

AGENDA: June 6, 2024

TO: Regional Transportation Commission

FROM: Tracy New, Director of Finance and Budget

RE: FY 2022-23 Fiscal Audit for the Santa Cruz County Regional Transportation Commission

RECOMMENDATIONS

Staff recommends that the Santa Cruz County Regional Transportation Commission (SCCRTC) accept the attached SCCRTC FY 2022-23 audited financial statements.

BACKGROUND

The Commission is required by state law to undergo an annual financial audit. Moss, Levy & Hartzheim, performed the FY 2022-23 fiscal audit for the Commission; the same firm performed the audits of Transportation Development Act (TDA) funds of the City of Santa Cruz for their bike and pedestrian projects and pass-through claims on behalf of Community Bridges and the Volunteer Center. The Santa Cruz Metropolitan Transit District was audited by Brown Armstrong, Certified Public Accountants. The audit is not required for the claimants who did not receive and spend TDA funds during the reporting period: County of Santa Cruz, City of Capitola, City of Watsonville, and City of Scotts Valley.

DISCUSSION

The Commission received an unmodified opinion from the Auditor, which means that the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles. The audit report for Santa Cruz Metropolitan Transit District is unqualified. The reports are public documents and are available at the Commission's office and on the website. (www.sccrtc.org). Federal expenditures met the \$750,000 threshold; therefore, if the Federal Emergency Management Agency (FEMA) approves the 2023 winter storm project, a Single Audit for FY 2022-23 is required, and staff will bring the report to the Commission when the audit is complete.

The significant highlights for FY 2022-23 include:

1. Measure D transaction and use tax revenues received during FY 2022-23 total \$27,363,250, representing a decrease of 0.04% over FY2020-21 receipts of \$27,372,939.
2. TDA revenues were 7.7% higher at \$11,955,278 compared to FY 2021-22 at \$11,096,338. (page 25).
3. The RTC's Unrestricted Net Position increased \$260,467 from \$52,803 in FY 2021-22 to \$313,270 (Pages 20 and 28). Due to continuing rise of unfunded pension and Other Post-Employment Benefits (OPEB) – insurance benefits (Pages 53-54) the RTC established Section 115 trusts to prefund the pension and OPEB liabilities. These trust funds have increased RTC's net position and reduced the unfunded accrued liabilities of the agency. The Fund Statements, which are not on full accrual basis, show RTC in strong financial condition with a combined fund balance of \$6,716,262.

The RTC pension plan is discussed in more detail in Note 9 starting on page 47 while the OPEB discussion is covered in Note 11 beginning on page 51. Each year, the RTC contributes more than the annual required contribution to reduce the pension liability. In May 2022, the RTC established section 115 trusts to pre-fund the pension and OPEB liabilities. In total, the RTC has contributed \$292,250 to their California Employers' Pension Prefunding Trust Fund and \$319,717 to their California Employers' Retiree Benefit Trust Fund.

4. The Fiduciary Funds continue to carry a high cash balance due to unclaimed TDA and RSTPX allocations (Pages 24 and 40). The total unclaimed TDA and RSTPX allocations are \$11,672,851. The cash balances are \$8,091,072 and \$6,697,169 respectively in FY 2022-23 and FY2021-22. The difference between the unclaimed allocations and cash balances is the \$3,587,805 loan to RTC for 2017 and 2023 Storm Damage expenditures billed to FEMA and included as receivables. These funds can only be used for intended purposes and cannot be spent for other RTC needs.
5. The following projects, which are discussed in detail starting on Page 3, commenced or continued in FY 2022-23:
 - a) Monterey Bay Sanctuary Scenic Trail Network
 - North Coast Rail Train from Wilder Ranch to Davenport.

- City of Santa Cruz segment 7 phase 2 from Bay Street/California Avenue to the Santa Cruz Wharf.
 - City of Santa Cruz in partnership with the County of Santa Cruz segments 9 through 11 from the Santa Cruz Wharf to State Park Drive.
- b) Regional Transportation Plan
- c) Highway 1 Projects
- 41st Avenue to Soquel Drive
 - State Park Drive to Bay Avenue/Porter Street
 - Freedom Boulevard to State Park Drive
- d) Rail Studies and Use of the Corridor
- e) Highway 9 Corridor San Lorenzo Valley Schools Access Study.
- f) Highway 17 Wildlife Crossing construction

The Management Discussion & Analysis Section of the SCCRTC audit report contains extensive financial highlights in comparison to the prior fiscal year.

SUMMARY

The FY 2022-23 Commission's audit has been completed and is ready for review. Staff recommends that the Commission accept the audit report.

Attachment:

FY 2022-23 SCCRTC Fiscal Audit Report –*Full document available at:*
<https://sccrtc.org/wp-content/uploads/2024/04/SCCRTC-22-23.pdf>

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**SANTA CRUZ COUNTY REGIONAL
TRANSPORTATION COMMISSION**

AUDIT REPORT
June 30, 2023

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
TABLE OF CONTENTS
 June 30, 2023

Financial Section

Independent Auditors' Report 1

Management’s Discussion and Analysis 3

Basic Financial Statements:

 Government-wide Financial Statements:

 Statement of Net Position 28

 Statement of Activities 29

 Fund Financial Statements:

 Balance Sheet – Governmental Funds 30

 Reconciliation of the Governmental
 Funds Balance Sheet to the Statement of Net Position 33

 Statement of Revenues, Expenditures, and Changes In Fund Balances -
 Governmental Funds 34

 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Statement of Activities 39

 Statement of Fiduciary Net Position– Fiduciary Funds 40

 Statement of Changes in Fiduciary Net Position..... 42

 Notes to Basic Financial Statements 44

Required Supplementary Information Section

Budgetary Comparison Schedules:

 Administration and Planning Fund 63

 Rail/Trail Authority Fund 64

 Service Authority for Freeway Emergencies Fund 65

 Freeway Service Patrol Fund 66

 Highway 1 Program Fund 67

 Highway 1 Auxiliary Lanes Fund 68

 Cruz 511 Fund 69

 Active Transportation MBSST Fund 70

Schedule of Changes in the OPEB Liability and Related Ratios 71

Schedule of OPEB Contributions 72

Schedule of Proportionate Share of Net Pension Liability 73

Schedule of Pension Contributions 74

Supplementary Information Section

Independent Auditors' Report on Transportation Development Act Compliance 75

Independent Auditors' Report on Measure D Compliance 77

Schedules of Allocations and Expenditures:

 Local Transportation Fund 79

 State Transit Assistance Fund 80

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Santa Cruz County Regional Transportation Commission
Santa Cruz, California

Report on the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santa Cruz County Regional Transportation Commission, as of June 30, 2023, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary information, the schedule of changes in the OPEB liability and related ratios, the schedule of OPEB contributions, the schedule of proportionate share of net pension liability, and the schedule of pension contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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 are not required parts of the basic financial statements.

The schedules of allocations and expenditures are the responsibility of management and were derived from and are 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 relation 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 February 15, 2024, 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 & Hartgeim LLP

Santa Maria, California
February 15, 2024

Management Discussion and Analysis

Fiscal Year Ending June 30, 2023

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. The RTC carries out multimodal transportation responsibilities that cross jurisdictional boundaries in Santa Cruz County, including state-mandated planning and funding requirements. 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 rights-of-way within Santa Cruz County. The 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 transactions and use tax, which was approved by over two-thirds of Santa Cruz County voters in November 2016.

The RTC is governed by a Commission composed of 12 members and one ex-officio member. The Board sets policies related to transportation planning, funding, projects, and programs throughout the county; delivers regional projects; and, in FY 2022-23, employed 22 full and part-time employees representing 21 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, bicycle and pedestrian facilities; pursues and allocates funds for all elements of transportation; adopts policies to improve the regional transportation system; plans future projects and programs; and provides services to encourage the use of active and sustainable transportation modes, improve the safety and operation of the transportation system, and reduce 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 (TDA) 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), Senate Bill 1 (SB1) Transit State of Good Repair (SGR), 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 a more efficient, effective, and resilient transportation system for the Santa Cruz County community.

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. The 2045 RTP was adopted by the RTC in June 2022. 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 for RTPAs and the SB 375-mandated Sustainable Communities Strategy prepared by the region's Metropolitan Planning Organization (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 Regional Transportation Improvement Program (RTIP), which covers a 5-year period. RSTPX funds and funds programmed to projects being

implemented by the RTC are also included in the 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 development or were implemented in FY 2022-23:

- Hwy 1/9 Intersection construction, Santa Cruz
- Aptos Village Plan Improvements including Aptos Creek Road Traffic Signal, Soquel Drive Sidewalks and Bike Lanes, construction
- Soquel Dr Buffered Bike Lane and Congestion Mitigation Project, design
- Emergency Routes Resurfacing (Alba, Jamison Creek, and Empire Grade Roads), design
- Hwy 17 to Soquel Corridor Resurfacing, construction
- San Andreas Road Resurfacing, design
- Hwy 1 Auxiliary Lanes & Bus on Shoulders and bicycle/pedestrian bridges: pre-construction design, environmental review, and right-of-way
- Freedom Boulevard Reconstruction, Watsonville
- Watsonville Road Rehabilitation/Reconstruction (Various Locations)
- BikeSmart & WalkSmart, Ecology Action
- Bike Challenge+, Ecology Action
- Project PASEO, Smart Streets, Open Streets, and Earn-a-Bike, Bike Santa Cruz County
- Chestnut Street Resurfacing, Santa Cruz
- Ocean Street Pavement Rehabilitation and Bike/Pedestrian Upgrades, Santa Cruz
- Clares Street Traffic Calming, Capitola
- Kennedy Avenue Sidewalk & Bike Lane, Capitola
- Bean Creek Road Rehabilitation, Scotts Valley
- Granite Creek Rd Overcrossing Repaving and Bike/Ped Upgrades design, Scotts Valley
- Monterey Bay Scenic Sanctuary Trail (MBSST)/Coastal Rail Trail Segment 7-phase 2 construction, Santa Cruz
- MBSST /Coastal Rail Trail Segments 8-12, environmental review
- State Route 9- San Lorenzo Valley Schools Complex Circulation and Access Study

SAFE and FSP

The Service Authority for Freeway Emergencies (SAFE) annual budget provides funds for several motorist aid services.

The RTC administers the Freeway Service Patrol (FSP) which consists of roving tow trucks during commute hours and other high traffic periods 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, reduce collisions, improve air quality, and reduce fuel consumption by rapidly clearing incidents. In FY 2022-23, FSP tow providers roved Highways 1 and 17 for 3,636 hours and provided 1,560 assists to motorists and the California Highway Patrol (CHP). The most frequent services provided by FSP include assistance with collisions, mechanical quick fixes, and flat tire repairs.

The emergency call box program connects stranded motorists with roadside assistance through a network of 70 cellular phone service call boxes located along Highways 1, 9, 17, 152, and 129. The RTC upgraded the entire call box system to use the 4G network and switched to Verizon cellular in the 2022-2023 fiscal year. The call box system includes assistive technologies that can help people with disabilities communicate more easily with the call answering center. The call box maintenance contractor also installed a workaround solution to convert TTY (teletypewriter) messages into RTT (real-time text) messages. RTT uses the internet to transmit text in real time, while TTY uses the phone line. This makes RTT faster and more reliable than TTY.

Call box usage has continued to decline annually as personal cellular phones become available to nearly the entire population. However, call boxes in more remote areas continue to be used because they have more reliable phone service than personal cellular phones.

The RTC also administers the Safe on 17 Program which aims to maintain a reduced collision rate on Highway 17 by providing additional resources for CHP enforcement. Program funding is provided annually by the RTC SAFE (\$50,000) and Measure D-Highway (\$50,000) for enforcement in Santa Cruz County and the Metropolitan Transportation Commission (MTC) SAFE (\$50,000) for enforcement in Santa Clara County. In FY 2022-23, CHP Santa Cruz provided 852 hours of extra enforcement throughout the Santa Cruz County portion of Highway 17. Through the Safe on 17 Program, the RTC, Caltrans and the CHP work in partnership to develop highway improvements that will help to reduce collisions and provide information to the public to encourage safer driving.

Cruz511, a 511-traveler information project (described in more detail in the next section), is also funded in part through the SAFE budget.

Cruz511 and Alternatives to Driving Alone

Since 1979, the RTC has provided the community with a centralized resource for traveler information. Cruz511 is the umbrella brand under which all RTC traveler information services take place. 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 2022-23, the RTC, in partnership with the City of Santa Cruz, UCSC, Ecology Action, and other entities, used Measure D funds to continue to promote "Go Santa Cruz County," an online commute manager and incentives platform with carpool and vanpool ride matching, and transit and bike trip planning. Cruz511, including the Go Santa Cruz County program, is funded in part by Measure D-Highway Corridor and SAFE funds.



More than 4,600 participants have signed up for Go Santa Cruz County since launching the program in mid-2021, with over 1,400 participants signing up in FY 2022-23. In the past year, participants took a total of 69,000 trips using alternative transportation modes, such as walking, biking, carpooling, vanpooling, public transit, and telecommuting. This resulted in a reduction of 173 tons of CO2 emissions, the burning of over 6 million calories, and savings of more than \$300,000. The CO2 emission reduction is equivalent to the emissions from about 35 typical passenger cars driven for one year with a gas mileage of about 22 miles per gallon and driven about 12,000 miles per year. The calorie burn is about equivalent to the amount of calories burned by a person weighing about 180 lbs. who walked about 2.5 times the circumference of the Earth around the equator. RTC staff also attended in-person community events to generate interest in the GO Santa Cruz County Program and to register new participants.



RTC marketing consultants created a new [promotional video](#) for the program, which was also translated into Spanish to reach a wider audience. Marketing consultants also created daily social media posts on various social media channels that were engaging and informative. The strategy included a mix of paid and organic social media marketing. Employer outreach consultants continued engaging with major employers, onboarding new employers onto the platform, and providing virtual and on-site commuter safety workshops to participants.



In FY 2022-23, the RTC partnered with the Santa Cruz Metropolitan Transit District (METRO) to launch One Ride at a Time (ORAT), a campaign to encourage people to take the bus while protecting Santa Cruz County's extraordinary natural resources. To participate, riders sign up for Go Santa Cruz County and log their bus trips. They earn 10 points for each trip, with a maximum of two trips per day. Once participants reach 250 points, or 25 trips, they can choose one of two nonprofit partners to receive a \$10 donation. The partners are the Monterey Bay National Marine Sanctuary Foundation and the Bay of Life Fund, both of which work to protect the environment. Over 350 participants logged more than 21,000 transit trips since January 2023, travelling over 231,000 miles throughout Santa Cruz County.

In FY 2022-23 the RTC continued to provide traveler information, including details about county road and lane closures, to the public via cruz511.org and social media accounts on Facebook and Twitter. During the winter storms in early 2023, the Cruz511 traffic map saw a sharp increase in daily web traffic, with up to 10,000 users during peak storm conditions. This reflected the public's interest in real-time traffic conditions during hazardous weather. Staff continued to provide traffic safety messaging and active transportation mapping resources to community members throughout the county.

Highway 1 Projects

In FY 2022-23, the RTC continued sponsorship and delivery of regionally The RTC in partnership with Caltrans is implementing 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 (Aux), a bus-on-shoulder facility (BOS), bridge replacements, and the construction of new bicycle and pedestrian overcrossings. There are currently three Highway 1 projects being developed to construct five sets of auxiliary lanes and a bus-on shoulder facility that stretches 7.5 miles and includes 4 new bicycle and pedestrian overcrossing and bike/ped improvements to local roadway overcrossings. RTC received a grant 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 the Soquel Drive and State Park Drive interchanges, which includes bicycle and pedestrian overcrossings at Chanticleer Avenue and Mar Vista Drive, in combination with improvements to Soquel Drive along the Watsonville-Santa Cruz Corridor that are being implemented by the County of Santa Cruz.

Highway 1 – 41st to Soquel Auxiliary Lanes & BOS Project



Figure 1 - Construction Groundbreaking Ceremony, April 2023

This project includes one set of auxiliary lanes on Highway 1 between the 41st Avenue and Soquel Dr/Ave interchanges with bus-on-shoulder improvements and a new bicycle and pedestrian overcrossing at Chanticleer Avenue. Caltrans advertised the construction contract in FY 2022-23 and started construction in early 2023.



Figure 2 - Rendering of Bicycle and Pedestrian Overcrossing at Chanticleer Avenue

Highway 1 – State Park to Bay/Porter Auxiliary Lanes & BOS Project

This project includes two sets of auxiliary lanes on Highway 1 between State Park Drive and Rio Del Mar Blvd interchanges and Rio Del Mar and Bay/Porter interchanges with bus on shoulder improvements and a new bicycle and pedestrian overcrossing at Mar Vista Drive. The project also includes the replacement of the Capitola Avenue overcrossing, soundwalls, and retaining walls. The RTC continued final design and right-of-way activities in FY 2022-23. The project is on schedule to complete all pre-construction work by the end of 2022, and Caltrans plans to advertise the project for construction bids in late 2023.

Highway 1 – Freedom to State Park Auxiliary Lanes & BOS Project

This project includes auxiliary lanes and bus-on-shoulder improvements on Highway 1 between Freedom Blvd and State Park Drive interchanges and the construction of a 1.25-mile-long multiuse trail along the Santa Cruz Branch Rail Corridor (segment 12 of the Coastal Rail Trail). Consultants and staff worked on preliminary engineering and environmental analysis of the project in FY 2022-23. The draft Environmental Impact Report/Environmental Assessment (EIR/EA) is expected to be completed in the Spring of 2023. RTC was awarded a \$30 million federal mega grant to partially fund construction of the project. RTC and Caltrans continue to seek grant funding to fully fund construction.

Rail Corridor Maintenance and Preservation

In spring 2022, the RTC completed the projects to repair damage at several locations along the Santa Cruz Branch Rail Line right-of-way that resulted from the declared severe storm disasters from early 2017. Repairs included 7 storm damage repair projects and one debris removal project.

Between December 2022 and March 2023, the rail corridor was damaged in several locations due to severe storms, which were declared major federal disasters. The RTC started construction work, which included erosion control treatments to stabilize slipouts, at 15 sites as well as a debris removal project in FY 2022-23.

The RTC completed final design and completed construction of the Pajaro River Bridge Rehabilitation project in Watsonville, for which the RTC secured a Shortline Railroad Improvement Program grant, with matching funds from Measure D Rail category funds and private sources.

In FY 2022-23, the RTC consulted with the Coastal Commission regarding rail line right-of-way erosion repairs needed near Manresa State Beach and completed a preventative drainage maintenance project and culvert rehabilitation just south of the La Selva Trestle.



Figure 3 - Drainage culvert rehabilitation just south of the La Selva trestle

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

RTC staff provided oversight and technical assistance for implementation of the Monterey Bay Sanctuary Scenic Trail Network (MBSST). This included coordination with local jurisdictions and Central Federal Lands of the Federal Highway Administration who are implementing specific sections of the trail network. In FY 2022-23, Measure D funds were also used to analyze and solicit public input on potential interim trail and ultimate trail (adjacent to the railroad tracks) alignments and leverage over \$160 million in Active Transportation Program (ATP) and Federal Lands Access Program (FLAP) grants.

1. **North Coast Segment 5, Wilder Ranch-Davenport:** In coordination with the RTC, Federal Highway Administration Central Federal Lands Highway Division (FHWA-CFLHD) continued development of the 7.5-mile coastal rail trail from Davenport to Wilder Ranch State Park. Preconstruction activities, including environmental, design, right-of-way and permitting, continued in FY 2022-23. The 5.4-mile section from Wilder Ranch to Panther/Yellowbank Beach is fully funded for construction. In FY 2022-23, FHWA approved FLAP funding for the remaining 2.1-mile section of the trail from Panther/Yellowbank Beach to Davenport, as well as a new crossing over Highway 1 at Yellowbank Beach. The 7.5 miles of trail are expected to break ground in FY 2023-24.



2. **Segment 7, Phase 2, Santa Cruz Construction:** The City of Santa Cruz started construction of Phase 2, from Bay Street/California Avenue to the Santa Cruz Wharf in spring 2022. While a significant amount of construction work was completed in FY 2022-23, the project was

delayed slightly due to unprecedented winter storms. The project is scheduled to be completed in 2024.

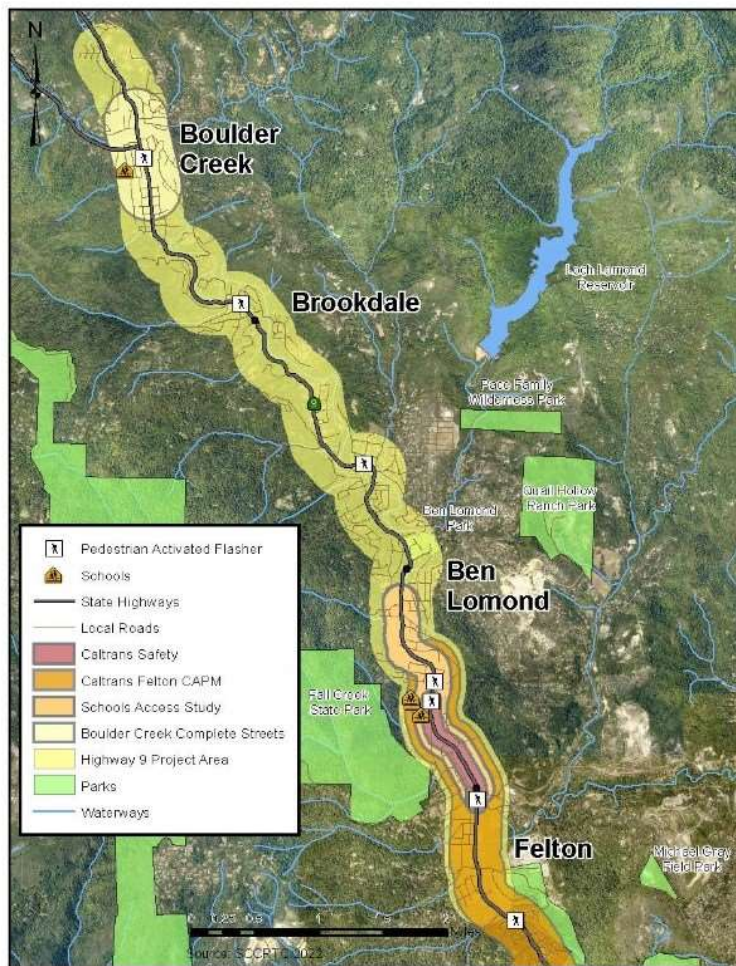
3. **Segments 8 & 9, Santa Cruz-Live Oak:** The City of Santa Cruz, in partnership with the County of Santa Cruz, continued preliminary design and environmental review of Segments 8 & 9 of the Coastal Rail Trail between the Santa Cruz Wharf and 17th Avenue (2.2 miles), funded by state and private funds. The city has used local and regional Measure D funds as match to secure over \$40 million in grants to fully fund the project.
4. **Segments 10 & 11, Live Oak to Seacliff/Aptos:** The County of Santa Cruz, in partnership with the City of Capitola, continued environmental review and preliminary design of Segments 10 & 11 of the trail from 17th Ave to State Park Drive (4.5 miles) using Measure D funds and using Measure D as match secured \$68 million from California's Active Transportation Program in December 2022.
5. **Segment 12, Aptos/Rio del Mar:** The RTC continued environmental review and preliminary design of Segment 12 of the Coastal Rail Trail between State Park Drive and Rio Del Mar Blvd. as part of the Highway 1 Freedom-State Park Auxiliary Lanes and Bus-on-Shoulder project, which is being implemented in partnership with Caltrans. The RTC also secured some right-of-way for the project in FY 2022-23 through an advanced acquisition process. This section of trail includes bicycle/pedestrian bridges over Highway 1 and Soquel Drive, connecting coastal neighborhoods and Aptos Village. RTC was awarded a \$30 million federal mega grant to partially fund construction of the project. RTC and Caltrans continue to seek grant funding to fully fund construction.
6. **Segments 18-20, Watsonville:** The City of Watsonville and RTC will be analyzing design options for future sections of trail, including Segment 18 between Lee Road and Ohlone Parkway and between the Slough Trail and Walker Street and remaining sections of the trail between Aptos and Pajaro Station, as part of the Zero Emission Passenger Rail and Trail Project.
7. **Ongoing Corridor Maintenance:** RTC continued to use Measure D funds to maintain the future trail corridor, including vegetation control; tree maintenance; trash and dumping abatement; encampments; drainage maintenance and repairs; and managing, renegotiating, or clearing of unpermitted encroachments. RTC also continued work to secure programmatic environmental permits to support maintenance activities. After the success of the 2022 pilot project, the RTC again employed goats for vegetation control and clearing in several locations. In addition, work was done in cooperation with law enforcement to address trash and encampments.
8. **Technical Support and Oversight:** RTC staff provided technical support and stakeholder coordination for development of the

MBSST/Coastal Rail Trail projects. Consultants provided technical assistance when needed.

- 9. Boundary survey work for segments 9-12:** Through a contract with a surveying consultant, the RTC has been conducting boundary survey work for segments 9-12 of the MBSST. The survey work supports both MBSST and maintenance activities. As surveys are completed records of survey will be filed with the County.

State Route 9 San Lorenzo Valley (SLV) Complete Streets Program

Building off the community-based Highway 9/San Lorenzo Valley (SLV) Complete Streets Corridor Plan, Caltrans and RTC used Measure D funds in FY 2022-23 to scope and identify priority projects for implementation along the corridor through preparation of a Project Initiation Document (PID). The PID was completed in Fall 2022 and Measure D revenues will be used to leverage other funds and initiate future phases of priority projects to get them construction-ready.

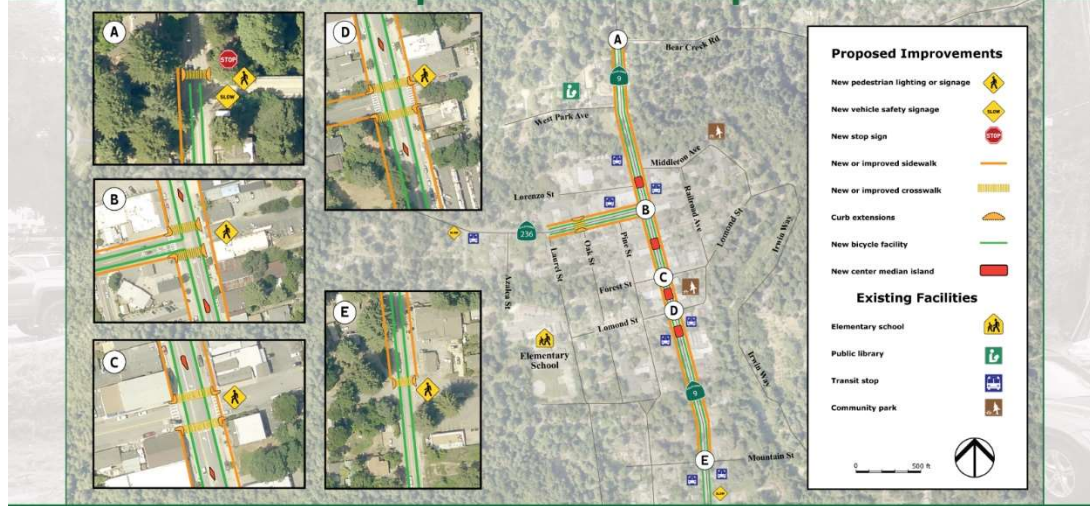


One high-priority project is improving access to and circulation past the SLV elementary, middle and high schools north of Felton, for all modes of transportation. In FY 2022-23, RTC worked with San Lorenzo Valley Unified School District (SLVUSD) and Caltrans to prepare the draft *SLV Schools Access Study*, which was released for public input in Summer 2023. Measure D was used to leverage grants and other funds for this work. With robust input from the public, as well as collaboration within the 5-agency project management team (RTC, SLVUSD, Santa Cruz County public works, Caltrans, and METRO), circulation concepts for all three school entrances as well as connections to neighborhoods to the north and south were developed that will allow the RTC and partners to seek funding for environmental review, final design, and construction phases. SLVUSD has already implemented some near-term improvement options to increase pedestrian safety and auto throughput in the elementary school drop-off area in time for the 2023-24 school year.



In winter 2022, Congressional Representative Anna Eshoo supported SCCRTC in securing a \$1,500,000 federal appropriation (earmark) for the Boulder Creek Complete Streets Improvements project. This project seeks to implement the complete streets improvements identified in the SLV Plan and further refined in the San Lorenzo Valley Project Initiation Document in Boulder Creek along Highways 9 and 236. Components include new and updated sidewalks, enhanced crosswalks with curb extensions, pedestrian refuge islands, and other features to enhance pedestrian safety and slow vehicle speeds.

Boulder Creek Complete Streets Improvements



Location A: Highway 9 @ Boulder Creek Rd
 Improvements: New crosswalk, new stop sign, new sidewalk, new vehicle safety signage, and new bike lanes.

Location B: Highway 9 @ State Hwy 236
 Improvements: New and improved crosswalks, improved sidewalks, new bike lanes, and new center islands.

Location C: Highway 9 @ Forest St
 Improvements: Improved crosswalks, improved sidewalks, new bike lanes, and new center islands.

Location D: Highway 9 @ Limond St
 Improvements: New and improved crosswalks, new and improved sidewalks, new bike lanes, and new center islands.

Location E: Highway 9 @ Mountain St
 Improvements: Improved crosswalks, new sidewalks, new vehicle safety signage, and new bike lanes.

Note: Information shown on maps and graphics is for planning purposes only and reflects general locations of potential new facilities or modifications to existing facilities. These are not engineering-level, exact locations.

In FY 2023-24, RTC staff will continue to pursue grants to fully fund the Boulder Creek Complete Streets to construction, while using the earmark to begin the PAED environmental review phase.

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 leaves (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 11 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 9 starting on page 47. 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 sixteen funds in FY 2022-23. There are eight governmental funds (pages 30 – 39) and eight fiduciary funds (pages 40 – 43).

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 2022-23 is another year of major accomplishment, which included starting construction of the Highway 1 41st Avenue-Soquel Drive Auxiliary Lane and Bus on Shoulder project, final design for the Highway 1 Bay/Porter to State Park Auxiliary Lane project, release of the Draft Environmental Impact Report/Environmental Assessment (EIR/EA) for the auxiliary lanes and bus on shoulder improvements between State Park Drive and Freedom Boulevard interchanges, preparing for the implementation of MyCruz511 a web-based commuter management and rewards platform, producing a project initiation document (PID) with Caltrans to incorporate priorities from the Highway 9/San Lorenzo Valley (SLV) Complete Streets Corridor Plan, working on the draft SLV Schools Access Study, and implementing 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 impacts on the Net Position of Government wide financial statements. The fund statements, however, show governmental funds in a strong financial position.

Governmental Funds

Net Position

The Net Position is up \$366,976 to \$22,997,926 from \$22,630,950 in FY 2022. While the combined cash balance is healthy at \$6,716,262 (page 28) the Net Position has a modest Unrestricted balance of \$(313,270) (page 28) due to the continuing rise of OPEB liabilities. There are adequate current assets to finance current liabilities, Noncurrent Liability Balance of \$4,610,868 can be fully covered. The ability to meet these long-term obligations depends mostly on the benefit plans offered and/or the funding strategies. The RTC has been making additional payments above normal costs and the minimum required payment for the Unfunded Actuarial Liability. The table below shows how the Noncurrent liabilities - OPEB (\$2,346,462), Compensated Absence (\$313,117), and Net Pension Liability (\$1,629,316), are depressing the Net Position when fixed assets are excluded. In 2022, the RTC established two Section 115 Trusts with CalPERS. The additional discretionary payments have reduced the pension and OPEB unfunded accrued liabilities.

UNRESTRICTED NET POSITION DEFICIT ANALYSIS		
	<u>FY 2023</u>	<u>FY 2022</u>
Current Assets (Cash & Receivables)*	15,090,532	14,340,932
Less:		
Restricted Fund Balance**	(2,145,071)	(2,586,559)
Current Liabilities (Net of D/T Other Funds)	<u>(10,090,875)</u>	<u>(8,791,267)</u>
Unassigned Fund Balance**	2,854,586	2,963,106
Less Noncurrent Liabilities***	(4,288,895)	(3,350,969)
Add:		
Prepays*	179,462	45,013
Net Deferred Outflows & Inflows***	<u>941,577</u>	<u>395,653</u>
Unrestricted Net Position	(313,270)	52,803
* Statement of Net Position page 28 - Governmental Fund Balance - pages 30-31		
** <i>Governmental Fund Balance</i> - pages 30-31		
*** <i>Statement of Net Position</i> - page 28 or <i>Note 8, Long-term Liabilities</i> on page 54		

Cash, Receivables, and Payables

Cash and investments shows an increase of \$1,701,760 to \$6,716,262 from \$5,014,502 (pages 30 - 31) on 6/30/2022. The RTC has adequate resources to meet its current obligations with a 1.3x current ratio. The current liabilities

net increase of \$1,176,370 is mostly due to the increase in net pension liability (\$1,629,316) and Unearned Revenue (\$90,619) and decrease in the OPEB liability (\$1,009,788). The RTC established a trust to pre-fund the pension and OPEB liabilities.

Capital Assets

Net fixed assets totaled \$21,191,936 in FY 2023. The non-depreciable assets value increased \$1,028,342 to \$20,876,753 from \$19,848,411 in FY 2022. The depreciable fixed assets increased by \$154,868 to \$315,183, the increase is due to leasehold improvements and equipment acquisition (Page 54).

Other Balance Sheet Highlights

- Due From and Due to Other funds (\$984 each) consist of \$984 due to Administration and Planning from Rail.
- Unearned Revenue increased by \$187,438 to \$226,334. The Unearned Revenue balance in FY 2023 is distributed as follows: \$179,967 in Administration & Planning, \$1,000 in Rail, and \$45,367 RSTPX funds in Active Transportation/MBSST.

Condensed Balance Sheet of Governmental Funds			
	6/30/2023	6/30/2022	Change
Cash	\$ 6,716,262	\$ 5,014,502	\$ 1,701,760
Accounts Receivable and Due From	8,375,254	8,733,560	(358,306)
Prepaid Items	179,462	45,013	134,449
Total Assets	\$ 15,270,978	\$ 13,793,075	\$ 1,477,903
Accounts Payable and Due	9,761,152	8,482,071	1,279,081
Unearned Revenue	226,334	135,715	90,619
Total Liabilities	9,987,486	8,617,786	1,369,700
Total Fund Balances	5,283,492	5,175,289	108,203
Total Liabilities and Fund Balances	\$ 15,270,978	\$ 13,793,075	\$ 1,477,903

Revenues

The combined governmental funds revenues are up \$2,972,666 to \$20,879,261. The table below is a year-to-year revenue comparison:

<u>Revenues Comparison</u>			
	6/30/2023	6/30/2022	Change
RSTPX	\$ 1,450,143	\$ 675,416	\$ 774,727
Local Transportation Fund (TDA)	1,824,442	1,539,364	285,078
Measure D	12,889,750	9,035,928	3,853,822
CA Dept of Transp Grant - SB1	121,672	71,165	50,507
RPA (Admin & Planning)	336,283	401,071	(64,788)
Sust Transp Grant WCB	79,657	243,222	(163,565)
Sust Transp Grant CDFW	15,197	54,721	(39,524)
FEMA	957,785	825,022	132,763
Motor Vehicle Fees	252,582	253,077	(495)
Aid From Other Governments	128,408	46,330	82,078
STIP	466,391	1,163,996	(697,605)
SCCP	105,323	8,045	97,278
Local Partnership Program Grant	607,914	628,642	(20,728)
Caltrans Grant (FSP)	175,452	248,925	(73,473)
Land Trust	893,775	2,455,929	(1,562,154)
Interest, Lease, & Other	574,487	255,742	318,745
	\$ 20,879,261	\$ 17,906,595	\$ 2,972,666

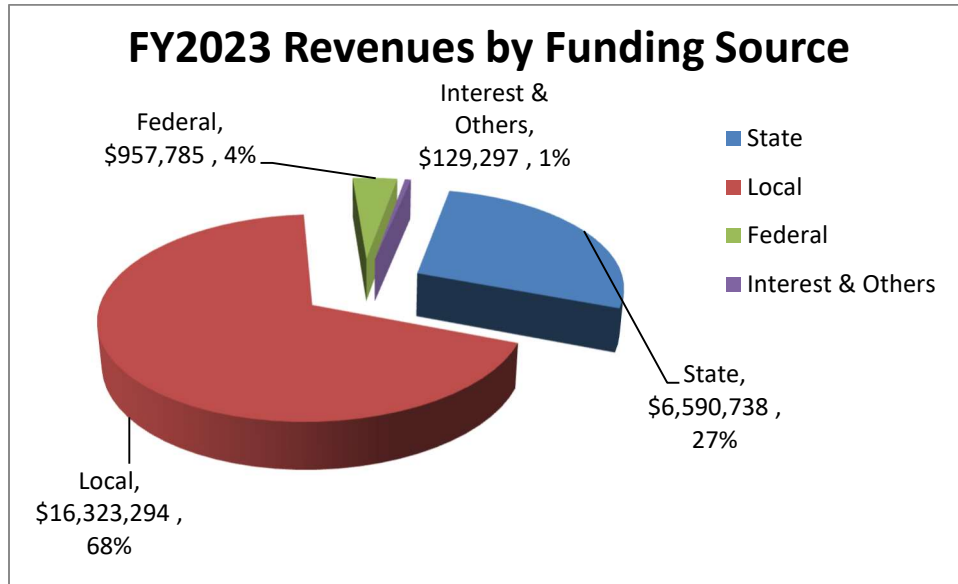
There are two major funding sources with the State at 28% and Local 68%. The local revenues (\$16,323,294) comprise 68% of revenues and consist of TDA funds (\$1,824,442); Motor Vehicle fees (\$252,582); Land Trust (\$893,775); Lease and other revenue by Rail/Trail (\$424,336); MTC Safe for Safe on 17 (\$38,408); and Measure D (\$12,889,751).

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

	<u>FY2023</u>		<u>FY2022</u>	
Local	\$ 16,323,294	68%	\$ 13,417,642	65%
State	6,590,738	27%	6,376,781	31%
Federal	957,785	4%	825,022	4%
Interest & Others	129,297	1%	176,773	1%
	\$ 24,001,114		\$ 20,796,218	

Figure 1

FY 2023 Funding by Source



Expenditures

- The expenditures are up \$3,395,487 to \$20,771,058; and major expenditures were for payroll (\$4,162,717); Towing in FSP (\$378,040); San Lorenzo Valley Complete Streets (243,284); Highway 17 Wildlife Crossing (\$3,230,082); Highway 1 Freedom to State Park/Segment 12 project property acquisition (\$1,199,732) 2023 Storm Damage Repairs (\$948,986) and consultants in various funds.
- Payroll costs (\$4,162,717) are up 8.5% due to; establishing a trust to pre-fund the pension (\$62,290) and retiree health (\$181,972) liabilities; higher insurance costs; and they are within budget (\$4,185,616).
- Overall, costs are in line and in accordance with the budget.

Fiduciary Funds

- With the passage 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 \$3,990,302 (9.6 %) to \$45,414,249 from a year ago due to unclaimed allocations; revenue growth; the unspent FY 2023 Measure D proceeds (\$37,020,660); and the undistributed (unallocated) RSTPX (\$187,229) and TDA (\$1,110,370) funds.

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

**UNCLAIMED TDA AND STP EXCHANGE ALLOCATIONS
FY 2023 ENDING 6/30/2023**

	Total	TDA	RSTPX
County of Santa Cruz	5,248,778	941,614	4,307,164
City of Capitola	491,657	94,657	397,000
City of Santa Cruz	1,134,884	534,884	600,000
City Scotts Valley	1,040,824	111,055	929,769
City of Watsonville	2,192,472	640,632	1,551,840
SCCRTC	453,866	-	453,866
Unallocated	1,110,370	1,110,370	
Total Allocated	11,672,851	3,433,212	8,239,639

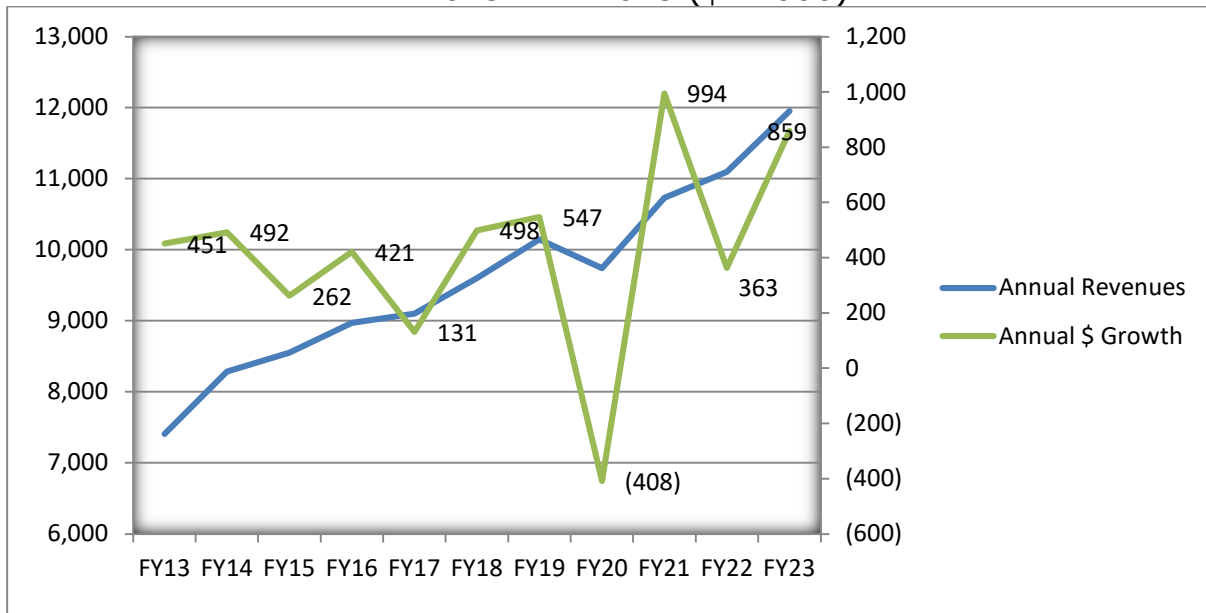
- The Net Position increased by \$3,149,410 (5.9%) to \$56,927,701 due to Measure D revenues (\$27,363,250) which are offset by expenses and disbursements to claimants of \$26,601,698 (pages 42-43).
- The State Transit Assistance (\$6,655,901) revenues increased 7%.
- The audit report shows an increase in TDA revenue of \$ 858,940 (7.7%) to \$12,098,099 from \$11,096,338 in FY 2022. 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>	
FY2013	7,796,002	-	
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%
FY2021	10,733,415	994,476	10.2%
FY2022	11,096,338	362,923	3.4%
FY2023	11,955,278	858,940	7.7%

Figure 2

TDA Annual Revenues and Changes – Last Ten (10) Years
FY 2013 – FY 2023 (\$ 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 91.6% the STA funds with the remaining 8.4% apportioned to Community Bridges Lift Line. The expenditure levels in the fiduciary funds are dependent on revenue fluctuations, the allocations, and the claims for disbursement.

5. CURRENT FINANCIAL ISSUES AND CONCERNS

Management has been able to control the discretionary expenses; however, continuing to secure new revenue sources to meet existing and increasing transportation needs continued to be a priority in FY 2022-23 and into the future. In November 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 2017 and federal approval of the Infrastructure Investment and Jobs Act (IIJA) in FY 2021-22 provided an increase and a degree of stability to transportation funding. Nonetheless these new fund sources have still not provided sufficient funds to meet all of the transportation priorities and needs identified by the public and project sponsors. The 2045 Regional Transportation Plan (RTP) identifies a funding gap of nearly \$5 billion. Part of what exacerbates the funding gap is the fact that construction costs have increased significantly and continue to increase and some projects have received fewer bids than in years past. Therefore, the RTC continues to work with agencies throughout the county and state to leverage local funds to increase transportation funding and use existing funds efficiently.

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/Coastal Rail Trail projects and maintenance, and rail corridor projects. Scoping project grant applications to be multi-modal has proved to be a successful strategy in securing competitive grants. Partnering with the County of Santa Cruz and Santa Cruz METRO to not only build auxiliary lanes on Highway 1 between Soquel Drive and State Park Drive but also implement Bus on Shoulders on the highway and make bicycle, pedestrian and transit improvements along Soquel Drive. In December 2021, the RTC and its partners secured \$107.2 million from the State for these projects which will be implemented in FYs 2022-23 and 2023-24. Measure D funds were used to leverage this state grant.

Throughout FY 2022-23, the RTC continued to implement the voter-approved investment plan for the Measure D sales tax measure. Measure D is estimated to raise approximately \$27 million per year (in 2023 dollars) 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 and 2022-2023 winter storms caused significant damage to portions of the rail line right-of-way. The 2017 storm damage repair work was completed in FY 2022-23. However, from late December 2022 through March 2023, several severe storms again damaged the rail line in multiple locations. Work commenced in early winter 2023 and is ongoing to repair these damages and to remove storm debris. The 2017 and 2022-2023 storm damages were caused by federally declared major disasters and are considered eligible for Federal Emergency Management Agency (FEMA) reimbursement. The RTC continues to work with the FEMA and the California Office of Emergency Services (Cal OES) to obtain maximum reimbursement for the storm damage repair work. 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.

Future liabilities associated with retirement and other post-employment benefits (OPEB) continue to impact the RTC's net position. For a number of years, the RTC has been making additional payments to CalPERS to address the future liability associated with retirement benefits and has been investigating options for addressing the OPEB future liability. In FY 2022-23, the RTC continued to make contributions to a Section 115 trust to address the OPEB future liability.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 6,716,262
Receivables	8,363,404
Deposits held by others	10,866
Prepaid items	179,462
Right of use asset, net	382,966
Capital assets:	
Nondepreciable	20,876,753
Depreciable, net	<u>315,183</u>
 Total assets	 <u>36,844,896</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	1,630,127
OPEB related	<u>347,791</u>
 Total deferred outflows of resources	 <u>1,977,918</u>
LIABILITIES	
Accounts payable	8,469,452
Accrued expenses	66,129
Due to other agencies	1,224,587
Unearned revenue	226,334
Current portion of compensated absences	104,373
Current portion of lease payable	86,804
Noncurrent liabilities:	
Compensated absences	313,117
Lease payable	321,973
Net pension liability	1,629,316
OPEB liability	<u>2,346,462</u>
 Total liabilities	 <u>14,788,547</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	166,278
OPEB related	<u>870,063</u>
 Total deferred inflows of resources	 <u>1,036,341</u>
NET POSITION	
Net investment in capital assets	21,166,125
Restricted for programs	2,145,071
Unrestricted	<u>(313,270)</u>
 Total net position	 <u>\$ 22,997,926</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, 2023

	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Contributions	Changes in
			and Grants	Net Position
			Capital	
			Contributions	
			and Grants	
Governmental activities:				
Transportation	\$ 20,512,285	\$ -	\$ 20,304,774	\$ -
				\$ (207,511)
Total governmental activities	<u>\$ 20,512,285</u>	<u>\$ -</u>	<u>\$ 20,304,774</u>	<u>\$ -</u>
				(207,511)
General Revenues				
Investment income				166,481
Other				<u>408,006</u>
Total general revenues				<u>574,487</u>
Change in net position				366,976
Net position - beginning of fiscal year				<u>22,630,950</u>
Net position - end of fiscal year				<u>\$ 22,997,926</u>

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2023

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund	Freeway Service Patrol Fund
ASSETS				
Cash and investments	\$ 3,505,934	\$ 1,596,101	\$ 489,011	\$ 95,730
Accounts receivable	6,651	40,778	4	
Due from other agencies	350,398	5,805,629	69,729	84,859
Due from fiduciary funds	57,865	208,586	13,103	37,888
Due from other funds	984			
Deposits held by others	10,866			
Prepaid items	178,850			612
Total assets	\$ 4,111,548	\$ 7,651,094	\$ 571,847	\$ 219,089
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 436,494	\$ 1,035,278	\$ 6,734	\$ 38,705
Accrued payroll	66,129			
Unearned revenue	179,967	1,000		
Due to other agencies	260,450	25,947	35,553	
Due to fiduciary funds	30,699	5,910,150		
Due to other funds		984		
Total liabilities	973,739	6,973,359	42,287	38,705
Fund Balances:				
Nonspendable:				
Prepaid items	178,850			612
Deposits held by others	10,866			
Restricted:				
Transportation planning		677,735	529,560	179,772
Unassigned	2,948,093			
Total fund balances	3,137,809	677,735	529,560	180,384
Total liabilities and fund balances	\$ 4,111,548	\$ 7,651,094	\$ 571,847	\$ 219,089

The accompanying notes are an integral part of this statement.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
GOVERNMENTAL FUNDS
BALANCE SHEET (CONTINUED)
June 30, 2023

	Highway 1 Program Fund	Highway 1 Auxiliary Fund	Cruz 511 Fund	Active Transportation MBSST Fund	Totals
ASSETS					
Cash and investments	\$ 157,699	\$ 121,966	\$ 507,356	\$ 242,465	\$ 6,716,262
Accounts receivable					47,433
Due from other agencies		354,610			6,665,225
Due from fiduciary funds		913,672		419,632	1,650,746
Due from other funds					984
Deposits held by others					10,866
Prepaid items					179,462
Total assets	\$ 157,699	\$ 1,390,248	\$ 507,356	\$ 662,097	\$ 15,270,978
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 744,189	\$ 7,594	\$ 184,005	\$ 2,452,999
Accrued payroll					66,129
Unearned revenue				45,367	226,334
Due to other agencies		460,126	46,380	396,131	1,224,587
Due to fiduciary funds		51,345	24,259		6,016,453
Due to other funds					984
Total liabilities		1,255,660	78,233	625,503	9,987,486
Fund Balances:					
Nonspendable:					
Prepaid items					179,462
Deposits held by others					10,866
Restricted:					
Transportation planning	157,699	134,588	429,123	36,594	2,145,071
Unassigned					2,948,093
Total fund balances	157,699	134,588	429,123	36,594	5,283,492
Total liabilities and fund balances	\$ 157,699	\$ 1,390,248	\$ 507,356	\$ 662,097	\$ 15,270,978

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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, 2023

Total Fund Balances - Governmental Funds \$ 5,283,492

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 and right to use assets and accumulated depreciation and amortization

Capital assets at historical cost	\$	21,381,574	
Accumulated depreciation		(189,638)	
Right of use assets		548,167	
Accumulated amortization		<u>(165,201)</u>	
Net			21,574,902

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	\$	417,490	
Lease payable		408,777	
OPEB liability		2,346,462	
Net pension liability		<u>1,629,316</u>	
Total			(4,802,045)

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	\$	(166,278)	
Deferred inflows of resources relating to OPEB		(870,063)	
Deferred outflows of resources relating to pensions		1,630,127	
Deferred outflows of resources relating to OPEB		<u>347,791</u>	
			<u>941,577</u>

Total Net Position - Governmental Activities \$ 22,997,926

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, 2023

	Administration and Planning Fund	Rail/Trail Authority Fund	Service Authority for Freeway Emergencies Fund	Freeway Service Patrol Fund
Revenues				
Local Transportation Funds	\$ 1,824,442	\$ -	\$ -	\$ -
Motor vehicle fees			252,582	
California Department of Transportation Grant - SB1				121,672
RSTP Exchange Funds	205,243	1,025,606		
SCCP				
State Planning, Programming and Monitoring Funds	85,548			
Local Partnership Program Grant				
Caltrans Grant (FSP)				175,452
State Rural Planning Assistance	336,283			
Sustainable Transportation Grant CDFW	15,197			
Sustainable Transportation Grant WCB	79,657			
FEMA		957,785		
SHA Grant	46,556			
Aid from other governments	90,000		38,408	
Land Trust	893,775			
Measure D	3,243,583	1,241,866	13,103	165,206
Use of money and property	48,451	85,032	10,757	2,267
Other	53,824	354,182		
	<u>6,922,559</u>	<u>3,664,471</u>	<u>314,850</u>	<u>464,597</u>
Expenditures				
Salaries and benefits	1,583,925	712,617	93,297	75,275
Services and supplies	549,497	2,083,211	249,372	9,014
Bike Challenge	53,623			
Bike to Work	72,000			
SHA Climate Adaption Grant	11,078			
Community Traffic Safety Coalition	239,816			
Towing service				378,040
Regional Conservation Investment Study	54,248			
Measure D Administration	35,467			
Bike SC Project Paseo	42,366			
Scotts Creek Marsh	9,439			
SR9 San Lorenzo Valley Complete Streets	243,284			
Highway 17 Wildlife Crossing	3,230,082			
Other	6,980	948,986		
Capital outlay	5,012			
Debt Service:				
Principal on lease	81,437			
Interest on lease	13,601			
	<u>6,231,855</u>	<u>3,744,814</u>	<u>342,669</u>	<u>462,329</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>690,704</u>	<u>(80,343)</u>	<u>(27,819)</u>	<u>2,268</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, 2023

	Highway 1 Program Fund	Highway 1 Auxiliary Lanes Fund	Cruz 511 Fund	Active Transportation MBSST Fund	Totals
Revenues					
Local Transportation Funds	\$ -	\$ -	\$ -	\$ -	\$ 1,824,442
Motor vehicle fees					252,582
California Department of Transportation Grant - SB1					121,672
RSTP Exchange Funds				219,294	1,450,143
SCCP		105,323			105,323
State Planning, Programming and Monitoring Funds		380,843			466,391
Local Partnership Program Grant		561,358			561,358
Caltrans Grant (FSP)					175,452
State Rural Planning Assistance					336,283
Sustainable Transportation Grant CDFW					15,197
Sustainable Transportation Grant WCB					79,657
FEMA					957,785
SHA Grant					46,556
Aid from other governments					128,408
Land Trust					893,775
Measure D		5,568,508	200,000	2,457,484	12,889,750
Use of money and property	2,795	7,528	8,999	652	166,481
Other					408,006
Total revenues	2,795	6,623,560	208,999	2,677,430	20,879,261
Expenditures					
Salaries and benefits		620,485	178,131	898,987	4,162,717
Services and supplies		5,134,438	158,528	1,799,090	9,983,150
Bike Challenge					53,623
Bike to Work					72,000
Bike/Walk Smart					11,078
Community Traffic Safety Coalition					239,816
Towing service					378,040
Regional Conservation Investment Study					54,248
Measure D Administration					35,467
Bike SC Project Paseo					42,366
Scotts Creek Marsh					9,439
SR9 San Lorenzo Valley Complete Streets					243,284
Highway 17 Wildlife Crossing					3,230,082
Other					955,966
Capital outlay		1,199,732			1,204,744
Debt Service:					
Principal on lease					81,437
Interest on lease					13,601
Total expenditures		6,954,655	336,659	2,698,077	20,771,058
Excess of revenues over (under) expenditures	2,795	(331,095)	(127,660)	(20,647)	108,203

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, 2023

	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	580,704	29,657	(77,819)	2,268
Fund balances - July 1	2,557,105	648,078	607,379	178,116
Fund balances - June 30	<u>\$ 3,137,809</u>	<u>\$ 677,735</u>	<u>\$ 529,560</u>	<u>\$ 180,384</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, 2023

	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	2,795	(331,095)	(77,660)	(20,647)	108,203
Fund balances - July 1	154,904	465,683	506,783	57,241	5,175,289
Fund balances - June 30	<u>\$ 157,699</u>	<u>\$ 134,588</u>	<u>\$ 429,123</u>	<u>\$ 36,594</u>	<u>\$ 5,283,492</u>

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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, 2023

Net Change in Fund Balances - Governmental Funds \$ 108,203

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 \$1,204,744 was more than depreciation expense of \$21,534 in the period. 1,183,210

Right of use assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the length of the lease. This is the amount by which additions to right of use assets of \$0 is less than amortization expense of \$90,110. (90,110)

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 \$13,373. (13,373)

The issuance of lease payable provides current financial resources to governmental funds, while the repayment of the principal of lease payable consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The amount is the net effect of these differences in the treatment of lease payable and related items.

Principal payments \$ 81,437 81,437

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 fiscal year, the difference between accrual-basis pension costs and actual employer contributions was: (913,516)

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: 11,125

Change in Net Position - Governmental Activities \$ 366,976

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, 2023

	Private Purpose Trust Funds			
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund	Measure D Fund
ASSETS				
Cash and investments	\$ 2,774,246	\$ 1,107	\$ 5,316,826	\$ 37,020,660
Accounts receivable	2,256,914		4,186,323	4,896,720
Due from SCCRTC			4,542,077	1,474,376
Due from other agencies		1,861,707		
Deposits held by others				228,500
Prepays				60,553
Total assets	5,031,160	1,862,814	14,045,226	43,680,809
LIABILITIES				
Accounts payable				2,826,951
Due to SCCRTC				1,650,746
Due to other agencies		1,862,814	1,405,132	
Total liabilities		1,862,814	1,405,132	4,477,697
NET POSITION				
Held in trust for other governments	\$ 5,031,160	\$ -	\$ 12,640,094	\$ 39,203,112

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, 2023

	<u>Pension (and Other Employee Benefits) Trust Funds</u>				<u>Totals</u>
	<u>Low Carbon Transit Operators Program Fund</u>	<u>PERS Health Fund</u>	<u>In Lieu of Social Security Fund</u>	<u>Miscellaneous Deductions Fund</u>	
ASSETS					
Cash and investments	\$ 300,615	\$ -	\$ -	\$ 795	\$ 45,414,249
Accounts receivable					11,339,957
Due from SCCRTC					6,016,453
Due from other agencies					1,861,707
Deposits held by others					228,500
Prepays					60,553
	<u>300,615</u>			<u>795</u>	<u>64,921,419</u>
Total assets					
LIABILITIES					
Accounts payable				278	2,827,229
Due to SCCRTC					1,650,746
Due to other agencies	247,797				3,515,743
	<u>247,797</u>			<u>278</u>	<u>7,993,718</u>
Total liabilities					
NET POSITION					
Held in trust for other governments	\$ 52,818	\$ -	\$ -	\$ 517	\$ 56,927,701

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2023

	Private Purpose Trust Funds			
	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund	Measure D Fund
Additions:				
Sales tax	\$ 12,098,099	\$ 6,655,901	\$ -	\$ 27,363,250
State highway exchange funds			4,234,823	
Contributions from SCCRTC				
State of Good Repair (SB1)		781,037		
LCTOP				
Other income			948,986	
Interest	51,695	1,107	101,419	683,216
Total additions	12,149,794	7,438,045	5,285,228	28,046,466
Deductions:				
Claimants:				
Santa Cruz Metropolitan Transit District	10,166,800	7,143,824		4,305,567
Santa Cruz County Regional Transportation Commission	1,824,442		1,362,839	12,011,309
City of Capitola			870,264	366,367
City of Santa Cruz	90,137			1,697,664
City of Scotts Valley				365,132
County of Santa Cruz			48,582	3,959,035
City of Watsonville				1,186,343
Community Bridges	998,843	294,221		1,076,392
Volunteer Center	118,910			
Salaries and benefits				1,507,268
Services and supplies				47,270
Consultant services				79,351
Plan payments				
Total deductions	13,199,132	7,438,045	2,281,685	26,601,698
Change in net position	(1,049,338)		3,003,543	1,444,768
Net position - beginning of fiscal year	6,080,498		9,636,551	37,758,344
Net position - end of fiscal year	<u>\$ 5,031,160</u>	<u>\$ -</u>	<u>\$ 12,640,094</u>	<u>\$ 39,203,112</u>

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, 2023

	<u>Pension (and Other Employee Benefits) Trust Funds</u>				<u>Totals</u>
	<u>Low Carbon Transit Operators Program Fund</u>	<u>PERS Health Fund</u>	<u>In Lieu of Social Security Fund</u>	<u>Miscellaneous Deductions Fund</u>	
Additions:					
Sales tax	\$ -	\$ -	\$ -	\$ -	\$ 46,117,250
State highway exchange funds					4,234,823
Contributions from SCCRTC				288	288
State of Good Repair (SB1) LCTOP					781,037
Other income					948,986
Interest	5,146				842,583
Total additions	<u>5,146</u>			<u>288</u>	<u>52,924,967</u>
Deductions:					
Claimants:					
Santa Cruz Metropolitan Transit District					21,616,191
Santa Cruz County Regional Transportation Commission					15,198,590
City of Capitola					1,236,631
City of Santa Cruz					1,787,801
City of Scotts Valley					365,132
County of Santa Cruz					4,007,617
City of Watsonville					1,186,343
Community Bridges Volunteer Center	247,797				2,617,253
Salaries and benefits					1,507,268
Services and supplies					47,270
Consultant services					79,351
Plan payments		945		6,255	7,200
Total deductions	<u>247,797</u>	<u>945</u>		<u>6,255</u>	<u>49,775,557</u>
Change in net position	(242,651)	(945)		(5,967)	3,149,410
Net position - beginning of fiscal year	<u>295,469</u>	<u>945</u>		<u>6,484</u>	<u>53,778,291</u>
Net position - end of fiscal year	<u>\$ 52,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 517</u>	<u>\$ 56,927,701</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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 meet 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, No. 80, and No. 90.

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 are 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, Low Carbon Transit Operators Program 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's 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.

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.

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 9 and Note 11 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 9 and 11 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, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Right of use assets

The Commission has recorded right of use lease assets as a result of implementing GASB Statement No. 87. The right of use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

S. Future Accounting Pronouncements

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

Statement No. 99	"Omnibus 2022"	The provisions of this statement are effective in April 2022 except for the provisions related to leases, PPPs, SBITAs, financial guarantees and derivative instruments. The provisions related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The provisions related to financial guarantees and derivative instruments are effective for fiscal years beginning after June 15, 2023.
Statement No. 100	"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

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, 2023, the Commission had the following cash and investments on hand:

Cash in bank and on hand	\$ 60,635
Cash and investments with the Santa Cruz County Treasurer’s Investment Fund	<u>52,069,876</u>
Total cash and investments	<u><u>\$ 52,130,511</u></u>

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

Cash and investments, statement of net position	\$ 6,716,262
Cash and investments, statement of fiduciary net position	<u>45,414,249</u>
Total cash and investments	<u><u>\$ 52,130,511</u></u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (Continued)

The Commission categorizes its fair value measurements within the fair value hierarchy established by U.S. 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 did not have investments there are measured under Level 1, Level 2 or Level 3.

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	\$ 52,069,876	\$ 52,069,876	\$ -	\$ -	\$ -
Total	\$ 52,069,876	\$ 52,069,876	\$ -	\$ -	\$ -

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	\$ 52,069,876	N/A	\$ -	\$ -	\$ -	\$ 52,069,876
Total	\$ 52,069,876		\$ -	\$ -	\$ -	\$ 52,069,876

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.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 2 – CASH AND INVESTMENTS (Continued)

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, 2023:

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)	\$ 342,873	\$ -	\$ -	\$ 84,859	\$ -	\$ 354,610
Federal grants (DOT)	5,272	5,805,629				
Other	2,253		69,729			
Totals	\$ 350,398	\$ 5,805,629	\$ 69,729	\$ 84,859	\$ -	\$ 354,610

Agency	Special Revenue Funds (cont)			Fiduciary Funds		
	Cruz 511 Fund	Active Transportation MBSST Fund	Local Transportation Fund	State Transit Assistance Fund	Surface Transportation Program Exchange Fund	Low Carbon Transit Operators Program Fund
State grants (DOT)	\$ -	\$ -	\$ -	\$ 1,861,707	\$ -	\$ -
Federal grants (DOT)						
Totals	\$ -	\$ -	\$ -	\$ 1,861,707	\$ -	\$ -

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 3 – DUE FROM OTHER AGENCIES (Continued)

Fiduciary Funds (cont)	
Agency	Measure D Fund
State grants (DOT)	\$ -
Federal grants (DOT)	
Totals	<u>\$ -</u>

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, 2023, are as follows:

	Interfund Receivables	Interfund Payables
Major Funds:		
Administration and Planning	\$ 984	\$ -
Rail/Trail Authority		984
	<u>\$ 984</u>	<u>\$ 984</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 2022-2023 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, 2023

NOTE 5 – RIGHT OF USE ASSET

Right of use asset activity for the Commission for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1	Additions	Reductions	Balance June 30
Right of use assets				
Leased office	\$ 548,167	\$ -	\$ -	\$ 548,167
Total right of use assets	<u>548,167</u>			<u>548,167</u>
Less accumulated amortization for:				
Leased office	75,091	90,110		165,201
Total accumulated amortization	<u>75,091</u>	<u>90,110</u>		<u>165,201</u>
Right of use assets, net	<u>\$ 473,076</u>	<u>\$ (90,110)</u>	<u>\$ -</u>	<u>\$ 382,966</u>

NOTE 6 – LEASE PAYABLE

On August 23, 2021, the Commission agreed to new terms on an amendment to the office space lease agreement to extend the term to September 30, 2027. Rent is \$7,745 per month and increases by 3% on October 1st of each subsequent fiscal year. The lease liability is measured at a discount rate of 3%, which is the U.S Treasury Bill rate. As a result of the lease, the Commission has recorded a right of use asset of \$548,167.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Fiscal Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 86,804	\$ 11,084	\$ 97,888
2025	92,422	8,404	100,826
2026	98,299	5,551	103,850
2027	104,448	2,518	106,966
2028	26,804	134	26,938
	<u>\$ 408,777</u>	<u>\$ 27,691</u>	<u>\$ 436,468</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 7 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Governmental activities				
Nondepreciable capital assets				
Right of way	\$ 14,200,000	\$ -	\$ -	\$ 14,200,000
Land		1,028,342		1,028,342
Construction in progress	5,648,411			5,648,411
Total nondepreciable capital assets	<u>\$ 19,848,411</u>	<u>\$ 1,028,342</u>	<u>\$ -</u>	<u>\$ 20,876,753</u>
Depreciable capital assets				
Equipment	\$ 211,632	\$ 5,012	\$ -	\$ 216,644
Building		171,390		171,390
Leasehold improvements	116,787			116,787
Total depreciable capital assets	328,419	176,402		504,821
Less accumulated depreciation	(168,104)	(21,534)		(189,638)
Net depreciable capital assets	<u>\$ 160,315</u>	<u>\$ 154,868</u>	<u>\$ -</u>	<u>\$ 315,183</u>
Net capital assets	<u>\$ 20,008,726</u>	<u>\$ 1,183,210</u>	<u>\$ -</u>	<u>\$ 21,191,936</u>

NOTE 8 – LONG-TERM LIABILITIES

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2023, is shown below:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due within One Year
Governmental activities					
Compensated Absences	\$ 404,117	\$ 258,227	\$ 244,854	\$ 417,490	\$ 104,373
Lease payable	490,214		81,437	408,777	86,804
OPEB Liability	2,639,104		292,642	2,346,462	
Net Pension Liability (Asset)	(111,641)	1,740,957		1,629,316	
Governmental activities Long-term liabilities	<u>\$ 3,421,794</u>	<u>\$ 1,999,184</u>	<u>\$ 618,933</u>	<u>\$ 4,802,045</u>	<u>\$ 191,177</u>

NOTE 9 – 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, 2023

NOTE 9 – 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, 2023, are summarized as follows:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 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	6.92%	6.75%
Required employer contribution rates	10.88% + \$133,401	7.47% + \$1,959

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 \$549,346 for the fiscal year ended June 30, 2023.

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

At June 30, 2023, the Commission reported \$1,629,316 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using 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, 2022, the Commission's proportion was 0.03482%, which increased by .04070% from June 30, 2021.

For the fiscal year ended June 30, 2023, the Commission recognized pension expense of \$1,462,862. 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, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pension from the sources shown on the following page:

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 9 – 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	\$ 549,346	\$ -
Differences between expected and actual experience	32,720	21,914
Changes in assumptions	166,957	
Net difference between projected and actual earnings on retirement plan investments	298,447	
Adjustment due to differences in proportions	455,599	64,938
Difference in actual contributions and proportionate share of contributions	127,058	79,426
	<u>\$ 1,630,127</u>	<u>\$ 166,278</u>

\$549,346 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 fiscal year ended June 30, 2024. 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
2024	\$ 295,925
2025	277,865
2026	158,172
2027	182,541
	<u>\$ 914,503</u>

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

- (1) The mortality table used was developed based on CalPERS' specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 9 – PENSION PLAN (Continued)

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

Change in Assumptions

For the measurement date of June 30, 2022, the discount rate was lowered from 7.15% to 6.90% and the inflation rate was decreased from 2.50% to 2.30%.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 6.90 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 6.90 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.

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 long-term market return expectations as well as the expected pension fund cash flows. Project returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

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

Asset Class	Assumed Asset Allocation	Real Return Years 1- 10(a)(b)
Global Equity - cap-weighted	30.0%	4.45%
Global Equity -non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.0%	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021-22 Asset Liability Management study.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 9 – 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 6.90 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 (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	1% Decrease <u>5.90%</u>	Discount Rate <u>6.90%</u>	1% Increase <u>7.90%</u>
District's proportionate share of the net pension plan liability	\$ 3,332,843	\$ 1,629,316	\$ 227,736

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, 2023, the Commission had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2023.

NOTE 10 – 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 11 – 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.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Description (Continued)

Benefits provided – Employees (SEIU and RAMM members) and executive directors become eligible to retire and receive monthly contributions from the Commission upon attainment of age 50 and five 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.

Employees Covered

As of the July 1, 2021, actuarial valuation, the following current and former employees were covered by the benefit terms under the Commission's Plan:

Active plan members	17
Inactive employees or beneficiaries currently receiving benefits	10
Total	<u>27</u>

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

Total OPEB Liability

The Commission's total OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated July 1, 2021. 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	4.75%
Inflation	2.75%
Salary Increases	3.00%
Mortality Rate	Mortality rates from 2021 CalPERS Experience Study
Healthcare Trend Rate	5.30% decreasing to 4.00% for 2070 and later years

Actuarial assumptions used in the July 1, 2021 valuation were based on a review of plan experience during the period July 1, 2019 to June 30, 2021.

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. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table on the following page provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Total OPEB Liability (Continued)

Asset Class	Assumed Asset Allocation	Real Rate of Return
Global ex-U.S. Equity	34%	4.80%
U.S. Fixed	41%	1.80%
TIPS	5%	1.60%
Real Estate	17%	3.70%
Commodities	3%	1.90%
Total	100%	

Change in assumptions. For the June 30, 2023 measurement date, the discount rate was increased from 3.69 percent to 4.75 percent. The medical cost trend rate decreased from 5.40 percent to 5.30 percent.

Discount rate. GASB Statement No. 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	Municipal 20 Year High Grade Rate Index	Discount Rate
June 30, 2022	June 30, 2022	3.69%	3.69%
June 30, 2023	June 30, 2023	3.69%	4.75%

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Changes in the OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	<u> </u>	<u> </u>	<u> </u>
Balance at June 30, 2022 (Valuation Date June 30, 2021)	\$ 2,639,104	\$ -	\$ 2,639,104
Changes recognized for the measurement period:			
Services cost	157,522		157,522
Interest	101,131		101,131
Changes of assumption	(355,422)		(355,422)
Contributions - employer		194,910	(194,910)
Net investment income		1,020	(1,020)
Benefit payments	(112,938)	(112,938)	
Administrative expense		(57)	57
Net Changes	<u>(209,707)</u>	<u>82,935</u>	<u>(292,642)</u>
Balance at June 30, 2023 (Measurement Date June 30, 2023)	<u>\$ 2,429,397</u>	<u>\$ 82,935</u>	<u>\$ 2,346,462</u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.75 percent) or 1 percentage-point higher (5.75 percent) than the current discount rate:

	1% Decrease 3.75%	Discount Rate 4.75%	1% Increase 5.75%
	<u> </u>	<u> </u>	<u> </u>
Net OPEB Liability	\$ 2,679,648	\$ 2,346,462	\$ 2,072,815

Sensitivity of the net OPEB liability to changes in the healthcare trend rates. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1 percentage-point lower (4.30 percent) or 1 percentage-point higher (6.30 percent) than the current healthcare cost trend rates:

	1% Decrease (4.30% Decreasing to 4.00%)	Healthcare Cost Trend Rate (5.30%) Decreasing to 4.00%	1% Increase (6.30%) Decreasing to 4.00%
	<u> </u>	<u> </u>	<u> </u>
Net OPEB Liability	\$ 1,999,136	\$ 2,346,462	\$ 2,781,687

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2023

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

For the fiscal year ended June 30, 2023, the Commission recognized OPEB expense of \$183,785. As of the fiscal year ended June 30, 2023, the Commission reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 23,794	\$ 5,060
Change in assumptions	321,804	865,003
Net difference between projected and actual earnings on retirement plan investments	2,193	
	<u>\$ 347,791</u>	<u>\$ 870,063</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (61,555)
2025	(74,278)
2026	(74,278)
2027	(97,383)
2028	(152,269)
2029-2030	(62,509)
	<u>\$ (522,272)</u>

NOTE 12 – 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, 2023, the Santa Cruz County Regional Transportation Commission received \$781,037. The funding was distributed to the Santa Cruz Metropolitan Transit District.

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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Transportation Funds	\$ 1,824,442	\$ 1,824,442	\$ 1,824,442	\$ -
RSTP Exchange	193,016	193,016	205,243	12,227
State Planning, Programming and Monitoring Funds	123,000	123,000	85,548	(37,452)
State Rural Planning Assistance	357,181	421,250	336,283	(84,967)
Sustainable Transportation Grant CDFW			15,197	15,197
Sustainable Transportation Grant WCB		55,725	79,657	23,932
SHA Grant	921,039	786,800	46,556	(740,244)
Measure D	6,054,795	6,054,795	3,243,583	(2,811,212)
Aid from other governments	90,000	90,000	90,000	
Land Trust			893,775	893,775
Use of money and property			48,451	48,451
Other	55,725	134,239	53,824	(80,415)
Total revenues	9,619,198	9,683,267	6,922,559	(2,760,708)
Expenditures				
Salaries and benefits	2,343,456	2,764,706	1,583,925	1,180,781
Services and supplies	887,865	882,685	549,497	333,188
Bike Challenge	31,503	31,503	53,623	(22,120)
Bike to Work	72,000	72,000	72,000	
SHA Climate Adaption Grant	150,000	150,000	11,078	138,922
Community Traffic Safety Coalition	156,000	210,783	239,816	(29,033)
Regional Conservation Investment Study	30,000	30,000	54,248	(24,248)
Measure D Administration	48,500	48,500	35,467	13,033
Bike SC Project Paseo	52,258	52,258	42,366	9,892
Scotts Creek Marsh			9,439	(9,439)
SR9 San Lorenzo Valley Complete Streets	281,700	281,700	243,284	38,416
RTP CEQA EIR	30,000	30,000		30,000
Highway 17 Wildlife Crossing	4,051,000	4,051,000	3,230,082	820,918
Other			6,980	(6,980)
Capital outlay	115,000	120,000	5,012	114,988
Debt Service:				
Principal on lease			81,437	(81,437)
Interest on lease			13,601	(13,601)
Total expenditures	8,249,282	8,725,135	6,231,855	2,493,280
Excess of revenues over (under) expenditures	1,369,916	958,132	690,704	(267,428)
Other Financing Sources (Uses):				
Operating transfers out	(110,000)	(110,000)	(110,000)	
Total other financing sources (uses)	(110,000)	(110,000)	(110,000)	
Change in fund balance	1,259,916	848,132	580,704	(267,428)
Fund balance - July 1	2,557,105	2,557,105	2,557,105	
Fund balance - June 30	\$ 3,817,021	\$ 3,405,237	\$ 3,137,809	\$ (267,428)

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Measure D	\$ 3,075,000	\$ 3,075,000	\$ 1,241,866	\$ (1,833,134)
Use of money and property	83,772	83,772	85,032	1,260
RSTP Exchange			1,025,606	1,025,606
FEMA			957,785	957,785
Other revenue	455,000	285,000	354,182	69,182
Total revenues	<u>3,613,772</u>	<u>3,443,772</u>	<u>3,664,471</u>	<u>220,699</u>
Expenditures				
Salaries and benefits	630,000	1,030,000	712,617	317,383
Services and supplies	2,250,523	2,925,523	2,083,211	842,312
Other	850,000		948,986	(948,986)
Total expenditures	<u>3,730,523</u>	<u>3,955,523</u>	<u>3,744,814</u>	<u>210,709</u>
Excess of revenues over (under) expenditures	<u>(116,751)</u>	<u>(511,751)</u>	<u>(80,343)</u>	<u>431,408</u>
Other Financing Sources (Uses):				
Operating transfers in	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	
Total other financing sources (uses)	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>	
Excess of revenues and other sources over (under) expenditures and other uses	<u>(6,751)</u>	<u>(401,751)</u>	<u>29,657</u>	<u>431,408</u>
Fund balance - July 1	<u>648,078</u>	<u>648,078</u>	<u>648,078</u>	
Fund balance - June 30	<u>\$ 641,327</u>	<u>\$ 246,327</u>	<u>\$ 677,735</u>	<u>\$ 431,408</u>

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Motor vehicle fees	\$ 257,750	\$ 257,750	\$ 252,582	\$ (5,168)
Aid from other governments	50,000	50,000	38,408	(11,592)
Measure D	50,000	50,000	13,103	(36,897)
Use of money and property	1,000	1,000	10,757	9,757
Total revenues	<u>358,750</u>	<u>358,750</u>	<u>314,850</u>	<u>(43,900)</u>
Expenditures				
Salaries and benefits	134,000	134,000	93,297	40,703
Services and supplies	<u>355,250</u>	<u>355,250</u>	<u>249,372</u>	<u>105,878</u>
Total expenditures	<u>489,250</u>	<u>489,250</u>	<u>342,669</u>	<u>146,581</u>
Excess of revenues over (under) expenditures	<u>(130,500)</u>	<u>(130,500)</u>	<u>(27,819)</u>	<u>102,681</u>
Other Financing Sources (Uses):				
Operating transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	
Excess of revenues and other sources over (under) expenditures and other uses	<u>(180,500)</u>	<u>(180,500)</u>	<u>(77,819)</u>	<u>102,681</u>
Fund balance - July 1	<u>607,379</u>	<u>607,379</u>	<u>607,379</u>	
Fund balance - June 30	<u>\$ 426,879</u>	<u>\$ 426,879</u>	<u>\$ 529,560</u>	<u>\$ 102,681</u>

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, 2023

	<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	\$ 145,683	\$ 145,683	\$ 121,672	\$ (24,011)
Caltrans Grant (FSP)	168,888	167,519	175,452	7,933
Measure D	183,124	183,124	165,206	(17,918)
Use of money and property			2,267	2,267
Total revenues	497,695	496,326	464,597	(31,729)
Expenditures				
Salaries and benefits	86,500	86,500	75,275	11,225
Services and supplies	17,200	12,200	9,014	3,186
Towing service	357,726	357,726	378,040	(20,314)
Total expenditures	461,426	456,426	462,329	(5,903)
Excess of revenues over (under) expenditures	36,269	39,900	2,268	(37,632)
Fund balance - July 1	178,116	178,116	178,116	
Fund balance - June 30	<u>\$ 214,385</u>	<u>\$ 218,016</u>	<u>\$ 180,384</u>	<u>\$ (37,632)</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, 2023

	<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	\$ -	\$ -	\$ 2,795	\$ 2,795
Other state revenue				
STP Exchange Funds				
Total revenues			2,795	2,795
Expenditures				
Salaries and benefits				
Services and supplies				
Total expenditures				
Excess of revenues over (under) expenditures			2,795	2,795
Fund balance - July 1	154,904	154,904	154,904	
Fund balance - June 30	<u>\$ 154,904</u>	<u>\$ 154,904</u>	<u>\$ 157,699</u>	<u>\$ 2,795</u>

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, 2023

	<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	\$ -	\$ -	\$ 7,528	\$ 7,528
SCCP	200,000	200,000	105,323	(94,677)
RSTP Exchange Funds	25,000	25,000		(25,000)
State Planning, Programming and Monitoring Funds	1,100,000	1,100,000	380,843	(719,157)
Local Partnership Program Grant Measure D	7,459,773	7,459,773	5,568,508	(1,891,265)
Total revenues	8,784,773	8,784,773	6,623,560	(2,161,213)
Expenditures				
Salaries and benefits	425,000	599,000	620,485	(21,485)
Services and supplies	8,359,773	8,185,773	5,134,438	3,051,335
Capital outlay			1,199,732	(1,199,732)
Total expenditures	8,784,773	8,784,773	6,954,655	1,830,118
Excess of revenues over (under) expenditures			(331,095)	(331,095)
Fund balance - July 1	465,683	465,683	465,683	
Fund balance - June 30	<u>\$ 465,683</u>	<u>\$ 465,683</u>	<u>\$ 134,588</u>	<u>\$ (331,095)</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
RSTP	\$ 68,663	\$ 68,663	\$ -	\$ (68,663)
Measure D	200,000	200,000	200,000	
Use of money and property	4,000	4,000	8,999	4,999
Total revenues	<u>272,663</u>	<u>272,663</u>	<u>208,999</u>	<u>(63,664)</u>
Expenditures				
Salaries and benefits	213,663	213,663	178,131	35,532
Services and supplies	206,100	236,100	158,528	77,572
Total expenditures	<u>419,763</u>	<u>449,763</u>	<u>336,659</u>	<u>113,104</u>
Excess of revenues over (under) expenditures	<u>(147,100)</u>	<u>(177,100)</u>	<u>(127,660)</u>	<u>49,440</u>
Other Financing Sources (Uses):				
Operating transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	
Excess of revenues and other sources over (under) expenditures and other uses	<u>(97,100)</u>	<u>(127,100)</u>	<u>(77,660)</u>	<u>49,440</u>
Fund balance - July 1	<u>506,783</u>	<u>506,783</u>	<u>506,783</u>	
Fund balance - June 30	<u>\$ 409,683</u>	<u>\$ 379,683</u>	<u>\$ 429,123</u>	<u>\$ 49,440</u>

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
RSTP Exchange Funds	\$ 425,000	\$ 425,000	\$ 219,294	\$ (205,706)
Measure D	7,972,341	11,349,841	2,457,484	(8,892,357)
Use of money and property			652	652
Total revenues	<u>8,397,341</u>	<u>11,774,841</u>	<u>2,677,430</u>	<u>(9,097,411)</u>
Expenditures				
Salaries and benefits	901,000	986,000	898,987	87,013
Services and supplies	<u>7,496,341</u>	<u>10,788,841</u>	<u>1,799,090</u>	<u>8,989,751</u>
Total expenditures	<u>8,397,341</u>	<u>11,774,841</u>	<u>2,698,077</u>	<u>9,076,764</u>
Excess of revenues over (under) expenditures			(20,647)	(20,647)
Fund balance - July 1	<u>57,241</u>	<u>57,241</u>	<u>57,241</u>	
Fund balance - June 30	<u>\$ 57,241</u>	<u>\$ 57,241</u>	<u>\$ #VALUE!</u>	<u>\$ #VALUE!</u>

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS

Last 10 Years*

As of June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability					
Service cost	\$ 157,522	\$ 224,198	\$ 211,434	\$ 177,210	\$ 113,898
Interest on the total OPEB liability	101,131	64,948	71,228	76,179	69,300
Actual and expected experience difference		32,946		(10,840)	
Changes in assumptions	(355,422)	(777,945)	246,455	357,350	139,953
Changes in benefit terms					
Benefit payments	(112,938)	(92,475)	(74,599)	(72,998)	(62,470)
Net change in total OPEB Liability	(209,707)	(548,328)	454,518	526,901	260,681
Total OPEB liability- beginning	2,639,104	3,187,432	2,732,914	2,206,013	1,945,332
Total OPEB liability- ending (a)	<u>\$ 2,429,397</u>	<u>\$ 2,639,104</u>	<u>\$ 3,187,432</u>	<u>\$ 2,732,914</u>	<u>\$ 2,206,013</u>
Plan Fiduciary Net Position					
Contribution - employer	194,910				
Net investment income	1,020				
Benefit payments	(112,938)				
Administrative expense	(57)				
Net change in plan fiduciary net position	82,935				
Plan fiduciary net position- beginning					
Plan fiduciary net position- ending (b)	<u>\$ 82,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 2,346,462</u>	<u>\$ 2,639,104</u>	<u>\$ 3,187,432</u>	<u>\$ 2,732,914</u>	<u>\$ 2,206,013</u>
Plan fiduciary net position as a percentage of of the total OPEB liability	3.41%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 2,416,614	\$ 2,127,147	\$ 1,961,919	\$ 1,880,332	\$ 1,888,097
District's net OPEB liability as a percentage of covered payroll	97.10%	124.07%	162.47%	145.34%	116.84%
	2018				
Total OPEB Liability					
Service cost	\$ 121,414				
Interest on the total OPEB liability	60,196				
Actual and expected experience difference					
Changes in assumptions	(133,982)				
Changes in benefit terms					
Benefit payments	(50,598)				
Net change in total OPEB liability	(2,970)				
Total OPEB liability- beginning	1,948,302				
Total OPEB liability - ending	<u>\$ 1,945,332</u>				
Plan Fiduciary Net Position					
Contribution - employer					
Net investment income					
Benefit payments					
Admin covered payroll					
Net change in plan fiduciary net position					
Plan fiduciary net position- beginning					
Plan fiduciary net position- ending (b)	<u>\$ -</u>				
Net OPEB liability - ending (a)-(b)	<u>\$ 1,945,332</u>				
Plan fiduciary net position as a percentage of of the total OPEB liability	0.00%				
Covered payroll	\$ 1,374,598				
District's net OPEB liability as a percentage of covered payroll	141.52%				

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION

SCHEDULE OF OPEB CONTRIBUTIONS

Last 10 Years*

As of June 30, 2023

The Commission's contribution for the fiscal year ended June 30, 2023 was \$307,848. The Commission did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2023, 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, 2022 was \$92,475. The Commission did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2022, 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, 2021 was \$74,599. The Commission did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2021, 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, 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 six years are shown.

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Last 10 Years*

As of June 30, 2023

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Proportion of the net pension liability	0.01411%	-0.00206%	0.01556%	0.01626%	0.01717%
Proportionate share of the net pension liability	\$ 1,629,316	\$ (111,641)	\$ 1,692,619	\$ 1,665,720	\$ 1,654,850
Covered payroll	\$ 2,240,016	\$ 1,967,823	\$ 1,880,332	\$ 2,081,870	\$ 1,590,897
Proportionate share of the net pension liability as percentage of covered payroll	72.74%	-5.67%	90.02%	80.01%	104.02%
Plan's total pension liability	\$ 49,525,975,138	\$ 46,174,942,264	\$ 43,702,930,887	\$ 41,426,453,489	\$ 38,944,855,364
Plan's fiduciary net position	\$ 37,975,170,163	\$ 40,766,653,876	\$ 32,822,501,335	\$ 31,179,414,067	\$ 29,308,589,559
Plan fiduciary net position as a percentage of the total pension liability	76.68%	88.29%	75.10%	75.26%	75.26%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Proportion of the net pension liability	0.01902%	0.01925%	0.01875%	0.02073%	
Proportionate share of the net pension liability	\$ 1,886,393	\$ 1,665,777	\$ 1,286,988	\$ 1,289,646	
Covered payroll	\$ 1,541,379	\$ 1,523,462	\$ 1,351,432	\$ 1,333,752	
Proportionate share of the net pension liability as percentage of covered payroll	122.38%	109.34%	95.23%	96.69%	
Plan's total pension liability	\$ 37,161,348,332	\$ 33,358,627,624	\$ 31,771,217,402	\$ 30,829,966,631	
Plan's fiduciary net position	\$ 27,244,095,376	\$ 24,705,532,291	\$ 24,907,305,871	\$ 24,607,502,515	
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	79.82%	

Note to Schedule:

Change in assumptions

In 2023, the discount rate was decreased to 6.90% and the inflation rate was decreased to 2.30%.

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

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION**SCHEDULE OF PENSION CONTRIBUTIONS**

Last 10 Years*

As of June 30, 2023

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution (actuarially determined)	\$ 549,346	\$ 454,857	\$ 725,030	\$ 440,212	\$ 443,077
Contribution in relation to the actuarially determined contributions	<u>(549,346)</u>	<u>(454,857)</u>	<u>(725,030)</u>	<u>(440,212)</u>	<u>(443,077)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,127,147	\$ 2,240,016	\$ 1,967,823	\$ 1,880,332	\$ 2,081,870
Contributions as a percentage of covered payroll	25.83%	20.31%	36.84%	23.41%	21.28%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Contractually required contribution (actuarially determined)	\$ 552,504	\$ 267,135	\$ 214,636	\$ 170,439	
Contribution in relation to the actuarially determined contributions	<u>(552,504)</u>	<u>(267,135)</u>	<u>(214,636)</u>	<u>(170,439)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 1,590,897	\$ 1,541,379	\$ 1,523,462	\$ 1,351,432	
Contributions as a percentage of covered payroll	34.73%	17.33%	14.09%	12.61%	

Notes to Schedule

There were no significant changes to the actuarial methods or assumptions for the contributions.

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

SUPPLEMENTARY INFORMATION SECTION

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

Santa Cruz County Regional Transportation Commission
Santa Cruz, California

Report on Compliance

Opinion on Compliance with the Transportation Development Act

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, 2023.

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, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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*; published by the State of California Department of Transportation. Our responsibilities under those standards and the *Transportation Development Act Guidebook* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Santa Cruz County Regional Transportation Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Santa Cruz County Regional Transportation Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Transportation Development Act.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Santa Cruz County Regional Transportation Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and *Transportation Development Act Guidebook* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Santa Cruz County Regional Transportation Commission's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Transportation Development Act Guidebook*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the *Transportation Development Act Guidebook*, but not for the purpose of expressing an opinion on the effectiveness of the Santa Cruz County Regional Transportation Commission’s internal control. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *Transportation Development Act Guidebook*. Accordingly, this report is not suitable for any other purpose.

Moss, Remy & Hartgeheim LLP

Santa Maria, California
February 15, 2024

**INDEPENDENT AUDITORS' REPORT ON
MEASURE D COMPLIANCE**

Santa Cruz County Regional Transportation Commission
Santa Cruz, California

Report on Compliance

Opinion on Compliance with the Measure D

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, 2023.

In our opinion, the funds allocated to and received by Santa Cruz County Regional Transportation Commission pursuant to the Measure D, complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements of Measure D and the allocation instructions and resolutions of Santa Cruz County Regional Transportation Commission for the fiscal year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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*. Our responsibilities under those standards and the *Ordinance No. 2016-01* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Santa Cruz County Regional Transportation Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Santa Cruz County Regional Transportation Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Measure D.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Santa Cruz County Regional Transportation Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and *Ordinance No. 2016-01* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Santa Cruz County Regional Transportation Commission's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and *Ordinance No. 2016-01*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with *Ordinance No. 2016-01*, but not for the purpose of expressing an opinion on the effectiveness of the Santa Cruz County Regional Transportation Commission's internal control. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *Ordinance No. 2016-01*. Accordingly, this report is not suitable for any other purpose.

Moss, Remy & Hantgen LLP

Santa Maria, California
February 15, 2024

SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION
SCHEDULE OF ALLOCATIONS AND EXPENDITURES
LOCAL TRANSPORTATION FUND
For the Fiscal Year Ended June 30, 2023

Claimant/Purpose/Authority*	Allocated Balance July 1, 2022	Allocation	Expended	Allocated Balance June 30, 2023
Santa Cruz Metropolitan Transit District				
Transit operator assistance PUC § 99260(a)	\$ -	\$ 10,166,800	\$ 10,166,800	\$ -
Totals		10,166,800	10,166,800	
Santa Cruz County Regional Transportation Commission Administration				
PUC § 99233.1		858,287	858,287	
Planning PUC § 99402		738,155	738,155	
Pedestrian and bicycle PUC § 99400 (a)		228,000	228,000	
Totals		1,824,442	1,824,442	
City of Santa Cruz				
Volunteer Center and Community Bridges PUC § 99400 (c)		1,117,753	1,117,753	
Pedestrian and bicycle PUC § 99400 (a)	494,598	130,423	90,137	534,884
Totals	494,598	1,248,176	1,207,890	534,884
County of Santa Cruz				
Pedestrian and bicycle PUC § 99400 (a)	635,631	305,983		941,614
Totals	635,631	305,983		941,614
City of Scotts Valley				
Pedestrian and bicycle PUC § 99400 (a)	83,754	27,301		111,055
Totals	83,754	27,301		111,055
City of Capitola				
Pedestrian and bicycle PUC § 99400 (a)	71,221	23,436		94,657
Totals	71,221	23,436		94,657
City of Watsonville				
Pedestrian and bicycle PUC § 99400 (a)	521,334	119,298		640,632
Totals	521,334	119,298		640,632
Grand totals	\$ 1,806,538	\$ 13,715,436	\$ 13,199,132	\$ 2,322,842

* 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, 2023

Claimant/Purpose/Authority*	Allocated Balance <u>July 1, 2022</u>	Allocation	Expended	Allocated Balance <u>June 30, 2023</u>
Santa Cruz Metropolitan Transit District				
Transit operator assistance CAC § 6730 a	\$ -	\$ 7,143,824	\$ 7,143,824	\$ -
Total	<u>\$ -</u>	<u>\$ 7,143,824</u>	<u>\$ 7,143,824</u>	<u>\$ -</u>
City of Santa Cruz				
Community Bridges CAC § 6730 a	\$ -	\$ 294,221	\$ 294,221	\$ -
	<u>\$ -</u>	<u>\$ 294,221</u>	<u>\$ 294,221</u>	<u>\$ -</u>