198</u>
Net position - end of fiscal year				<u>\$ 21,051,188</u>

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2020

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund	Freeway Service Patrol Fund
ASSETS				
Cash and investments	\$ 2,263,778	\$ 752,593	\$ 632,337	\$ 124,392
Accounts receivable	119	3,132		
Due from other agencies	290,646	388,887	72,074	107,435
Due from fiduciary funds	416,188	863,643		
Due from other funds	286,449	180,043		
Prepaid items	78,895			
Total assets	<u>\$ 3,336,075</u>	<u>\$ 2,188,298</u>	<u>\$ 704,411</u>	<u>\$ 231,827</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 703,218	\$ 1,298,830	\$ 2,312	\$ 29,333
Accrued payroll	106,283			
Unearned revenue	141,076	187,001		
Due to other agencies	102,633		64,785	25,004
Due to fiduciary funds				
Due to other funds	180,043	261,252	50,000	25,197
Total liabilities	<u>1,233,253</u>	<u>1,747,083</u>	<u>117,097</u>	<u>79,534</u>
Fund Balances:				
Nonspendable:				
Prepaid items	78,895			
Restricted:				
Transportation planning		441,215	587,314	152,293
Unassigned	2,023,927			
Total fund balances	<u>2,102,822</u>	<u>441,215</u>	<u>587,314</u>	<u>152,293</u>
Total liabilities and fund balances	<u>\$ 3,336,075</u>	<u>\$ 2,188,298</u>	<u>\$ 704,411</u>	<u>\$ 231,827</u>

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET (CONTINUED)
June 30, 2020

	Highway 1 Program Fund	Highway 1 Auxiliary Fund	Cruz 511 Fund	Active Transportation MBSST Fund	Totals
ASSETS					
Cash and investments	\$ 159,413	\$ 664,457	\$ 284,824	\$ 168,232	\$ 5,050,026
Accounts receivable					3,251
Due from other agencies		972,165		169,251	2,000,458
Due from fiduciary funds		724,925	977	112,523	2,118,256
Due from other funds			50,000		516,492
Prepaid items			26,771		105,666
Total assets	<u>\$ 159,413</u>	<u>\$ 2,361,547</u>	<u>\$ 362,572</u>	<u>\$ 450,006</u>	<u>\$ 9,794,149</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 1,325,267	\$ 1,289	\$ 64,208	\$ 3,424,457
Accrued payroll					106,283
Unearned revenue				70,000	398,077
Due to other agencies		80,419		180,022	452,863
Due to fiduciary funds		1,326			1,326
Due to other funds					516,492
Total liabilities		<u>1,407,012</u>	<u>1,289</u>	<u>314,230</u>	<u>4,899,498</u>
Fund Balances:					
Nonspendable:					
Prepaid items			26,771		105,666
Restricted:					
Transportation planning	159,413	954,535	334,512	135,776	2,765,058
Unassigned					2,023,927
Total fund balances	<u>159,413</u>	<u>954,535</u>	<u>361,283</u>	<u>135,776</u>	<u>4,894,651</u>
Total liabilities and fund balances	<u>\$ 159,413</u>	<u>\$ 2,361,547</u>	<u>\$ 362,572</u>	<u>\$ 450,006</u>	<u>\$ 9,794,149</u>

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SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020

Total Fund Balances - Governmental Funds \$ 4,894,651

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

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$	20,026,574	
Accumulated depreciation		(157,440)	
Net			19,869,134

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated absences	\$	328,310	
OPEB liability		2,732,914	
Net pension liability		1,665,720	
Total			(4,726,944)

Deferred outflows and inflows of resources: In governmental funds, deferred outflows and inflows of resources are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources are reported.

Deferred inflows of resources relating to pensions	\$	(148,931)	
Deferred inflows of resources relating to OPEB		(76,387)	
Deferred outflows of resources relating to OPEB		398,764	
Deferred outflows of resources relating to pensions		840,901	
			1,014,347

Total Net Position - Governmental Activities \$ 21,051,188

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2020

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund	Freeway Service Patrol Fund
Revenues				
Local Transportation Funds	\$ 1,400,439	\$ -	\$ -	\$ -
Motor vehicle fees			252,191	
California Department of Transportation Grant - SB1				47,821
RSTP Exchange Funds	83,356	81,789		
LCTOP	151,529			
State Planning, Programming and Monitoring Funds	134,625			
Caltrans Grant (FSP)				262,401
State Rural Planning Assistance	297,482			
Sustainable Transportation Grant WCB	84,621			
Sustainable Transportation Grant CDFW	8,583			
Fed 5304 SR9	41,432			
FEMA		456,457		
Active Transportation Program			50,853	
Aid from other governments				
Land Trust				
Measure D	984,999	1,476,744	21,505	75,140
Use of money and property	24,187	94,695	10,156	(193)
Other	3,570	6,285		
Total revenues	3,214,823	2,115,970	334,705	385,169
Expenditures				
Salaries and benefits	1,115,172	399,960	76,190	59,327
Services and supplies	525,864	1,798,988	130,225	5,116
Bike Challenge	106,345			
LCTOP Greenhouse Gas Reduction	151,529			
Transit corridor alt analysis	412,496			
Community Traffic Safety Coalition	60,560			
Towing service				311,470
RCIS	86,046			
Measure D Administration	52,681			
Bike SC Project Paseo	24,026			
Scotts Creek Marsh	23,962			
SR9 San Lorenzo Valley Complete Streets	41,233			
Other	5,473			
Capital outlay	12,630			
Total expenditures	2,618,017	2,198,948	206,415	375,913
Excess of revenues over (under) expenditures	596,806	(82,978)	128,290	9,256

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
For the Fiscal Year Ended June 30, 2020

	Highway 1 Program Fund	Highway 1 Auxiliary Lanes Fund	Cruz 511 Fund	Active Transportation MBSST Fund	Totals
Revenues					
Local Transportation Funds	\$ -	\$ -	\$ -	\$ 55,000	\$ 1,455,439
Motor vehicle fees					252,191
California Department of Transportation Grant - SB1					47,821
RSTP Exchange Funds	132,081				297,226
LCTOP					151,529
State Planning, Programming and Monitoring Funds		2,545,103	134,610		2,814,338
Caltrans Grant (FSP)					262,401
State Rural Planning Assistance					297,482
Sustainable Transportation Grant WCB					84,621
Sustainable Transportation Grant CDFW					8,583
Fed 5304 SR9					41,432
FEMA					456,457
Active Transportation Program				137,155	137,155
Aid from other governments					50,853
Land Trust				216,813	216,813
Measure D		1,170,283	94,939	1,134,029	4,957,639
Use of money and property	10,007	2,214	6,207	1,931	149,204
Other		84,009	40,000		133,864
Total revenues	142,088	3,801,609	275,756	1,544,928	11,815,048
Expenditures					
Salaries and benefits	20,689	441,329	170,986	596,494	2,880,147
Services and supplies	375	3,047,325	45,908	883,982	6,437,783
Bike Challenge					106,345
LCTOP Greenhouse Gas Reduction					151,529
Transit corridor alt analysis					412,496
Community Traffic Safety Coalition					60,560
Towing service					311,470
RCIS					86,046
Measure D Administration					52,681
Bike SC Project Paseo					24,026
Scotts Creek Marsh					23,962
SR9 San Lorenzo Valley Complete Streets					41,233
Other					5,473
Capital outlay					12,630
Total expenditures	21,064	3,488,654	216,894	1,480,476	10,606,381
Excess of revenues over (under) expenditures	121,024	312,955	58,862	64,452	1,208,667

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2020

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund	Freeway Service Patrol Fund
Other Financing Sources (Uses):				
Operating transfers in	\$ -	\$ 110,000	\$ -	\$ -
Operating transfers out	(110,000)		(50,000)	
Total other financing sources (uses)	(110,000)	110,000	(50,000)	
Excess of revenues and other sources over (under) expenditures and other uses	486,806	27,022	78,290	9,256
Fund balances - July 1	1,613,479	414,193	509,024	143,037
Prior period adjustment	2,537			
Fund balances - July 1, restated	1,616,016	414,193	509,024	143,037
Fund balances - June 30	<u>\$ 2,102,822</u>	<u>\$ 441,215</u>	<u>\$ 587,314</u>	<u>\$ 152,293</u>

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)
For the Fiscal Year Ended June 30, 2020

	Highway 1 Program Fund	Highway 1 Auxiliary Fund	Cruz 511 Fund	Active Transportation MBSST Fund	Totals
Other Financing Sources (Uses):					
Operating transfers in	\$ -	\$ -	\$ 50,000	\$ -	\$ 160,000
Operating transfers out					(160,000)
Total other financing sources (uses)			50,000		
Excess of revenues and other sources over (under) expenditures and other uses	121,024	312,955	108,862	64,452	1,208,667
Fund balances - July 1	17,353	641,580	252,421	71,324	3,662,411
Prior period adjustment	21,036				23,573
Fund balances - July 1, restated	38,389	641,580	252,421	71,324	3,685,984
Fund balances - June 30	\$ 159,413	\$ 954,535	\$ 361,283	\$ 135,776	\$ 4,894,651

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SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

Net Change in Fund Balances - Governmental Funds	\$	1,208,667
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$12,630 was more than depreciation expense of \$7,376 in the period.

5,254

In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This fiscal year, vacation earned exceeded the amounts used by \$50,307.

(50,307)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(139,915)

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between accrual basis OPEB costs and actual employer contributions was:

(229,709)

Change in Net Position - Governmental Activities	\$	<u>793,990</u>
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The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	Private Purpose Trust Funds			
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund	Measure D Fund
ASSETS				
Cash and investments	\$ 2,444,069	\$ 6,095	\$ 9,498,610	\$ 26,478,572
Accounts receivable	1,765,001			
Due from SCCRTC			1,326	
Due from other agencies		1,248,263	3,493,405	4,403,619
Prepays	89,226			
Total assets	4,298,296	1,254,358	12,993,341	30,882,191
LIABILITIES				
Accounts payable				2,722
Due to SCCRTC			82,347	2,035,909
Due to other agencies		1,248,263		1,811,018
Total liabilities		1,248,263	82,347	3,849,649
NET POSITION				
Held in trust for other governments	\$ 4,298,296	\$ 6,095	\$ 12,910,994	\$ 27,032,542

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS (CONTINUED)
June 30, 2020

Pension (and Other Employee Benefits) Trust Funds

	<u>PERS Health Fund</u>	<u>In Lieu of Social Security Fund</u>	<u>Miscellaneous Deductions Fund</u>	<u>Totals</u>
ASSETS				
Cash and investments	\$ 945	\$ -	\$ 9,485	\$ 38,437,776
Accounts receivable				1,765,001
Due from SCCRTC				1,326
Due from other agencies				9,145,287
Prepays				89,226
				<u>89,226</u>
Total assets	<u>945</u>		<u>9,485</u>	<u>49,438,616</u>
LIABILITIES				
Accounts payable			764	3,486
Due to SCCRTC				2,118,256
Due to other agencies				3,059,281
				<u>3,059,281</u>
Total liabilities			<u>764</u>	<u>5,181,023</u>
NET POSITION				
Held in trust for other governments	<u>\$ 945</u>	<u>\$ -</u>	<u>\$ 8,721</u>	<u>\$ 44,257,593</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust Funds			
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund	Measure D Fund
Additions:				
Sales tax	\$ 9,797,187	\$ 4,446,687	\$ -	\$ 21,313,880
State highway exchange funds			3,493,405	
Contributions from SCCRTC				
SB1 Additional Gas Tax		722,809		
Other income				400,412
Interest	67,647	1,828	212,134	458,709
Total additions	9,864,834	5,171,324	3,705,539	22,173,001
Deductions:				
Claimants:				
Santa Cruz Metropolitan Transit District	7,930,060	5,069,496	500,000	3,296,747
Santa Cruz County Regional Transportation Commission	1,455,439		11,331	4,037,449
City of Capitola				312,095
City of Santa Cruz	200,000			1,292,099
City of Scotts Valley	9,396			267,880
County of Santa Cruz			31,736	2,954,167
City of Watsonville			1,652,544	869,823
Community Bridges	779,094	100,000		824,211
Volunteer Center	95,244			
University of California Santa Cruz			154,000	
Salaries and benefits				185,691
Services and supplies				936,997
Consultant services				79,545
Plan payments				
Total deductions	10,469,233	5,169,496	2,349,611	15,056,704
Change in net position	(604,399)	1,828	1,355,928	7,116,297
Net position - beginning of fiscal year	4,902,695	4,267	11,555,066	19,916,245
Net position - end of fiscal year	\$ 4,298,296	\$ 6,095	\$ 12,910,994	\$ 27,032,542

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS (CONTINUED)
For the Fiscal Year Ended June 30, 2020

Pension (and Other Employee Benefits) Trust Funds

	<u>PERS Health Fund</u>	<u>In Lieu of Social Security Fund</u>	<u>Miscellaneous Deductions Fund</u>	<u>Totals</u>
Additions:				
Sales tax	\$ -	\$ -	\$ -	\$ 35,557,754
State highway exchange funds				3,493,405
Contributions from SCCRTC			19,094	19,094
SB1 Additional Gas Tax				722,809
Other income				400,412
Interest	4			740,322
	<u>4</u>	<u></u>	<u></u>	<u></u>
Total additions	4		19,094	40,933,796
	<u>4</u>	<u></u>	<u>19,094</u>	<u>40,933,796</u>
Deductions:				
Claimants:				
Santa Cruz Metropolitan Transit District				16,796,303
Santa Cruz County Regional Transportation Commission				5,504,219
City of Capitola				312,095
City of Santa Cruz				1,492,099
City of Scotts Valley				277,276
County of Santa Cruz				2,985,903
City of Watsonville				2,522,367
Community Bridges				1,703,305
Volunteer Center				95,244
University of California Santa Cruz				154,000
Salaries and benefits				185,691
Services and supplies		4		937,001
Consultant services				79,545
Plan payments			21,420	21,420
	<u></u>	<u></u>	<u>21,420</u>	<u>21,420</u>
Total deductions		4	21,420	33,066,468
	<u></u>	<u>4</u>	<u>21,420</u>	<u>33,066,468</u>
Change in net position	4	(4)	(2,326)	7,867,328
Net position - beginning of fiscal year	941	4	11,047	36,390,265
	<u>941</u>	<u>4</u>	<u>11,047</u>	<u>36,390,265</u>
Net position - end of fiscal year	\$ 945	\$ -	\$ 8,721	\$ 44,257,593
	<u>\$ 945</u>	<u>\$ -</u>	<u>\$ 8,721</u>	<u>\$ 44,257,593</u>

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Santa Cruz County Regional Transportation Commission are prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. 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 Commission's accounting policies are described below:

A. The Reporting Entity

The Santa Cruz County Regional Transportation Commission, the regional transportation planning agency for the County of Santa Cruz, was created pursuant to Title 3 of Government Code Section 29535. The Commission is responsible for transportation planning activities as well as for the administration of the Transportation Development Act Funds (Local Transportation and State Transit Assistance), Sales Tax Measure D, the Service Authority for Freeway Emergencies Fund (SAFE), the Freeway Service Patrol Fund (FSP), the Surface Transportation Program Exchange Fund (STP), Highway 1 Program Fund, and the Rail/Trail Authority Fund. The Commission does not exercise control over any other governmental agency or authority. Criteria used in determining the reportable entity were based on control or dependence determined on the basis of budget adoption, funding, and appointment of the respective governing board.

The reporting entity is the Santa Cruz County Regional Transportation Commission. There are no component units included in this report which meets the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, and No. 80.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Commission. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Commission's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Commission, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Commission.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements:

Fund financial statements report detailed information about the Commission. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds presents increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Commission, “available” means collectible within the current period or within 60 days after fiscal year-end.

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include property taxes, and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Commission must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenues arise when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met, are recorded as unearned revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting

The accounts of the Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures/expenses. The Commission's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Commission's accounts are organized into major and fiduciary funds, as follows:

Major Governmental Funds:

Administration and Planning – Transportation planning and administration of the Transportation Development Act.

Rail/Trail Authority – To account for financial activities of the Coastal Rail/Trail Project.

Service Authority For Freeway Emergencies – State funds for administration and operation of freeway call boxes and motorist aid.

Freeway Service Patrol – State funds for roadside assistance.

Highway 1 Program – Transportation planning and administration of the Highway 1 Projects.

Highway 1 Auxiliary – Transportation planning and administration for an additional lane on Highway 1.

Cruz 511 – To account for financial activities of the Cruz 511 program.

Active Transportation MBSST – To account for financial activities of Active Transportation planning.

Fiduciary Funds:

These funds account for assets held by the Commission as a trustee or agent for other units of government. The fiduciary funds used by the Commission is as follows:

Private Purpose Trust: These funds are utilized by the Commission, as trustee, to receive and allocate Local Transportation funds, State Transit Assistance funds, Surface Transportation Program Exchange funds, and Measure D funds to eligible claimants.

Pension (and other Employee Benefits) Trusts: These funds are utilized by the Commission, as trustee, to receive employee contributions for employee benefit arrangements. The Commission has a fiduciary responsibility to administer the plans.

F. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the major funds. All annual appropriations lapse at fiscal year end.

G. Cash and Investments

The Commission holds its cash in the County of Santa Cruz Treasury. The County maintains a cash and investment pool, and allocates interest to the various funds based upon the average monthly cash balances. Information regarding categorization of investments can be found in the County of Santa Cruz' Basic Financial Statements. Investments are stated at fair value.

A payroll account is kept at the Santa Cruz County Bank for payment of state and federal taxes, health insurance, and other contributions and deductions.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the Commission as assets with an initial, individual cost of at least \$1,500 and estimated useful life in excess of two years.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position. The estimated useful life is as follows:

Equipment	3 to 7 years
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I. Unearned Revenue

Cash is received for federal and state special projects and programs and recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

J. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

K. Compensated Absences

All vacation pay, as well as sick leave for management, plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Commission's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the Commission intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Commission.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balances (Continued)

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Commission considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

M. Prepaid Items

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.

N. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

O. Pensions

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

P. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Commission's plan (OPEB Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," the Commission recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The Commission has two items which qualify for reporting in this category; refer to Note 7 and Note 9 for a detailed listing of the deferred outflows of resources the Commission has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Commission that is applicable to a future reporting period. The Commission has two items which qualify for reporting in this category; refer to Note 7 and 9 for a detailed listing of the deferred inflows of resources the Commission has reported.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2020.
Statement No. 90	"Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 92	"Omnibus 2020"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provision of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 97	"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32"	The provisions of this statement are effective for fiscal years beginning December 15, 2019.

NOTE 2 – CASH AND INVESTMENTS

The Commission maintains all of its cash in the Santa Cruz County Treasurer's Investment Fund. The County Treasurer pools and invests the funds it oversees. All participants share investment gains or losses proportionately. Earned interest is apportioned monthly based on each participant's average daily deposit.

Investments are carried at fair value. On June 30, 2020, the Commission had the following cash and investments on hand:

Cash in bank and on hand	\$ 127,056
Cash and investments with the Santa Cruz County Treasurer's Investment Fund	43,360,746
Total cash and investments	<u>\$ 43,487,802</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash and investments, statement of net position	\$ 5,050,026
Cash and investments, statement of fiduciary net position	<u>38,437,776</u>
Total cash and investments	<u>\$ 43,487,802</u>

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Commission had investments in the Santa Cruz County Investment Pool, this external pool is measured under Level 2.

Investments Authorized by the Commission's Investment Policy

The Commission's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Cruz. The Commission's investment policy does not contain any specific provisions intended to limit the Commission's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Commission manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the Commission's investments to market interest rate fluctuations is provided by the table on the following page that shows the distribution of the Commission's investments by maturity:

Investment Type	Carrying Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13 - 24 Months	25 - 60 Months	More than 60 months
Santa Cruz County Treasurer's Investment Fund	\$ 43,360,746	\$ 43,360,746	\$ -	\$ -	\$ -
Total	<u>\$ 43,360,746</u>	<u>\$ 43,360,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

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

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Ratings as of fiscal year end		
				AAA	Aa	Not Rated
Santa Cruz County Treasurer's Investment Fund	\$ 43,360,746	N/A	\$ -	\$ -	\$ -	\$ 43,360,746
Total	<u>\$ 43,360,746</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,360,746</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of the total Commission's investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Commission's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

None of the Commission's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Santa Cruz County Treasurer's Investment Fund).

Investment in Santa Cruz County Treasurer's Investment Fund

The Commission is a participant in the Santa Cruz Treasurer's Investment Fund (County Pool) that is regulated by the California Government Code. The fair value of the Commission's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the Commission's pro-rata share of the fair value provided by the County Pool for the entire Santa Cruz County Treasurer's Investment Fund portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Pool, which are recorded on an amortized cost basis.

NOTE 3 – DUE FROM OTHER AGENCIES

Due from other agencies consists of the following at June 30, 2020:

Agency	Special Revenue Funds					
	Administration and Planning Fund	Rail/Authority Fund	Service Authority for Emergencies Fund	Freeway Service Patrol Fund	Highway 1 Program Fund	Highway 1 Auxiliary Fund
State grants (DOT)	\$ 290,646	\$ -	\$ -	\$ 107,435	\$ -	\$ 961,734
Federal grants (DOT)		388,887				
Other			72,074			10,431
Totals	<u>\$ 290,646</u>	<u>\$ 388,887</u>	<u>\$ 72,074</u>	<u>\$ 107,435</u>	<u>\$ -</u>	<u>\$ 972,165</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 – DUE FROM OTHER AGENCIES (Continued)

Special Revenue Funds (cont)			Fiduciary Funds			
Agency	Cruz 511 Fund	Active Transportation MBSST Fund	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund	Measure D Fund
State grants (DOT)	\$ -	\$ 35,021	\$ 1,765,001	\$ 1,248,263	\$ 3,493,405	\$ -
Other		134,230				4,403,619
Totals	\$ -	\$ 169,251	\$ 1,765,001	\$ 1,248,263	\$ 3,493,405	\$ 4,403,619

NOTE 4 – INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Due From/Due To Other Funds

Interfund receivable and payable balances at June 30, 2020, are as follows:

	Interfund Receivables	Interfund Payables
Major Funds:		
Administration and Planning	\$ 286,449	\$ 180,043
Rail/Trail Authority	180,043	261,252
Service Authority for Freeway Emergencies		50,000
Freeway Service Patrol		25,197
Cruz 511	50,000	
	<u>\$ 516,492</u>	<u>\$ 516,492</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2019-2020 fiscal year, are as follows:

	Transfers In	Transfers Out
Major Funds:		
Administration and Planning	\$ -	\$ 110,000
Rail/Trail Authority	110,000	
Service Authority for Freeway Emergencies		50,000
Cruz 511	50,000	
	<u>\$ 160,000</u>	<u>\$ 160,000</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Governmental activities				
Nondepreciable capital assets				
Right of way	\$ 14,200,000	\$ -	\$ -	\$ 14,200,000
Construction in progress	5,648,411			5,648,411
Total nondepreciable capital assets	<u>\$ 19,848,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,848,411</u>
Depreciable capital assets				
Equipment	\$ 177,840	\$ 12,630	\$ 12,307	\$ 178,163
Total depreciable capital assets	177,840	12,630	12,307	178,163
Less accumulated depreciation	(162,371)	(7,376)	(12,307)	(157,440)
Net depreciable capital assets	<u>\$ 15,469</u>	<u>\$ 5,254</u>	<u>\$ -</u>	<u>\$ 20,723</u>
Net capital assets	<u>\$ 19,863,880</u>	<u>\$ 5,254</u>	<u>\$ -</u>	<u>\$ 19,869,134</u>

NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2020, is shown below:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year
Governmental activities					
Compensated Absences	\$ 278,003	\$ 202,132	\$ 151,825	\$ 328,310	\$ -
OPEB Liability	2,206,013	599,899	72,998	2,732,914	
Net Pension Liability	<u>1,654,850</u>	<u>453,947</u>	<u>443,077</u>	<u>1,665,720</u>	
Governmental activities					
Long-term liabilities	<u>\$ 4,138,866</u>	<u>\$ 1,255,978</u>	<u>\$ 667,900</u>	<u>\$ 4,726,944</u>	<u>\$ -</u>

NOTE 7 – PENSION PLAN

A. General Information about the Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Commission's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Commission 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.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 – PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	6.906%	6.750%
Required employer contribution rates	10.221% + \$115,986	6.985% + \$1,884

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. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the Commission were \$440,212 for the fiscal year ended June 30, 2020.

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

At June 30, 2020, the Commission reported a liability of \$1,665,720 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2019, the Commission's proportion was 0.04160%, which decreased by 0.00231% from June 30, 2018.

For the year ended June 30, 2020, the Commission recognized pension expense of \$570,568. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 – PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 440,212	\$ -
Differences between expected and actual experience	115,691	8,964
Changes in assumptions	79,429	28,157
Net difference between projected and actual earnings on retirement plan investments		29,122
Adjustment due to differences in proportions		82,688
Difference in actual contributions and proportionate share of contributions		
	205,569	
	<u>\$ 840,901</u>	<u>\$ 148,931</u>

\$440,212 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Fiscal Year Ending June 30	Amount
2021	\$ 189,888
2022	37,593
2023	18,393
2024	5,884
	<u>\$ 251,758</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.0% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90% Scale MP 2016 published by the Society of Actuaries. For more details on this table please refer to the 2017 experience study report.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 – PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund including PERF C. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB No. 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2022. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits were calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 – PENSION PLAN (CONTINUED)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

The following represents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15 percent) or 1- percentage point higher (8.15 percent) than the current rate:

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
District's proportionate share of the net pension plan liability	\$3,011,370	\$ 1,665,720	\$ 554,982

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2020, the Commission had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2020.

NOTE 8 – NET POSITION

GASB Statement No. 63, requires that the difference between assets added to the deferred outflows of resources and liabilities be added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

The government-wide and fiduciary funds financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position– This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the Commission, not restricted for any project or other purpose.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

Plan administration – Integrated medical/prescription drug coverage is provided through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA). Employees may choose from a variety of HMO and PPO options. The Commission offers the same health plans to its retirees as its active employees, with the exception that once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan under PEMHCA. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Benefits provided – Employees and executive directors become eligible to retire and receive monthly contributions from the Commission upon attainment of age 50 and 5 years of covered PERS service, or by qualifying disability retirement status. Benefits are paid for the lifetime of the retiree, and if applicable, the surviving spouse of the retiree if coverage is in effect at the time of the retiree's death. The Commission's retiree contribution is based on the CalPERS PEMHCA unequal method. The active caps are 95% of the Blue Shield Bay Area premium for single and 90% for dual and family. Currently, the retiree single cap is equal to the active single cap. The retiree dual and family caps are not equal to the corresponding active caps and are projected to remain unequal, with the annual increase in the cap set to a maximum of \$100.

Employees Covered

As of the July 1, 2019, actuarial valuation, the following current and former employees were covered by the benefit terms under the Commission's Plan:

Active plan members	18
Inactive employees or beneficiaries currently receiving benefits	<u>10</u>
Total	<u>28</u>

The Commission currently finances benefits on a pay-as-you-go basis.

Net OPEB Liability

The Commission's Net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation dated July 1, 2019. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.45%
Inflation	3.00%
Salary Increases	3.00%
Investment Rate of Return	6.00% net of investment expense
Mortality Rate	Mortality rates from CalPERS Experience Study (1997-2015)
Healthcare Trend Rate	5.80% decreasing to 5.00% for 2028 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2019 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 2.45 percent.

Change in assumptions. For the June 30, 2020 measurement date, the discount rate was decreased from 3.13 percent to 2.45 percent. The medical cost trend rate decreased from 5.90 percent to 5.80 percent.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Net OPEB Liability (Continued)

Discount rate. GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments — to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher — to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District's total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long Term Expected Return of Plan Investments	Municipal 20 Year High Grade Rate Index	Discount Rate
June 30, 2018	June 30, 2018	4.00%	3.62%	3.62%
June 30, 2019	June 30, 2019	4.00%	3.13%	3.13%
June 30, 2020	June 30, 2020	4.00%	2.45%	2.45%

Changes in the OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019 (Valuation Date June 30, 2019)	<u>\$ 2,206,013</u>
Changes recognized for the measurement period:	
Service cost	177,210
Interest	76,179
Difference between expected and actual experience	(10,840)
Changes of assumptions	357,350
Contributions - employer	
Net investment income	
Benefit payments	<u>(72,998)</u>
Net Changes	<u>526,901</u>
Balance at June 30, 2020 (Measurement Date June 30, 2020)	<u><u>\$ 2,732,914</u></u>

Sensitivity of the OPEB liability to changes in the discount rate. The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.45 percent) or 1-percentage-point higher (3.45 percent) than the current discount rate:

	1% Decrease 1.45%	Discount Rate 2.45%	1% Increase 3.45%
OPEB Liability	\$ 3,191,182	\$ 2,732,914	\$ 2,363,231

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Sensitivity of the OPEB liability to changes in the healthcare trend rates. The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage point lower (4.80 percent) or 1-percentage-point higher (6.80 percent) than the current healthcare cost trend rates:

	1% Decrease (4.80% Decreasing to 4.00%)	Healthcare Cost Trend Rate (5.80% Decreasing to 5.00%)	1% Increase (6.80% Decreasing to 6.00%)
OPEB Liability	\$ 2,293,129	\$ 2,732,914	\$ 3,296,235

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

For the fiscal year ended June 30, 2020, the Commission recognized OPEB expense of \$186,314. As of the fiscal year ended June 30, 2020, the Commission reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 9,395
Change in assumptions	398,764	66,992
	<u>\$ 398,764</u>	<u>\$ 76,387</u>

Amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Amount
2021	\$ 49,318
2022	49,318
2023	49,318
2024	58,923
2025	46,202
2026-2027	69,298
	<u>\$ 322,377</u>

NOTE 10 – SENATE BILL 1 – STATE OF GOOD REPAIR

The Road Repair and Accountability Act of 2017, Senate Bill (SB) 1 (Chapter 5, Statutes of 2017), signed by the Governor on April 28, 2017, includes a program that will provide additional revenues for transit infrastructure repair and service improvements. This investment in public transit will be referred to as the State of Good Repair program. This program provides funding of approximately \$105 million annually to the State Transit Assistance (STA) Account. These funds are to be made available for eligible transit maintenance, rehabilitation and capital projects.

This program demonstrates California's commitment to clean, sustainable transportation, and the role that public transit plays in that vision. While SB 1 addresses a variety of transportation needs, this program has a specific goal of keeping transit systems in a state of good repair, including the purchase of new transit vehicles, and maintenance and rehabilitation of transit facilities and vehicles. These new investments will lead to cleaner transit vehicle fleets, increased reliability and safety, and reduced greenhouse gas emissions and other pollutants.

In the fiscal year ended June 30, 2020, the Santa Cruz County Regional Transportation Commission received \$722,809. The funding was distributed to the Santa Cruz Metropolitan Transit District.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2020

NOTE 11 – SUBSEQUENT EVENT

Subsequent to year-end, the Commission may be negatively impacted by the effects of the worldwide COVID-19 pandemic. The Commission is closely monitoring its operations, liquidity, and reserves and is actively working to minimize the current and future impact of this situation. As of the date of the issuance of these financial statements, the full impact to the Commission's financial position is not known.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$23,573 for revenue relating to the 2017-18 fiscal year for bike signage that was allocated but not received with \$2,537 to the Administration and Planning Fund and \$21,036 to the Highway 1 Program Fund.

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REQUIRED SUPPLEMENTARY INFORMATION SECTION

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
ADMINISTRATION AND PLANNING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Transportation Funds	\$ 1,372,670	\$ 1,392,670	\$ 1,400,439	\$ 7,769
RSTP Exchange	123,500	65,122	83,356	18,234
LCTOP		151,529	151,529	
State Planning, Programming and Monitoring Funds	167,097	167,097	134,625	(32,472)
State Rural Planning Assistance	337,000	337,000	297,482	(39,518)
Sustainable Transportation Grant WCB	470,000	166,000	84,621	(81,379)
Sustainable Transportation Grant CDFW		237,689	8,583	(229,106)
Fed 5304 SR9		100,000	41,432	(58,568)
Measure D	911,000	1,732,132	984,999	(747,133)
Use of money and property			24,187	24,187
Other	250,000	214,153	3,570	(210,583)
Total revenues	3,631,267	4,563,392	3,214,823	(1,348,569)
Expenditures				
Salaries and benefits	3,616,571	1,705,329	1,115,172	590,157
Services and supplies	2,473,236	5,473,838	525,864	4,947,974
Bike to work	60,000	60,000		60,000
Bike Challenge	205,000	200,000	106,345	93,655
LCTOP Greenhouse Gas Reduction		151,529	151,529	
Transit corridor alt analysis			412,496	(412,496)
Community Traffic Safety Coalition		130,000	60,560	69,440
RCIS	521,000		86,046	(86,046)
Measure D Administration			52,681	(52,681)
Bike SC Project Paseo		100,000	24,026	75,974
Scotts Creek Marsh	286,189		23,962	(23,962)
Fed 5304 SR9			41,233	(41,233)
Other			5,473	(5,473)
Capital outlay	230,000		12,630	(12,630)
Total expenditures	7,391,996	7,820,696	2,618,017	5,202,679
Excess of revenues over (under) expenditures	(3,760,729)	(3,257,304)	596,806	3,854,110
Other Financing Sources (Uses):				
Operating transfers in	251,469			
Operating transfers out	(110,000)	(110,000)	(110,000)	
Total other financing sources (uses)	141,469	(110,000)	(110,000)	
Change in fund balance	(3,619,260)	(3,367,304)	486,806	3,854,110
Fund balance - July 1	1,613,479	1,613,479	1,613,479	
Prior period adjustment			2,537	2,537
Fund balance - July 1, restated	1,613,479	1,613,479	1,616,016	2,537
Fund balance - June 30	\$ (2,005,781)	\$ (1,753,825)	\$ 2,102,822	\$ 3,856,647

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
RAIL/TRAIL AUTHORITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Measure D	\$ 1,656,550	\$ 1,119,620	\$ 1,476,744	\$ 357,124
Use of money and property	70,000	(243,841)	94,695	338,536
RSTP Exchange	560,064	460,631	81,789	(378,842)
FEMA	3,000,000	2,299,323	456,457	(1,842,866)
Other revenue		(22,500)	6,285	28,785
Total revenues	5,286,614	3,613,233	2,115,970	(1,497,263)
Expenditures				
Salaries and benefits	236,500	160,328	399,960	(239,632)
Services and supplies	5,203,960	4,770,819	1,798,988	2,971,831
Total expenditures	5,440,460	4,931,147	2,198,948	2,732,199
Excess of revenues over (under) expenditures	(153,846)	(1,317,914)	(82,978)	1,234,936
Other Financing Sources (Uses):				
Operating transfers in	110,000	110,000	110,000	
Total other financing sources (uses)	110,000	110,000	110,000	
Excess of revenues and other sources over (under) expenditures and other uses	(43,846)	(1,207,914)	27,022	1,234,936
Fund balance - July 1	414,193	414,193	414,193	
Fund balance - June 30	\$ 370,347	\$ (793,721)	\$ 441,215	\$ 1,234,936

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
SERVICE AUTHORITY FOR FREEWAY EMERGENCIES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Motor vehicle fees	\$ 252,750	\$ 252,750	\$ 252,191	\$ (559)
Aid from other governments	50,000	50,000	50,853	853
Measure D	50,000	50,000	21,505	(28,495)
Use of money and property	3,000	3,000	10,156	7,156
Total revenues	355,750	355,750	334,705	(21,045)
Expenditures				
Salaries and benefits	134,000	64,115	76,190	(12,075)
Services and supplies	284,550	304,435	130,225	174,210
Total expenditures	418,550	368,550	206,415	162,135
Excess of revenues over (under) expenditures	(62,800)	(12,800)	128,290	141,090
Other Financing Sources (Uses):				
Operating transfers out		(50,000)	(50,000)	
Total other financing sources (uses)		(50,000)	(50,000)	
Excess of revenues and other sources over (under) expenditures and other uses	(62,800)	(62,800)	78,290	141,090
Fund balance - July 1	509,024	509,024	509,024	
Fund balance - June 30	\$ 446,224	\$ 446,224	\$ 587,314	\$ 141,090

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
FREEWAY SERVICE PATROL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
California Department of Transportation Grant - SB1	\$ 79,525	\$ 164,338	\$ 47,821	\$ (116,517)
Caltrans Grant (FSP)	230,098	173,213	262,401	89,188
Measure D	122,313	113,456	75,140	(38,316)
Use of money and property			(193)	(193)
Total revenues	<u>431,936</u>	<u>451,007</u>	<u>385,169</u>	<u>(65,838)</u>
Expenditures				
Salaries and benefits	86,500	41,388	59,327	(17,939)
Services and supplies	17,200	62,312	5,116	57,196
Towing service	<u>328,236</u>	<u>347,307</u>	<u>311,470</u>	<u>35,837</u>
Total expenditures	<u>431,936</u>	<u>451,007</u>	<u>375,913</u>	<u>75,094</u>
Excess of revenues over (under) expenditures			9,256	9,256
Fund balance - July 1	<u>143,037</u>	<u>143,037</u>	<u>143,037</u>	
Fund balance - June 30	<u>\$ 143,037</u>	<u>\$ 143,037</u>	<u>\$ 152,293</u>	<u>\$ 9,256</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
HIGHWAY 1 PROGRAM FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 10,007	\$ 10,007
RSTP Exchange Funds			132,081	132,081
Measure D		25,500		(25,500)
Total revenues		25,500	142,088	116,588
Expenditures				
Salaries and benefits			20,689	(20,689)
Services and supplies		25,500	375	25,125
Total expenditures		25,500	21,064	4,436
Excess of revenues over (under) expenditures			121,024	121,024
Fund balance - July 1	17,353	17,353	17,353	
Prior period adjustment			21,036	21,036
Fund balance - July 1, restated	17,353	17,353	38,389	21,036
Fund balance - June 30	\$ 17,353	\$ 17,353	\$ 159,413	\$ 142,060

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
HIGHWAY 1 AUXILIARY LANES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Use of money and property	\$ -	\$ -	\$ 2,214	\$ 2,214
RSTP Exchange Funds	551,128			
State Planning, Programming and Monitoring Funds	5,059,000	2,560,000	2,545,103	(14,897)
Aid from other governments	200,000			
Measure D	4,625,000	490,000	1,170,283	680,283
Other			84,009	84,009
Total revenues	<u>10,435,128</u>	<u>3,050,000</u>	<u>3,801,609</u>	<u>751,609</u>
Expenditures				
Salaries and benefits	586,832	299,043	441,329	(142,286)
Services and supplies	<u>7,754,517</u>	<u>7,198,957</u>	<u>3,047,325</u>	<u>4,151,632</u>
Total expenditures	<u>8,341,349</u>	<u>7,498,000</u>	<u>3,488,654</u>	<u>4,009,346</u>
Excess of revenues over (under) expenditures	2,093,779	(4,448,000)	312,955	4,760,955
Fund balance - July 1	<u>641,580</u>	<u>641,580</u>	<u>641,580</u>	
Fund balance - June 30	<u>\$ 2,735,359</u>	<u>\$ (3,806,420)</u>	<u>\$ 954,535</u>	<u>\$ 4,760,955</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
CRUZ 511 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State Planning, Programming and Monitoring Funds	\$ -	\$ 181,000	\$ 134,610	\$ (46,390)
RSTP Exchange Funds	279,663	169,590		(169,590)
Aid from other governments		40,000		(40,000)
Measure D	265,000	308,747	94,939	(213,808)
Use of money and property		4,000	6,207	2,207
Other			40,000	40,000
Total revenues	544,663	703,337	275,756	(427,581)
Expenditures				
Salaries and benefits	213,663	102,231	170,986	(68,755)
Services and supplies	131,100	290,532	45,908	244,624
Total expenditures	344,763	392,763	216,894	175,869
Excess of revenues over (under) expenditures	199,900	310,574	58,862	(251,712)
Other Financing Sources (Uses):				
Operating transfers in	69,000	50,000	50,000	
Total other financing sources (uses)	69,000	50,000	50,000	
Excess of revenues and other sources over (under) expenditures and other uses	268,900	360,574	108,862	(251,712)
Fund balance - July 1	252,421	252,421	252,421	
Fund balance - June 30	\$ 521,321	\$ 612,995	\$ 361,283	\$ (251,712)

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
BUDGETARY COMPARISON SCHEDULE
ACTIVE TRANSPORTATION MBSST FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local Transportation Funds	\$ 25,000	\$ -	\$ 55,000	\$ 55,000
RSTP Exchange Funds	215,000			
Active Transportation Program	130,000		137,155	137,155
Land Trust	121,958		216,813	216,813
Measure D	3,339,250	2,122,583	1,134,029	(988,554)
Use of money and property			1,931	1,931
Total revenues	<u>3,831,208</u>	<u>2,122,583</u>	<u>1,544,928</u>	<u>(577,655)</u>
Expenditures				
Salaries and benefits	436,958	141,148	596,494	(455,346)
Services and supplies	<u>3,394,250</u>	<u>1,981,435</u>	<u>883,982</u>	<u>1,097,453</u>
Total expenditures	<u>3,831,208</u>	<u>2,122,583</u>	<u>1,480,476</u>	<u>642,107</u>
Excess of revenues over (under) expenditures			64,452	64,452
Fund balance - July 1	<u>71,324</u>	<u>71,324</u>	<u>71,324</u>	
Fund balance - June 30	<u>\$ 71,324</u>	<u>\$ 71,324</u>	<u>\$ 135,776</u>	<u>\$ 64,452</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS
Last 10 Years*
As of June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 177,210	\$ 113,898	\$ 121,414
Interest on the total OPEB liability	76,179	69,300	60,196
Actual and expected experience difference	(10,840)		
Changes in assumptions	357,350	139,953	(133,982)
Change in benefit items			
Benefit payments	<u>(72,998)</u>	<u>(62,470)</u>	<u>(50,598)</u>
Net change in total OPEB liability	526,901	260,681	(2,970)
Total OPEB liability - beginning	<u>2,206,013</u>	<u>1,945,332</u>	<u>1,948,302</u>
Total OPEB liability - ending	<u>\$ 2,732,914</u>	<u>\$ 2,206,013</u>	<u>\$ 1,945,332</u>
 Covered payroll	 \$ 1,880,332	 \$ 1,888,097	 \$ 1,374,598
 Total OPEB liability as a percentage of covered payroll	 145.34%	 116.84%	 141.52%

*- Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF OPEB CONTRIBUTIONS
Last 10 Years*
As of June 30, 2020

The Commission's contribution for the fiscal year ended June 30, 2020 was \$72,998. The Commission did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2020, therefore the Commission does not need to comply with GASB 75's Required Supplementary Information requirements.

The Commission's contribution for the fiscal year ended June 30, 2019 was \$62,470. The Commission did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2019, therefore the Commission does not need to comply with GASB 75's Required Supplementary Information requirements.

The Commission's contribution for the fiscal year ended June 30, 2018 was \$50,598. The Commission did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2018, therefore the Commission does not need to comply with GASB 75's Required Supplementary Information requirements.

*- Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years*
As of June 30, 2020

The following table provides required supplementary information regarding the Commission's Pension Plan.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the net pension liability	0.01626%	0.01717%	0.01902%	0.01925%
Proportionate share of the net pension liability	\$ 1,665,720	\$ 1,654,850	\$ 1,886,393	\$ 1,665,777
Covered payroll	\$ 2,081,870	\$ 1,590,897	\$ 1,541,379	\$ 1,523,462
Proportionate share of the net pension liability as percentage of covered payroll	80.01%	104.02%	122.38%	109.34%
Plan's total pension liability	\$ 41,426,453,489	\$ 38,944,855,364	\$ 37,161,348,332	\$ 33,358,627,624
Plan's fiduciary net position	\$ 31,179,414,067	\$ 29,308,589,559	\$ 27,244,095,376	\$ 24,705,532,291
Plan fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	73.31%	74.06%
	<u>2016</u>	<u>2015</u>		
Proportion of the net pension liability	0.01875%	0.02073%		
Proportionate share of the net pension liability	\$ 1,286,988	\$ 1,289,646		
Covered payroll	\$ 1,351,432	\$ 1,333,752		
Proportionate share of the net pension liability as percentage of covered payroll	95.23%	96.69%		
Plan's total pension liability	\$ 31,771,217,402	\$ 30,829,966,631		
Plan's fiduciary net position	\$ 24,907,305,871	\$ 24,607,502,515		
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.82%		

Note to Schedule:

Change in assumptions

In 2018, inflation was changed from 2.75 percent to 2.50 percent and individual salary increases and overall payroll growth was reduced from 3.00 percent to 2.75 percent.

In 2017, as part of the Asset Liability Management review cycle, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2015, amounts reported as change in assumptions resulted primarily from adjustments to expected ages of general employees.

*- Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Years*
As of June 30, 2020

The following table provides required supplementary information regarding the Commission's Pension Plan.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution (actuarially determined)	\$ 440,212	\$ 443,077	\$ 552,504	\$ 267,135
Contribution in relation to the actuarially determined contributions	<u>(440,212)</u>	<u>(443,077)</u>	<u>(552,504)</u>	<u>(267,135)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,880,332	\$ 2,081,870	\$ 1,590,897	\$ 1,541,379
Contributions as a percentage of covered payroll	23.41%	21.28%	34.73%	17.33%
	<u>2016</u>	<u>2015</u>		
Contractually required contribution (actuarially determined)	\$ 214,636	\$ 170,439		
Contribution in relation to the actuarially determined contributions	<u>(214,636)</u>	<u>(170,439)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>		
Covered payroll	\$ 1,523,462	\$ 1,351,432		
Contributions as a percentage of covered payroll	14.09%	12.61%		

Notes to Schedule

Valuation Date: 6/30/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amorization method/period	For details, see the June 30, 2017 funding valuation report.
Discount rate	7.15%
Payroll growth	3.00%
Price inflation	2.63%
Salary increases	Varies by entry age and years of service.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.

*- Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

SUPPLEMENTARY INFORMATION SECTION



Moss, Levy & Hartzheim LLP

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON
TRANSPORTATION DEVELOPMENT ACT COMPLIANCE**

Santa Cruz County Regional Transportation Commission
Santa Cruz, California

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the Santa Cruz County Regional Transportation Commission's (the Commission) compliance with the types of compliance requirements described in the *Transportation Development Act Guidebook*, published by the State of California Department of Transportation applicable for the fiscal year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Development Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Commission's compliance based on our audit of the compliance with applicable statutes, rules and regulations of the Transportation Development Act (TDA), Sections 99233.1 and 99402, the California Code of Regulations (CCR), and the allocation instructions and resolutions of Santa Cruz County Regional Transportation Commission as required by Section 6662 and 6666 of the CCR. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Transportation Development Act Guidebook*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state laws and regulations applicable to the Fund occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Compliance with the Transportation Development Act

In our opinion, the funds allocated to and received by Santa Cruz County Regional Transportation Commission pursuant to the TDA, complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements of the Transportation Development Act and the allocation instructions and resolutions of Santa Cruz County Regional Transportation Commission for the fiscal year ended June 30, 2020.

This report is intended solely for the information and use of the Board of Directors, management of the Santa Cruz County Regional Transportation Commission and for filing with the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim LLP

Santa Maria, California
April 22, 2021



INDEPENDENT AUDITORS' REPORT ON MEASURE D COMPLIANCE

Santa Cruz County Regional Transportation Commission
Santa Cruz, California

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the Santa Cruz County Regional Transportation Commission's (the Commission) compliance with the types of compliance requirements described in *Ordinance No. 2016-01* (Measure D), applicable for the fiscal year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Measure D.

Auditors' Responsibility

Our responsibility is to express an opinion on the Commission's compliance based on our audit of the compliance with applicable statutes, rules and regulations of Measure D. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Ordinance No. 2016-01*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state laws and regulations applicable to the Fund occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Compliance with Measure D

In our opinion, the funds allocated to and received by Santa Cruz County Regional Transportation Commission pursuant to Measure D, complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements of Measure D of Santa Cruz County Regional Transportation Commission for the fiscal year ended June 30, 2020.

This report is intended solely for the information and use of the Board of Directors, management of the Santa Cruz County Regional Transportation Commission and for filing with the appropriate regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim LLP

Santa Maria, California
April 22, 2021

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
LOCAL TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2020

Claimant/Purpose/Authority*	Allocated Balance July 1, 2019	Allocation	Expended	Allocated Balance June 30, 2020
Santa Cruz Metropolitan Transit District				
Transit operator assistance PUC § 99260(a)	\$ -	\$ 7,930,060	\$ 7,930,060	\$ -
Totals		7,930,060	7,930,060	
Santa Cruz County Regional Transportation Commission				
Administration PUC § 99233.1		635,847	635,847	
Planning PUC § 99402		546,823	546,823	
Pedestrian and bicycle PUC § 99400 (a)		265,000	272,769	(7,769)
Totals		1,447,670	1,455,439	(7,769)
City of Santa Cruz				
Volunteer Center and Community Bridges PUC § 99400 (c)		871,843	874,338	(2,495)
Pedestrian and bicycle PUC § 99400 (a)	438,502	113,536	200,000	352,038
Totals	438,502	985,379	1,074,338	349,543
County of Santa Cruz				
Pedestrian and bicycle PUC § 99400 (a)	533,197	229,311		762,508
Totals	533,197	229,311		762,508
City of Scotts Valley				
Pedestrian and bicycle PUC § 99400 (a)	30,632	20,835	9,396	42,071
Totals	30,632	20,835	9,396	42,071
City of Capitola				
Pedestrian and bicycle PUC § 99400 (a)	215,345	18,047		233,392
Totals	215,345	18,047		233,392
City of Watsonville				
Pedestrian and bicycle PUC § 99400 (a)	585,475	91,292		676,767
Totals	585,475	91,292		676,767
Grand totals	\$ 1,803,151	\$ 10,722,594	\$ 10,469,233	\$ 2,056,512

* Public Utilities Code

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
STATE TRANSIT ASSISTANCE FUND
For the Fiscal Year Ended June 30, 2020

Claimant/Purpose/Authority*	Allocated Balance July 1, 2019	Allocation	Expended	Allocated Balance June 30, 2020
Santa Cruz Metropolitan Transit District				
Transit operator assistance CAC § 6730 a	\$ -	\$ 4,530,969	\$ 4,438,273	\$ 92,696
Total	<u>\$ -</u>	<u>\$ 4,530,969</u>	<u>\$ 4,438,273</u>	<u>\$ 92,696</u>
City of Santa Cruz				
Community Bridges CAC § 6730 a	\$ -	\$ 100,000	\$ 100,000	\$ -
	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>



April 22, 2021

To the Board of Directors of the
Santa Cruz County Regional Transportation Commission

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santa Cruz County Regional Transportation Commission for the fiscal year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 26, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Santa Cruz County Regional Transportation Commission are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Commission's financial statements were:

Management's estimate of the useful lives of capital assets is based on experience with other capital assets and on their standard table of useful lives. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Other Postemployment Benefits (OPEB) liability and deferred inflows and outflows related to OPEB are based on the actuary's expertise and experience. We evaluated the key factors and assumptions used to develop the OPEB liability and deferred inflows and outflows related to OPEB in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and deferred inflows and outflows related to pension are based on the CalPERS actuary's expertise and experience. We evaluated the key factors and assumptions used to develop the net pension liability and deferred inflows and outflows related to pension in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the Pension Plan in Note 7 and the Other Post Employment Benefits in Note 9.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 22, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Director's and management of the Santa Cruz County Regional Transportation Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Moss, Remy & Hargheim LLP

Santa Maria, California

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Santa Cruz County Regional Transportation Commission
Santa Cruz, California

We have audited, in accordance with the 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, the governmental activities and each major fund of the Santa Cruz County Regional Transportation Commission (the Commission), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Santa Cruz County Regional Transportation Commission's basic financial statements and have issued our report thereon dated April 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Santa Cruz County Regional Transportation Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim LLP

Santa Maria, California
April 22, 2021