

PUBLIC ADVISORY REGARDING COVID-19 AND PUBLIC PARTICIPATION

Pursuant to AB 361 and Cal. Gov. Code Section 54953 the regular meetings of the

**LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA) AND
THE LIBRARY JOINT POWERS AUTHORITY (LJPA) BOARD
ON THURSDAY, FEBRUARY 3 AT 9:00 AM**

This meeting will be held via Zoom teleconference ONLY

Board Members and Library Staff Members will be participating remotely via videoconference.

Public Viewing:

The meeting will be broadcast through the Santa Cruz Libraries YouTube channel <https://www.youtube.com/user/SantaCruzPL> which you can access through the Santa Cruz Libraries website by scrolling to the bottom of the page and clicking on the YouTube icon.

Public Participation:

For those wishing to participate via Zoom you can join from a PC, Mac, iPad, iPhone or Android device by entering or clicking on the following URL:

Please click the link below to join the webinar:

<https://us06web.zoom.us/j/83043225150>

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US: +1 669 900 6833 or +1 253 215 8782 or +1 346 248 7799 or +1 301 715 8592 or +1 312 626 6799 or +1 929 205 6099 or 877 853 5247 (Toll Free) or 888 788 0099 (Toll Free) or 833 548 0276 (Toll Free) or 833 548 0282 (Toll Free)

Webinar ID: 830 4322 5150

The meetings will be recorded and posted for viewing after the meetings on the Santa Cruz Public Libraries website <http://www.santacruzpl.org/>

There are four ways to comment during meetings. All comments must be received prior to the close of public comment on that agenda item:

1. How to comment on agenda items via email before the meeting begins:

Members of the public may provide public comment by sending comments via email to the Library Board Clerk at clerk@santacruzpl.org

- Identify the agenda item number in the subject line of the email.
- Emailed comments should be a maximum of 500 words, which corresponds to approximately 3 minutes of speaking time.
- Each emailed comment will be read aloud for up to three minutes.
- Emails received by clerk@santacruzpl.org outside of the comment period outlined above will not be included in the record.

2. How to comment on agenda items during the meeting and prior to the close of public comment on an item, via the Zoom Q&A feature:

- Type your comment using the Q&A feature found on the Zoom teleconference control bar.
- Identify the agenda item first, then type your comment
- Your comment will be read aloud

3. How to comment aloud on agenda items, during the meeting and prior to the close of public comment on an item, via the Zoom “raise hand” feature:

If you are accessing the meeting using the Zoom app and computer audio:

- Use the “raise hand” icon found on the Zoom teleconference control bar
- The moderator will announce your name or the last 3 digits of your phone number
- Unmute yourself using the microphone icon
- Identify the agenda item
- Introduce yourself using your first and last name.
- You will have three minutes of speaking time.

4. If you are accessing the Zoom teleconference using telephone audio:

- Press ***9** to raise your hand during the comment period for that agenda item.
- The moderator will announce your name or the last 3 digits of your phone number when it is your turn.
- Unmute yourself using ***6** – to toggle the mute/unmute.
- Identify the agenda item
- Introduce yourself using your first and last name.
- You will have three minutes of speaking time.

Chair Carlos Palacios
Vice Chair Jamie Goldstein
Board Member Mali LaGoe
Board Member Matt Huffaker



**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
(LFFA)
REGULAR BOARD MEETING AGENDA
THURSDAY FEBRUARY 3, 2022
VIRTUAL MEETING
9:00 A.M.**

1. CALL TO ORDER / ROLL CALL

Board Members Jamie Goldstein, Carlos Palacios, Mali LaGoe and Matt Huffaker

2. ADDITIONAL MATERIALS

Additional information submitted after distribution of the agenda packet.

3. ADDITIONS AND DELETIONS TO AGENDA

4. ORAL COMMUNICATION

Any member of the audience may address the Board on any matter either on or off the agenda that is within the Board's jurisdiction. Note, however, that the Board is not able to undertake extended discussion or act on non-agendized items. Such items can be referred to staff for appropriate action which may include placement on a future agenda. If you intend to address a subject that is on the Agenda, please hold your comments regarding that item until it is before the Board, so that we may properly respond to all comments on that subject at the same time. In general, 3 minutes will be permitted per speaker during Oral Communication; A MAXIMUM of 30 MINUTES is set aside for Oral Communications at this time.

5. EXECUTIVE DIRECTOR REPORT

Library Director's Report for February (p.6-7)

6. PROJECT UPDATES AND COMMENTS BY BOARD MEMBERS

7. CONSENT CALENDAR

- A. Consider the December 2, 2021 LFFA Board Meeting Minutes
Staff Recommendation: Approve Board Meeting Minutes for December 2, 2021 (p.8-11)
- B. Resolution Re-authorizing the Libraries Facilities Financing Authority to Continue Remote Teleconference Meetings Pursuant to Assembly Bill 361.
Staff Recommendation: Adopt Resolution No. 2021-003 Authorizing Continued Remote Teleconference Meetings pursuant to Assembly Bill 361. (p.12-14)

All items listed in the "Consent Calendar" will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Board votes on the action unless members of the public or the Board request specific items to be discussed for separate review. Items pulled for separate discussion will be considered following General Business.

8. GENERAL BUSINESS

- A. Elect Chair and Vice Chair for the year 2022
Staff Recommendation: Elect the Calendar year 2022 Board Chair and Vice-Chair as the City of Scotts Valley and the County of Santa Cruz respectively (p.15)
- B. Basic Financial Statements and Independent Auditor's Report
Staff Recommendation: Accept and file the attached financial statements of the Community Facilities District No. 2016-1 as of December 31, 2021(p.16-18)
- C. Basic Financial Statements and Independent Auditor's Report
Staff Recommendation: Accept and file the attached Basic Financial Statements and Independent Auditor's Report for the fiscal year ended June 30, 2021 and related correspondence. (p.19-49)

Other Business items are intended to provide an opportunity for public discussion of each item listed. The following procedure is followed for each Business item: 1) Staff explanation; 2) Board questions; 3) Public comment; 4) Board deliberation; 5) Decision.

9. SCHEDULED UPCOMING MEETINGS

April 7, 2022	Hybrid Meeting in Felton	Anticipated Upcoming Agenda Items
9:00 am		

10. ADJOURNMENT

Adjourned to a Regular Meeting of the Libraries Facilities Financing Authority (LFFA) to be held on Thursday April 7, 2022 at 9:00 a.m. via Hybrid/ Zoom teleconference at the Felton Branch Library, 6121 Gushee Street, Felton CA 95018 barring any changes in health mandates.

The Santa Cruz City-County Library System does not discriminate against persons with disabilities. Out of consideration for people with chemical sensitivities, we ask that you attend fragrance free. Upon request, the agenda can be provided in a format to accommodate special needs. Additionally, if you wish to attend this public meeting and will require assistance such as an interpreter for American Sign Language, Spanish, or other special equipment please call the Library Administration Office at (831)427-7706 at least five days in advance so that we can arrange for such special assistance, or email library_admin@santacruzpl.org

February 2022



Library Director's Report to the LFFA

APTOS: Library Services Temporarily Suspended; Demolition Anticipated March 2022

The existing 8,000 sf building, built in 1975, suspended services in June 2021 in preparation for a new building. The new 12,000 sf library will feature flexible community, meeting and study rooms; garden and terrace areas; a local history section; children, teen and adult reading areas; it will also maximize its energy efficiency. Project Team: Design-Build by Anderson Brule Architects and Bogard Construction; Project Management and Administration by Santa Cruz County Department of Public Works Capital Projects Division. Reopening in late spring, 2023.

The Library team is prepared to look into pop-up or offsite locations in Aptos where Library programs and services could be provided to the community from June 2022 through spring 2023.

BOULDER CREEK: Library Services Temporarily Suspended; Construction is Underway

Interior remodel of the existing 4,500 sf library includes new infrastructure (HVAC, plumbing, entry, electrical, and lighting); upgrades throughout to comply with accessibility standards and increased exterior lighting of the parking lot; complete redo of the children's area; renovation of the main room and meeting room. Project Team: Design by Jayson Architecture; Construction by CRW builders; Construction Management by Bogard Construction, Project Management and Administration by Santa Cruz County Department of Public Works Capital Projects Division. Reopening April 2022.

BRANCIFORTE (Santa Cruz) Library Services Temporarily Suspended; Construction is Underway

Renovation will build on the character of this iconic mid-century building (1967), refreshing the 6,800 sf interior for improved flexibility, function and accessibility with areas for adult reading, children, and teens; electrical and telecommunication upgrades; the project also includes the development of a new community room and a children's outdoor patio. Design by Jayson Architecture; JPB Designs builder; construction management by Bogard. Reopening mid-2022.

CAPITOLA: Construction complete!

The Previous temporary facility has been replaced with a stunning new 11,700 sf library. The new branch opened to the public in June and is already quite busy. A hub for community activity, the new library features a large meeting room, expanded children's wing, study and reading rooms, outdoor deck, fireplace and teen space. Solar panels and an energy efficient design make this one of the greenest buildings in the Library system.

DOWNTOWN SANTA CRUZ: Current library at 233 Church St. remains open; planning underway for new Library/Housing Mixed Use Project on Cedar Street

The Santa Cruz City Council voted to proceed with a mixed use project at Cedar and Lincoln Street (Lot 4) incorporating a new Downtown Library, at least 100-125 units of affordable housing, and parking for a maximum of 310 cars. Griffin Structures has been retained as Owners Representative; Eden Housing and For The Future Housing have been selected as the affordable housing team; Jayson Architect has been selected as master architect for the project. In parallel,

the city has initiated a re-use visioning process for the current library site, and is working to establish a permanent home for the Farmers' Market. Construction to start 2023, completion in 2025.

FELTON: Construction complete!

The Felton branch operated for nearly 60 years in a historic church building; charming, but not a modern library. The new 9,000 sf branch opened in Feb. 2020 on 2 acres of nearby land, the first Measure S project to be completed. This stunning space includes comfortable reading areas, free computers/WiFi, teen and children's areas, community room and adjacent discovery park. Teall Messer architect, Noll and Tam interior, Thompson Builders contractor.

GARFIELD PARK (Santa Cruz): Library Services Temporarily Suspended; Construction Underway

The renovation will bring new life to the historic 2,300 sf Carnegie library building (1915) with refreshed and cohesive design. Features include central seating area around the fireplace, children's area, a more open plan, better use of windows for natural light, meeting room and refreshed outdoor space. Design by Jayson Architecture; CRW builders, construction management by Bogard. Reopening in April 2022.

LA SELVA BEACH: Construction Complete!

Renovation completed March 2021 Renovation included replacement of dilapidated interior finishes plus new lighting, electrical, and mechanical systems. Sliding glass wall between the adult and children's areas improves acoustics, lighting and flexibility. Lounge seating areas are provided for both children and adults for reading, tutoring and community programs; and an expanded deck increases usable outdoor space. Jayson Architecture design, C2Builders construction.

LIVE OAK: Library Services Temporarily Suspended, Construction is underway

The Live Oak Library renovation revitalizes the children's area, transforming it into an ocean themed learning space. New acoustic wood ceiling and wall treatments, carpeting and redesigned seating are both functional and playful. A custom designed wall serves to separate the children's collections from an "under-the-sea" inspired reading lounge and homework room. Design by Jayson Architecture. Reopening in May 2022.

LIVE OAK ANNEX: Construction expected to begin in March, 2022

This will be a new addition to the Simpkins Center providing a classroom and study rooms -- a community learning center to complement existing uses. Design by Noll and Tam; construction documents and permitting being completed. Opening in spring 2023.

SCOTTS VALLEY: Library Services Temporarily Suspended, Construction is underway

This 13,150 sf library was opened in 2011 with design by Group 4, transforming a previous roller rink with contemporary library features such as flexible space, dedicated areas for children, teens and adults, community room and courtyard. A new roof, HVAC system, and parking lot repairs were completed in early 2021; seismic and operational upgrades were made. Reopening June 2022.

Chair Carlos Palacios
Vice Chair Jamie Goldstein
Board Member Rosemary Menard
Board Member Casey Estorga



**SANTA CRUZ PUBLIC LIBRARIES
A CITY-COUNTY SYSTEM**

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
(LFFA)**

Hybrid Meeting at the Capitola Branch Library

**REGULAR MEETING MINUTES
THURSDAY DECEMBER 2, 2021
9:00 A.M.**

1. ROLL CALL

PRESENT: Carlos Palacios, Jamie Goldstein, Rosemary Menard, Casey Estorga
STAFF: Interim Library Director Eric Howard, Edith Driscoll, Treasurer

2. ADDITIONAL MATERIALS

None

3. ADDITIONS AND DELETIONS TO AGENDA

The Agenda of December 2, 2021 was approved by consensus.

4. ORAL COMMUNICATIONS

NONE

5. EXECUTIVE DIRECTOR REPORT

A. Interim Library Director's Report – December 2021

Interim Library Director Eric Howard reported on the recent activities of the libraries and the status of facilities.

6. PROJECT UPDATES AND COMMENTS BY BOARD MEMBERS

None

7. CONSENT CALENDAR

RESULT: APPROVED CONSENT CALENDAR

A. Approved Minutes of October 7, 2021.
B. Adopted Resolution No. 2021-003 Authorizing Continued Remote Teleconference Meetings pursuant to Assembly Bill 361.
[UNANIMOUS]

MOVER: Jamie Goldstein
SECONDER: Rosemary Menard
AYES: Palacios, Goldstein, Menard, Estorga

8. GENERAL BUSINESS

A. Annual Meeting Schedule for 2022

The Board members discussed the proposed schedule and came to a consensus as outlined in the motion.

A member of the public was asking for consistency of the start times and locations.

RESULT: Adopted Annual Meeting Schedule for 2022 as follows:

**February 3 at Capitola,
April 7 and May 5 at Felton,
June 2 and August 4 at Downtown,
October 6 and December 1 at Scotts Valley.**
Start time for all meetings will be 9:00 am. [UNANIMOUS]

MOVER: Jamie Goldstein
SECONDER: Rosemary Menard
AYES: Palacios, Goldstein, Menard, Estorga

B. Local Agency Special Tax and Bond Accountability Act Report

Edith Driscoll, Treasure, presented the report.

RESULT: Accepted the attached NBS Local Agency Special Tax and Bond Accountability Act report for the fiscal year ended June 30, 2021. [UNANIMOUS]

MOVER: Jamie Goldstein
SECONDER: Rosemary Menard
AYES: Palacios, Goldstein, Menard, Estorga

C. 2020-2021 Community Facilities District Report.

Edith Driscoll, Treasurer, presented the report.

RESULT: Accepted the Annual Community Facilities District Reports for the fiscal year ended June 30, 2021. [UNANIMOUS]

MOVER: Rosemary Menard
SECONDER: Jamie Goldstein
AYES: Palacios, Goldstein, Menard, Estorga

D. Special Tax Bond Quarterly Financial Reports as of September 30, 2021

Edith Driscoll, Treasurer, presented the report.

RESULT: Accepted and filed the attached financial statements of the Community Facilities District No. 2016-1 as of September 30, 2021. [UNANIMOUS]

MOVER: Jamie Goldstein
SECONDER: Carlos Palacios
AYES: Palacios, Goldstein, Menard, Estorga

9. SCHEDULED UPCOMING MEETINGS

10. ADJOURNMENT

The Libraries Facilities Financing Authority (LFFA) adjourned at 9:25 a.m. to the Regular Meeting on Thursday February 3, 2022 at 9:00 a.m. as a Hybrid meeting at the Capitola Branch Library barring any changes in health mandates.

ATTEST: _____
Helga Smith, Clerk of the Board

All documents referred to in these minutes are available in the Santa Cruz Public Libraries – Library Headquarters Office, 117 Union Street, Santa Cruz.

Chair Carlos Palacios
Vice Chair Jamie Goldstein
Board Member Mali LaGoe
Board Member Matt Huffaker



STAFF REPORT

AGENDA: Thursday, February 3, 2022

DATE: January 24, 2022

TO: Libraries Facilities Financing Authority Board

FROM: Ruby Márquez, Chief Assistant County Counsel

SUBJECT: Resolution Re-authorizing the Libraries Facilities Financing Authority to Continue Remote Teleconference Meetings Pursuant to Assembly Bill 361.

RECOMMENDATION:

Adopt Resolution No. 2022-XX Authorizing Continued Remote Teleconference Meetings pursuant to Assembly Bill 361.

DISCUSSION

Pursuant to AB 361 and as codified at California Government Code section 54953, legislative bodies may use modified teleconferencing rules to conduct public meetings during a proclaimed State of Emergency under certain circumstances, including that state or local officials have imposed or recommended measures to promote social distancing.¹ The State of Emergency proclaimed by the Governor on March 4, 2020, due to the COVID-19 pandemic remains in effect today. In November 2021, the Santa Cruz County Health Officer once again instituted a local health order requiring that individuals wear face coverings in indoor settings and continues to recommend social distancing.² In December 2021, the California Department of Public Health instituted a statewide indoor masking requirement in all indoor public settings, regardless of vaccination status, until February 15, 2022, due to the Omicron variant of COVID-19.³

This Board adopted its initial AB 361 findings on October 7, 2021, and made subsequent findings at the meeting held on December 2, 2021. To continue teleconferenced meetings under AB 361, the law requires that the Board adopt findings within thirty (30) days after its initial teleconference, and every thirty (30) days thereafter. Additionally, the law requires that the Board reconsider the circumstances of the State of Emergency, and find that either (i) the state of emergency continues to directly impact the ability of the members to meet safely in person; and/or (ii) state or local officials continue to impose or recommend measures to promote social distancing.⁴

Attachment: Resolution No. 2022-X

¹ Cal. Gov't Code § 54953(e)(1)(A)-(C).

² See *Order of the Santa Cruz County Health Officer, dated November 18, 2021*, <https://www.santacruzhealth.org/Portals/7/Pdfs/Coronavirus/PHO%20Order%20Requiring%20Face%20Coverings%20Indoors%2011-18-2021.pdf>

³ <https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/COVID-19/guidance-for-face-coverings.aspx>

⁴ Cal. Gov't Code § 54953(e)(3).

**SANTA CRUZ LIBRARIES FACILITIES FINANCE AUTHORITY'S
SUBSEQUENT FINDINGS PURSUANT TO ASSEMBLY BILL 361 AUTHORIZING TELECONFERENCE
MEETINGS AS A RESULT OF THE CONTINUING COVID-19 PANDEMIC STATE OF EMERGENCY AND
HEALTH OFFICER RECOMMENDATION FOR SOCIAL DISTANCING**

WHEREAS, the **Santa Cruz Libraries Facilities Finance Authority (“LFFA”)** is a legislative body under the Ralph M. Brown Act as defined under Cal. Gov. Code section 54952(b); and

WHEREAS, on September 16, 2021, Governor Newsom signed Assembly Bill 361 (“AB 361”), urgency legislation effective immediately, that amended Government Code section 54953 to permit legislative bodies subject to the Brown Act to continue to meet under modified teleconferencing rules provided that they comply with specific requirements set forth in the statute; and,

WHEREAS, pursuant to AB 361 and Cal. Gov. Code section 54953(e)(1)(A), a legislative body may meet under the modified teleconferencing rules during a proclaimed state of emergency, and where local officials have imposed or recommended measures to promote social distancing; and

WHEREAS, on March 4, 2020, Governor Newsom issued a Proclamation of State of Emergency in response to the COVID-19 pandemic, and which remains in effect; and

WHEREAS, on September 30, 2021, Santa Cruz County Public Health Officer Dr. Gail Newel strongly recommended that legislative bodies in Santa Cruz County continue to engage in physical/social distancing by meeting via teleconference as allowed by AB 361 and confirmed that she will regularly review and reconsider this recommendation and notify the public when it is no longer recommended; and

WHEREAS, pursuant to AB 361 and Cal. Gov. Code section 54953(e)(3), within 30 days of the date the legislative body first holding a teleconferenced meeting under the modified rules, and every 30 days thereafter, a legislative body can continue to hold such teleconference meetings provided it has reconsidered the circumstances of the state of emergency and determined either that the state of emergency continues to directly impact the ability of the members to meet safely in person or that local officials continue to recommend measures to promote social distancing; and

WHEREAS, on October 7, 2021, the **LFFA** held its initial teleconference meeting under AB 361 and on December 2, 2021, held a subsequent teleconference meeting; and

WHEREAS, the **LFFA** has once again reconsidered the circumstances of the current state of emergency and finds that the COVID-19 pandemic continues to directly impact the ability of members of the public to participate safely in person and further finds that the Santa Cruz County Public Health Officer continues to recommend measures to promote social distancing and indoor face coverings, with a statewide indoor masking requirement in effect until February 15, 2022; and

WHEREAS, in the interest of public health and safety, and due to the emergency caused by the spread of COVID-19, the **LFFA** deems it necessary to continue utilizing the modified teleconferencing rules set forth in AB 361;

NOW, THEREFORE, the **Santa Cruz Library Facilities Finance Authority (“LFFA”)** makes the following findings by a majority vote:

Section 1. The foregoing recitals are true and correct, and adopted as findings of the **Santa Cruz Library Facilities Finance Authority**.

Section 2. Effective immediately, and for the next 30 days, the **LFFA** will meet via teleconference as authorized under AB 361 and Government Code section 54953(e)(3).

Section 3. No later than thirty (30) days from making today’s findings, or at the next scheduled meeting, the Commission will reconsider the circumstances of the COVID-19 state of emergency and, if necessary, adopt subsequent findings to continue holding teleconference meetings in accordance with Government Code section 54953(e)(3).

PASSED AND ADOPTED by the **Santa Cruz Library Facilities Finance Authority** in Santa Cruz County, State of California, this ____ day of _____, 20__, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Chair, Santa Cruz Library
Facilities Finance Authority

ATTEST: _____
Helga Smith, Clerk of the Board

Approved as to Form:

Office of the County Counsel

Chair Carlos Palacios
Vice Chair Jamie Goldstein
Board Member Mali LaGoe
Board Member Matt Huffaker



STAFF REPORT

AGENDA: February 3, 2022

TO: Board of Directors

FROM: Yolande Wilburn, Library Director

SUBJECT: Annual Election of Board Chair and Board Vice-Chair

RECOMMENDATION

Elect the Calendar year 2022 Board Chair and Vice-Chair as the City of Scotts Valley and the County of Santa Cruz respectively.

BACKGROUND

The LFFA agreement requires that at the first meeting of the new year (January/February) the Board shall elect a Chair and a Vice-Chair. The Chair is the presiding officer and shall sign all contracts of the LFFA unless otherwise provided by a Board resolution.

DISCUSSION

The rotation has been established in 2021 and is as follows for the next 3 years:

YEAR	CHAIR	VICE-CHAIR
2021	City of Santa Cruz	City of Scotts Valley
2022	City of Scotts Valley	County of Santa Cruz
2023	County of Santa Cruz	City of Capitola
2024	City of Capitola	City of Santa Cruz

Report Prepared by: Kira Henifin
Principal Management Analyst

Reviewed and Forwarded by: Yolande Wilburn, Library Director

Chair Carlos Palacios
Vice Chair Jamie Goldstein
Board Member Mali LaGoe
Board Member Matt Huffaker



STAFF REPORT

AGENDA: February 3, 2022
DATE: January 7, 2022
TO: Libraries Facilities Financing Authority Board
FROM: LFFA Treasurer-Controller
RE: LFFA Basic Financial Statements and Independent Auditor's Report

RECOMMENDATION

Accept and file the attached financial statements of the Community Facilities District No. 2016-1 as of December 31, 2021.

DISCUSSION

The attached statements provide your Board with a summary of the activity and balances for funds held in trust at Bank of New York as well as an accounting of bond and special tax distributions as of December 30, 2021.

The first attachment, Improvement Fund Activity and Balances of Member Accounts Held in Trust at Bank of New York as of December 31, 2021, provides your Board with an accounting of the funds received from both the 2017 and the 2020 bond issuances. As of December 31, 2021, the total balance on account with Bank of New York for these funds is \$15,606,666.19.

The 2017 Special Tax Bond was sold in June 2017 and according to IRS regulations, the funds must be spent within three years. There is a balance of \$73,967.48 in bond funds allocated to the City of Scotts Valley and \$14,380.26 allocated to the City of Santa Cruz that have not yet been drawn down to reimburse eligible expenditures. Emphasis should be placed on drawing down those funds to meet this requirement.

The second attachment, Member Distribution Summary as of December 31, 2021, provides your Board with an accounting of the \$40,962,660 total bond proceeds received from the two bond issuances as well as a reporting of the \$15,271,434 special tax that has been allocated to each member. Because the City of Capitola and the County of Santa Cruz have received their full distribution amounts the special tax remaining after debt payments are made will be distributed only to the City of Santa Cruz and the City of Scotts Valley until they also reach their maximum distribution amount through either bond proceeds or special tax payments.

Attachment #1 – Improvement Fund Activity and Balances of Member Accounts Held in Trust of Bank of New York

Attachment #2 – Member Distribution Summary

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY

Community Facilities District No. 2016-1

2017 & 2020 Special Tax Bonds

Improvement Fund Activity and Balances of Member Accounts Held in Trust at Bank of New York

As of December 31, 2021

Summary of activity and account balances of bond funds held in trust at Bank of New York

Description	Santa Cruz Cnty	Santa Cruz City	Capitola	Scotts Valley	Total
2017 Bonds					
Proceeds	\$ 13,100,000.00	\$ 500,000.00	\$ 7,526,447.00	\$ 500,000.00	\$ 21,626,447.00
Excess Cost of Issuance	11,756.08	448.70	6,754.33	448.70	19,407.81
Interest	465,064.78	22,722.00	263,490.15	23,522.45	774,799.38
Available funds	13,576,820.86	523,170.70	7,796,691.48	523,971.15	22,420,654.19
Drawdowns	(13,576,820.86)	(508,790.44)	(7,796,691.48)	(450,003.67)	(22,332,306.45)
Current balance 2017 Bonds	-	14,380.26	-	73,967.48	88,347.74
2020 Bonds					
Proceeds	15,386,032.00	-	1,824,947.00	2,094,000.00	19,304,979.00
Excess Cost of Issuance	-	-	-	11,825.62	11,825.62
Interest	9,772.89	-	661.79	1,366.77	11,801.45
Available funds	15,395,804.89	-	1,825,608.79	2,107,192.39	19,328,606.07
Drawdowns	(1,984,678.83)	-	(1,825,608.79)	-	(3,810,287.62)
Current balance 2020 Bonds	13,411,126.06	-	-	2,107,192.39	15,518,318.45
December 31, 2021 Balance at BNY:	\$ 13,411,126.06	\$ 14,380.26	\$ -	\$ 2,181,159.87	\$ 15,606,666.19

**Santa Cruz Libraries Facilities Financing Authority
Community Facilities District No. 2016-1
Maximum Distribution Amounts & Member Distribution History
As of December 31, 2021**

Modified authorized distribution amounts and member balances.

Object Code	Member	Original Distribution Percentage	Authorized Distribution Amount	Bond Proceeds	Special Tax Distribution	Total Distributions	Balance to Distribute	Modified Distribution Percentage
75236	City of Capitola	12.90%	\$ 10,000,000	\$ 9,358,148	\$ 641,852	\$ 10,000,000	\$ 0	0.00%
75237	City of Santa Cruz	40.32%	31,250,000	500,449	9,769,813	10,270,262	20,979,738	98.65%
75238	City of Scotts Valley	4.84%	3,750,000	2,606,275	857,558	3,463,833	286,167	1.35%
75239	County of Santa Cruz	41.94%	32,500,000	28,497,788	4,002,212	32,500,000	0	0.00%
	Total	100.00%	\$ 77,500,000	\$ 40,962,660	\$ 15,271,434	\$ 56,234,094	\$ 21,265,906	

Chair Carlos Palacios
Vice Chair Jamie Goldstein
Board Member Mali LaGoe
Board Member Matt Huffaker



STAFF REPORT

AGENDA: February 3, 2022
DATE: January 7, 2022
TO: Libraries Facilities Financing Authority Board
FROM: LFFA Treasurer-Controller
RE: LFFA Basic Financial Statements and Independent Auditor's Report

RECOMMENDATION

Accept and file the attached Basic Financial Statements and Independent Auditor's Report for the fiscal year ended June 30, 2021 and related correspondence.

DISCUSSION

Pursuant to Section 4(d)(i) of the Amended and Restated Joint Exercise of Powers Agreement, the LFFA Treasurer-Controller is required to "prepare or cause to be prepared an independent audit to be made by a certified public accountant, or a public accountant, as required under Sections 6505, 6505.5 and 6505.6 of the Joint Powers Act." On August 6, 2020 the Board approved an amendment to the Contract with the CPA Firm of Brown Armstrong to conduct audits for fiscal years 2019-20, 2020-21 and 2021-22.

The 2019-20 audit was conducted 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. The audit opinion is provided on page 2 of the Independent Auditor's Report. An Unqualified Opinion, often referred to as a "clean opinion" was issued reflecting that the report was presented fairly, in all material respects and is free of any misrepresentations.

**SANTA CRUZ LIBRARIES
FACILITIES FINANCING AUTHORITY
BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
JUNE 30, 2021**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Santa Cruz Libraries Facilities Financing Authority
Santa Cruz, California

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and general fund information of the Santa Cruz Libraries Facilities Financing Authority (the Authority), as of and for the fiscal year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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

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

1

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund information of the Authority as of June 30, 2021, and the respective changes in its financial position thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

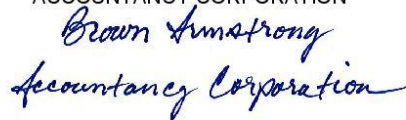
Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 18 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation".

Bakersfield, California
December 10, 2021

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021**

	Governmental Activities
ASSETS	
Current Assets	
Cash and investments	\$ 1,756,330
Restricted cash and investments	16,173,462
Total Current Assets	17,929,792
LIABILITIES	
Current Liabilities	
Accounts payable	1,495
Due to other governments	568,774
Interest payable	438,094
Bonds payable, due within one year	990,571
Total Current Liabilities	1,998,934
Long-Term Liabilities:	
Bonds payable, due in more than one year	39,754,740
Total Liabilities	41,753,674
NET POSITION	
Unrestricted	(23,823,882)
Total Net Position	\$ (23,823,882)

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
General government	\$ 7,197,446	\$ -	\$ (7,197,446)
Total governmental activities	<u>\$ 7,197,446</u>	<u>\$ -</u>	<u>(7,197,446)</u>
General Revenues:			
Tax assessments			4,431,929
Investment income			<u>13,383</u>
Total general revenues			<u>4,445,312</u>
Change in net position			(2,752,134)
Net position:			
Beginning of year			<u>(21,071,748)</u>
End of year			<u>\$ (23,823,882)</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
BALANCE SHEET
JUNE 30, 2021**

	General Fund
ASSETS	
Cash and investments	\$ 1,756,330
Restricted cash and investments	16,173,462
Total Assets	\$ 17,929,792
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 1,495
Due to other governments	568,774
Total Liabilities	570,269
 Fund Balance:	
Restricted	16,173,462
Unassigned	1,186,061
Total Fund Balance	17,359,523
Total Liabilities and Fund Balance	\$ 17,929,792

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2021**

Fund Balance - Total Governmental Fund (Page 5)	\$ 17,359,523
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Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental fund. Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental fund. All liabilities are reported in the statement of net position.

Balances as of the end of the year are:

Bonds payable	(40,745,311)
Interest payable	<u>(438,094)</u>

Net Position of Governmental Activities (Page 3)	<u>\$ (23,823,882)</u>
--	------------------------

See accompanying notes to the basic financial statements.
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**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>
REVENUES:	
Tax assessments	\$ 4,431,929
Interest income	13,383
	<u>4,445,312</u>
Total Revenues	
EXPENDITURES:	
Contributions to other agencies	5,939,625
Principal on long-term debt	450,000
Interest on long-term debt	1,308,131
General and administrative	16,310
	<u>7,714,066</u>
Total Expenditures	
REVENUES UNDER EXPENDITURES	<u>(3,268,754)</u>
NET CHANGE IN FUND BALANCE	<u>(3,268,754)</u>
FUND BALANCE:	
Beginning of year	<u>20,628,277</u>
End of year	<u>\$ 17,359,523</u>

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balance - Total Governmental Fund (Page 7)	\$ (3,268,754)
<p>Repayment of debt principal was an expenditure in the governmental fund, but the repayment reduced long-term liabilities in the government-wide statement of net position:</p>	
2017 Special Tax Bonds	450,000
Amortization of bond premium	85,569
Change in accrued interest payable	<u>(18,949)</u>
Change in Net Position of Governmental Activities (Page 4)	<u>\$ (2,752,134)</u>

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Santa Cruz Libraries Facilities Financing Authority (the Authority) was organized on December 9, 2014, under a Joint Exercise of Powers Agreement and was amended and restated on February 28, 2017, as a result of a joint community facilities agreement. The members of the Authority include the County of Santa Cruz (the County), the City of Santa Cruz, the City of Scotts Valley, and the City of Capitola (collectively, the Members). The Authority was created under the Mello-Roos Community Facilities Act of 1982, in conformity with California Government Code Section 53311 et seq. for the purpose of financing the acquisition, construction, and/or improvement of public library facilities. Certain authorized facilities will be owned or operated by one or more of the Members, or owned by another local agency but controlled, in whole or in part, by a Member.

B. Basis of Presentation

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

The Authority's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities.

The Government-Wide Financial Statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Transactions reported as program revenues for the Authority are operating grants and contributions.

Governmental Fund Financial Statements

The Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for the major governmental fund. Accompanying schedules are presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-Wide Financial Statements. Governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Governmental Fund Financial Statements (Continued)

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are sales taxes, interest income, and Member contributions. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliations of the Governmental Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Major Fund

The Authority reported the following major governmental fund in the accompanying financial statements:

- The General Fund - The General Fund is used for all general revenues of the Authority not specifically levied or collected for other Authority funds and the related expenditures. This is the only fund of the Authority.

C. Cash and Investments

The Authority's cash is pooled with the County's cash and investments to maximize the yield. The County pools its available cash for investment purposes.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Long-Term Liabilities

Long-term debt and other financed obligations are reported as liabilities in the Government-Wide Financial Statements. Bond premiums are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed as incurred.

F. Use of Restricted and Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the Authority's policy is to apply restricted net position first.

G. Net Position

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. For the year ended June 30, 2021, the Authority did not have any assets invested in capital assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributions, or laws or regulations of other governments. For the year ended June 30, 2021, the Authority did not have a restricted net position.

Unrestricted Net Position – This amount is all net position that is not restricted or invested in capital assets. For the year ended June 30, 2021, the Authority had an unrestricted net position of negative \$23,823,882.

H. Fund Balance

Fund Financial Statements – The Authority has adopted the provisions of GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund financial statements conform to this new classification. Fund balance consists of Nonspendable, Restricted, Committed, Assigned, and Unassigned amounts as described below:

Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. The Authority did not have any nonspendable fund balance as of June 30, 2021.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The Authority had a restricted fund balance of \$16,173,462 as of June 30, 2021.

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the Authority's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period. The Authority did not have any committed fund balance as of June 30, 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

Assigned fund balance – amounts that are constrained by the Authority's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. The Authority did not have any assigned fund balance as of June 30, 2021.

Unassigned fund balance – the residual classification for the Authority's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. The Authority had an unassigned fund balance of \$1,186,061 as of June 30, 2021.

The Board of Directors establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution.

The Authority considers restricted fund balance to be spent first when both restricted and unrestricted resources are available for use. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Authority considers Committed amounts to be reduced first, followed by Assigned amounts, and then Unassigned amounts.

I. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Effect of New Governmental Accounting Standards Board Pronouncements

During the year ended June 30, 2021, the Authority implemented the following standard:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. There was no impact on the basic financial statements due to the implementation of this statement.

GASB Statement No. 90 – *Major Equity Interests*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. There was no impact on the basic financial statements due to the implementation of this statement.

GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. The Authority early implemented this statement and there was no impact on the basic financial statements due to the implementation of this statement.

K. Future Governmental Accounting Standards Board Pronouncements

Recently released standards by GASB affecting future years are as follows:

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Authority has not fully judged the effect of the implementation of GASB Statement No. 87 as of the date of the basic financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The Authority has not fully judged the effect of the implementation of GASB Statement No. 89 as of the date of the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Future Governmental Accounting Standards Board Pronouncements (Continued)

GASB Statement No. 91 – Conduit Debt Obligations. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The Authority has not fully judged the effect of the implementation of GASB Statement No. 91 as of the date of the basic financial statements.

GASB Statement No. 92 – Omnibus 2020. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Authority has not fully judged the effect of the implementation of GASB Statement No. 92 as of the date of the basic financial statements.

GASB Statement No. 93 – Replacement of Interbank Offered Rates. The requirements of this statement are effective for reporting periods beginning after December 31, 2022. The Authority has not fully judged the effect of the implementation of GASB Statement No. 93 as of the date of the basic financial statements.

GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Authority has not fully judged the effect of the implementation of GASB Statement No. 94 as of the date of the basic financial statements.

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Authority has not fully judged the effect of the implementation of GASB Statement No. 96 as of the date of the basic financial statements.

GASB Statement No. 97 – Certain Component Units Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment to GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. The Authority has not fully judged the effect of the implementation of GASB Statement No. 97 as of the date of the basic financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments and restricted cash and investments consisted of the following at June 30, 2021:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Pooled cash and investments held by the County of Santa Cruz	\$ -	\$ 1,756,330	\$ 1,756,330
Cash with fiscal agent	<u>16,173,462</u>	<u>-</u>	<u>16,173,462</u>
Total	<u>\$ 16,173,462</u>	<u>\$ 1,756,330</u>	<u>\$ 17,929,792</u>

A. Cash Held with the County Treasurer

The Authority pools cash from all sources and all funds with the County Treasurer so that it can be invested at the maximum yield, consistent with safety and liquidity. The County Treasury Oversight Committee oversees the Treasurer’s investments and policies.

NOTE 2 – CASH AND INVESTMENTS (Continued)

A. Cash Held with the County Treasurer (Continued)

The California Government Code requires California banks and savings and loan associations to secure the County's cash deposits by pledging securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name.

The market value of pledged securities must equal at least 110% of the County's cash deposits. California law also allows institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County's total cash deposits. The County may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The County, however, has not waived the collateralization requirements.

B. Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's Investment Policy, where more restrictive. The table also identifies certain provisions of the County's Investment Policy that address interest rate risk, credit risk, and concentration risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local agency bonds	5 years	10%	None
U.S. Treasury obligations	5 years	100%	None
U.S. Governmental Agency obligations	5 years	100%	25%
Bankers' acceptances	180 days	40%	10%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	10%
Bank deposits	5 years	10%	10%
Repurchase agreements	1 year	100%	10%
Medium-term notes	5 years	30%	10%
Mutual funds/money market mutual funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	\$50 million	None
Joint Powers Authority investment funds	N/A	25%	None
Supranationals	5 years	30%	None

C. Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

D. Concentration of Credit Risk

At June 30, 2021, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds, or medium-term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government sponsored enterprises are exempt from these limitations.

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Custodial Credit Risk

For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year-end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

F. LAIF

The County is a participant in the LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2021, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

- Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.
- Asset-Backed Securities: generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2021, as included within the County's basic financial statements, the County invested \$75,060,887 in LAIF. LAIF provided a fair value factor of 1.0008297 to calculate the fair value of the investments in LAIF. However, an adjustment was not made to reflect the fair value of LAIF, as the fair value adjustment was considered immaterial.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

G. Restricted Cash Held with Fiscal Agents

Restricted cash with fiscal agents in the amount of \$16,173,462 included certain amounts which are held by fiscal agents to be used for payment of long-term debt. These funds have been invested as permitted by applicable County ordinances and resolutions.

NOTE 3 – LONG-TERM DEBT

Activity for long-term debt for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Amounts Due Within a Year	Amounts Due More than a Year
Governmental Activities:						
2020 Special Tax Bonds	\$ 18,590,000	\$ -	\$ -	\$ 18,590,000	\$ 430,000	\$ 18,160,000
Plus Deferred Amounts: For Issuance Premiums	1,239,152	-	(47,356)	1,191,796	47,357	1,144,439
2017 Special Tax Bonds	20,490,000	-	(450,000)	20,040,000	475,000	19,565,000
Plus Deferred Amounts: For Issuance Premiums	961,729	-	(38,214)	923,515	38,214	885,301
Total Governmental Activities						
Long-Term Liabilities	\$ 41,280,881	\$ -	\$ (535,570)	\$ 40,745,311	\$ 990,571	\$ 39,754,740

NOTE 3 – LONG-TERM DEBT (Continued)

2017 Special Tax Bonds

On June 1, 2017, the Authority issued Santa Cruz Libraries Facilities Financing Authority Community Facilities District 2016-1 2017 Special Tax Bonds (2017 Special Tax Bonds) in the original amount of \$21,170,000. Interest from 3.00% to 5.00% is paid semi-annually and principal payments are made on September 1st. As of June 30, 2021, the total principal balance was \$20,040,000 and the unamortized bond premium was \$923,515. Principal and interest paid for the current period was \$1,206,081.

The debt service requirement to maturity for the 2017 Special Tax Bonds, including interest, is as follows:

Year Ending June 30	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2022	\$ 475,000	\$ 732,956
2023	495,000	708,706
2024	520,000	683,331
2025	545,000	656,706
2026	575,000	628,706
2027-2031	3,315,000	2,702,106
2032-2036	3,975,000	2,053,525
2037-2041	4,645,000	1,363,297
2042-2046	5,495,000	493,939
Subtotal	20,040,000	\$ 10,023,272
Premium	923,515	
	<u>\$ 20,963,515</u>	

2020 Special Tax Bonds

On February 20, 2020 the Authority issued Santa Cruz Libraries Facilities Financing Authority Community Facilities District 2016-1 2020 Special Tax Bonds (2020 Special Tax Bonds) in the original amount of \$18,590,000. Interest from 3.00% to 5.00% is paid semi-annually and principal payments are made on September 1st. As of June 30, 2021, the total principal balance was \$18,590,000 and the unamortized bond premium was \$1,191,796. Principal and interest paid for the current period was \$552,050.

NOTE 3 – LONG-TERM DEBT (Continued)

2020 Special Tax Bonds (Continued)

The debt service requirement to maturity for the 2020 Special Tax Bonds, including interest, is as follows:

Year Ending June 30	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2022	\$ 430,000	\$ 558,700
2023	450,000	536,700
2024	475,000	513,575
2025	495,000	489,325
2026	520,000	463,950
2027-2031	3,030,000	1,893,825
2032-2036	3,640,000	1,319,753
2037-2041	4,045,000	907,269
2042-2046	4,530,000	405,222
2047	975,000	12,188
Subtotal	18,590,000	\$ 7,100,507
Premium	1,191,796	
	<u>\$ 19,781,796</u>	

NOTE 4 – CONTINGENCIES AND COMMITMENTS

Lawsuits

In the ordinary course of business, the Authority is subject to various claims, investigations, proceedings, tax assessments, and legal actions from time to time arising out of the conduct of the Authority's business. Management believes that, based on current knowledge, the outcome of any such pending matters will not have a material adverse effect on the Authority's financial position.

Commitments

The Authority does not have any major contractual commitments or contingencies as of the year ended June 30, 2021.

NOTE 5 – SUBSEQUENT EVENTS

The Authority's management has evaluated all events and transactions that occurred after June 30, 2021, and through December 10, 2021, the date the basic financial statements and accompanying notes to the basic financial statements were available to be issued. During this period, no events or transactions occurred that would require adjustment of the basic financial statements or disclosure in the accompanying notes.

REQUIRED SUPPLEMENTARY INFORMATION

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Tax assessments	\$ 4,425,000	\$ 4,431,929	\$ 4,431,929	\$ -
Interest income	10,000	13,383	13,383	-
Total Revenues	<u>4,435,000</u>	<u>4,445,312</u>	<u>4,445,312</u>	<u>-</u>
EXPENDITURES:				
Contributions to other agencies	22,118,011	5,939,625	5,939,625	-
Principal on long-term debt	450,000	450,000	450,000	-
Interest on long-term debt	1,308,131	1,308,131	1,308,131	-
General and administrative	23,000	16,310	16,310	-
Total Expenditures	<u>23,899,142</u>	<u>7,714,066</u>	<u>7,714,066</u>	<u>-</u>
REVENUES UNDER EXPENDITURES	<u>(19,464,142)</u>	<u>(3,268,754)</u>	<u>(3,268,754)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (19,464,142)</u>	<u>\$ (3,268,754)</u>	<u>(3,268,754)</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			<u>20,628,277</u>	
End of year			<u>\$ 17,359,523</u>	

See the accompanying note to the required supplementary information.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

General Budget Policies

The Santa Cruz Libraries Facilities Financing Authority (the Authority) shall adopt an annual budget which provides for allocating the funds it receives to Members of the Authority. The budget allocation shall be based on the Amended and Restated Joint Exercise of Powers Agreement, dated January 2017. Once a Member has received their maximum allocations based on the Agreement, further allocations will not be paid. The Authority shall distribute all of the funds it receives each year up to the maximum allocations.

OTHER REPORT

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

Board of Directors
Santa Cruz Libraries Facilities Financing Authority
Santa Cruz, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities and general fund information of the Santa Cruz Libraries Facilities Financing Authority (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 10, 2021.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California
December 10, 2021