

PUBLIC ADVISORY REGARDING COVID-19 AND PUBLIC PARTICIPATION

Pursuant to AB361 and the PROCLAMATION OF A STATE OF EMERGENCY dated March 4, 2020
the regular meeting of the

LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA) AND THE LIBRARY JOINT POWERS AUTHORITY (LJPA) BOARD

On Thursday, February 2, 2023 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 via Zoom:

Please click the link below to join the webinar:

<https://us06web.zoom.us/j/84605404230>

Or Telephone:

Dial (for higher quality, dial a number based on your current location):

877 853 5247 (Toll Free) or 888 788 0099 (Toll Free) or
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The meetings will be recorded and posted for viewing after the meetings on the
Santa Cruz Public Libraries website <http://www.santacruzpl.org/>

Public comment: There are three ways to comment during this meeting. 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 an 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.
- All correspondences received prior to 12:00 p.m. on the Wednesday preceding a LFFA Meeting will be distributed to Board members to review prior to the meeting. Information submitted after 12 p.m. on that Wednesday may not have time to reach Board members, nor be read by them prior to consideration of an item.

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

- Type your comment using the “Q&A” feature found on the Zoom 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 using computer audio:

- During the comment period for that agenda item, use the “raise hand” icon found on the Zoom control bar
- The moderator will announce your name or the last 3 digits of your phone number when it is your turn to speak
- 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

If you are accessing the meeting using telephone audio:

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

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



**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
(LFFA)
REGULAR BOARD MEETING AGENDA
VIRTUAL MEETING**

THURSDAY FEBRUARY 2, 2023

9:00 A.M.

1. CALL TO ORDER / ROLL CALL

Board Members Matt Huffaker, Carlos Palacios, Mali LaGoe, and Chloe Woodmansee (alternate for Jamie Goldstein)

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. LIBRARY DIRECTOR REPORT

Library Director's Report for February 2023 (p.6-7)

6. CONSENT CALENDAR

- A. Resolution Re-authorizing the Libraries Facilities Financing Authority to Continue Remote Teleconference Meetings Pursuant to Assembly Bill 361.
Staff Recommendation: Adopt Resolution No. 2023-001 Authorizing Continued Remote Teleconference Meetings pursuant to Assembly Bill 361. (p.8-11)
- B. Consider the November 10 and December 15, 2022 LFFA Board Meeting Minutes
Staff Recommendation: Approve Board Meeting Minutes for November 10 and December 15, 2022. (p.12-15)
- C. Special Tax Bond Quarterly Financial Reports as of December 31, 2022
Staff Recommendation: Accept and file the attached financial statements of the Community Facilities District No. 2016-1 as of December 31, 2022. (p.16-18)
- D. LFFA Basic Financial Statements and Independent Auditor's Report
Staff Recommendation: Accept and file the Basic Financial Statements and Independent Auditor's Report for the fiscal year ended June 30, 2022 and related correspondence. (p.19-50)

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.

7. GENERAL BUSINESS

- A. Elect Chair and Vice Chair for 2023.
Staff Recommendation: Elect Chair and Vice Chair for 2023. (p.51)

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.

8. PROJECT UPDATES AND COMMENTS BY BOARD MEMBERS

9. SCHEDULED UPCOMING MEETINGS

May 4, 2023	Boulder Creek Branch Library	Anticipated Upcoming Agenda Items
9:00 am	13390 West Park Ave. Boulder Creek, CA 95006	

10. ADJOURNMENT

Adjourned to a Regular Meeting of the Libraries Facilities Financing Authority (LFFA) to be held on Thursday May 4, 2023 at 9:00 a.m. at the Boulder Creek Branch Library, 13390 West Park Ave. Boulder Creek, CA 95006.

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

Library Director's Report to the LFFA

APTOS: Library Services Suspended. Construction is Underway

The existing 8,000 sqft building, built in 1975, suspended services in June 2021. Demolition took place on May 18, 2022, with a formal groundbreaking on June 11, 2022. The new 12,000 sqft 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. Opening in Fall 2023.

BOULDER CREEK: Construction Complete

The interior remodel of the existing 4,500 sqft library included upgrades to comply with accessibility standards, increased exterior lighting of the parking lot, a complete redo of the children's area, and renovation of the main room and meeting room. Additional work on the HVAC system took place in June 2022, and the electrical rewire is pending. 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. The Library reopened on May 7, 2022.

BRANCIFORTE: Library Services Suspended. Construction is Delayed

The renovation builds on the character of this iconic mid-century facility from 1967. The refresh of the 6,800 sqft interior improves 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. The design is by Jayson Architecture, JPB Designs builder; construction management is by Bogard. The punch walk for occupancy takes place in mid-February. Library IT staff began working on the wiring and set up of computers. The anticipated reopening is now pushed back to late March 2023.

CAPITOLA: Construction Complete

A stunning new 11,700 sqft library opened to the public on June 12, 2021. A hub for community activity, the new Library features a large meeting room, an expanded children's wing, study and reading rooms, an outdoor deck, a fireplace, and teen space.

DOWNTOWN SANTA CRUZ: Construction Pending

The Library at 224 Church Street remains open; planning continues for the new Downtown Library and Affordable Housing Project on Cedar Street.

The City of Santa Cruz Our Downtown, Our Future-General Plan and Downtown Plan Amendment Initiative, Measure O lost with 59.48% (14,174) of the City voters saying no to O. A total of 25,058 residents cast their vote, with 40.52% (9,656) voting yes.

The Downtown Library Affordable Housing project at Cedar and Lincoln Street (Lot 4) incorporates a new 41,000+ square foot facility with a large community room and outdoor rooftop deck, an upgraded children's programming room, a teen room, and special collections room for genealogy and local history. The affordable housing component features 124 units of very low-income housing with greenspaces, 243 parking spaces, and 258 bike parking spaces. Griffin

Structures serves as the Owner's Representative; Eden Housing and For the Future Housing are the affordable housing team; Jayson Architecture is the master architect for the Library project. Construction should begin in 2024, with completion in 2026.

FELTON: Construction Complete

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

GARFIELD PARK: Construction Complete

The renovation brought new life to the historic 2,300 sqft Carnegie library building, originally built in 1915 with a refreshed and cohesive design. Features include a central seating area around the fireplace, a children's area, a more open plan, better use of windows for natural light, a meeting room, and refreshed outdoor space. Designed by Jayson Architecture; CRW builders, construction management by Bogard. The Library reopened on June 11, 2022. The Library was closed on January 23 and 24, 2023, to make minor repairs to the floor.

LA SELVA BEACH: Construction Complete

The project included replacing dilapidated interior finishes and new lighting, electrical, and mechanical systems. A sliding glass wall between the adult and children's areas improves acoustics, lighting, and flexibility. The lounge seating areas for children and adults provide space for reading, tutoring, and community programs; an expanded deck increases usable outdoor space. Jayson Architecture design, C2Builders construction. The library renovation was completed in March 2021 and won the 2022 AIA CA Special Commendation Design for Change Award.

LIVE OAK: Construction Complete

The Live Oak Library renovation revitalized the children's area, transforming it into an ocean-themed learning space. New acoustic wood ceiling and wall treatments, carpeting, and redesigned seating completed the functional yet playful setting. A custom-designed wall separates the children's collections from an "under-the-sea" inspired reading lounge and homework room. Jayson Architecture designed the renovation. Live Oak Library branch reopened on October 1, 2022.

LIVE OAK ANNEX: Construction began April 2022

The new Library Annex is attached to the Simpkins Swim Center. It provides a Library programming room and individual study rooms for patrons. Design by Noll and Tam; CRW builders, construction management by Bogard. Team Sobrante dba ARTful Catalyst LLC was selected by the Santa Cruz Board of Supervisors on January 10, 2023 to provide the public art for the Live Oak Library Annex project. The anticipated opening is June 2023.

SCOTTS VALLEY: Construction Complete

The 13,150 sqft roller rink was reopened as a library in 2011 with a design by Group 4. The latest renovation included the community room enclosure, the children's area and lobby updates, a new roof, an HVAC system, parking lot repairs, and seismic and operational upgrades. The Scotts Valley Library branch reopened on August 6, 2022. Additional work to provide a brighter lighting solution is underway. The installation may require a branch closure day in the future.

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



STAFF REPORT

AGENDA: February 2, 2023

DATE: January 23, 2023

TO: Libraries Facilities Financing Authority Board

FROM: Ruby Márquez, Chief Assistant County Counsel

SUBJECT: Final Resolution Re-authorizing the Libraries Facilities Financing Authority to Conduct a Teleconference Meeting Pursuant to Assembly Bill 361; Legal Changes to Teleconference Meetings in 2023.

RECOMMENDATION:

Adopt Resolution No. 2023-001 Authorizing a Remote Teleconference Meeting 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

As previously announced by the Governor on October 17, 2022, the COVID-19 State of Emergency proclaimed on March 4, 2020, will terminate on February 28, 2023. Although AB 361 is codified through December 31, 2023, without a declared state of emergency, agencies will no longer have the necessary authority to continue holding teleconferencing meetings under the AB 361 provisions. Therefore, absent an extension of the State of Emergency by the Governor, this will be the last teleconferencing meeting under AB 361 and the Final AB 361 Resolution is included for this Board's consideration.

AB 361 requires that the Board adopt findings within thirty (30) days after its initial teleconference, and every thirty (30) days thereafter. This Board adopted its most recent AB 361 findings at the Special Meeting held on December 15, 2022. 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.²

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

² Cal. Gov't Code § 54953(e)(3).

Since September 20, 2022, the California Department of Public Health (CDPH) recommends members of the public consult the CDC Community Levels to help inform their level of risk in deciding whether to wear a mask within indoor public settings.³ As of January 22, 2023, per the CDC Community “COVID-19 By County” risk level, Santa Cruz County is in the “medium” yellow category.⁴

The Board may also be aware that the California Legislature enacted AB 2449, effective January 1, 2023. AB 2449 allows some limited flexibility under the Brown Act for individual members to participate in meetings via teleconferencing, if certain circumstances and requirements are satisfied. This includes demonstrating a need to participate remotely either due to “just cause” or “emergency circumstances,” as defined in the statute. However, there are restrictions on how many times a year an individual board member may use this teleconference option, which varies according to the legislative body’s frequency of meetings. Additionally, a quorum of the legislative body must be participating in-person at a physical location as indicated on the agenda. If a board member anticipates needing to utilize this AB 2449 teleconference exception, they are advised to consult staff and agency counsel prior to the next scheduled meeting in 2023.

Attachment: Resolution No. 2023-001

³ State of California COVID-19 recommendations, available at:

<https://www.cdph.ca.gov/programs/cid/dcdc/pages/covid-19/guidance-for-face-coverings.aspx>

⁴CDC COVID-19 by County page, available at: <https://www.cdc.gov/coronavirus/2019-ncov/your-health/covid-by-county.html>;

**SANTA CRUZ LIBRARIES FACILITIES FINANCE AUTHORITY'S
FINAL 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 until February 28, 2023; 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 has subsequently held regular, teleconference meetings in accordance with its 2022 Annual Meeting Schedule; 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 State of California's Department of Public Health continues to recommend measures to promote social distancing and indoor face coverings; 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 utilize the modified AB 361 teleconferencing rules for this February 2023 Meeting;

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 until February 28, 2023, the **LFFA** will meet via teleconference as authorized under AB 361 and 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 2nd day of February 2023, 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 Mali LaGoe
Vice Chair Carlos Palacios
Board Member Jamie Goldstein
Board Member Matt Huffaker



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

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

Virtual Meeting

**REGULAR MEETING MINUTES
THURSDAY NOVEMBER 10, 2022**

9:00 A.M.

1. ROLL CALL

PRESENT: Carlos Palacios, Mali LaGoe, Matt Huffaker
ABSENT: Jamie Goldstein
STAFF: Yolande Wilburn, Library Director

2. ADDITIONAL MATERIALS

None

3. ADDITIONS AND DELETIONS TO AGENDA

The agenda of November 10, 2022 was approved by consensus.

4. ORAL COMMUNICATIONS

None

5. LIBRARY DIRECTOR REPORT

A. Library Director's Report – November 2022

Library Director Yolande Wilburn reported on the recent activities of the libraries and the status of facilities. The Scotts Valley and Live Oak Branch libraries have re-opened. The Branciforte Branch Library opening is delayed due to supply problems but work is moving forward.

6. CONSENT CALENDAR

RESULT: APPROVED CONSENT CALENDAR

- A. Adopted Resolution No. 2022-004 Authorizing Continued Remote Teleconference Meetings pursuant to Assembly Bill 361.**
- B. Approved Minutes of August 4, 2022.**
- C. Accepted the Annual Community Facilities District Reports for the fiscal year ended June 30, 2022 from the cities of Santa Cruz and Capitola and the County of Santa Cruz.**
- D. Adopted Annual Meeting Schedule for 2023.**
[UNANIMOUS]

MOVER: Matt Huffaker
SECONDER: Carlos Palacios
AYES: Palacios, LaGoe, Huffaker

7. GENERAL BUSINESS

None

8. PROJECT UPDATES BY BOARD MEMBERS

None

9. SCHEDULED UPCOMING MEETINGS

10. ADJOURNMENT

The Libraries Facilities Financing Authority (LFFA) adjourned at 9:13 a.m. to the Regular Meeting on Thursday February 2, 2023 at 9:00 a.m. via Zoom teleconference.

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



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

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

**Virtual Meeting
SPECIAL MEETING MINUTES
THURSDAY DECEMBER 15, 2022**

9:00 A.M.

1. ROLL CALL

PRESENT: Carlos Palacios, Mali LaGoe, Matt Huffaker, Jamie Goldstein
STAFF: Yolande Wilburn, Library Director

2. ADDITIONAL MATERIALS

None

3. ADDITIONS AND DELETIONS TO AGENDA

The agenda of December 15, 2022 was approved by consensus.

4. GENERAL BUSINESS

RESULT:

**A. Adopted Resolution No. 2022-005 Authorizing Continued Remote Teleconference Meetings pursuant to Assembly Bill 361.
[UNANIMOUS]**

MOVER: Carlos Palacios

SECONDER: Matt Huffaker

AYES: Palacios, LaGoe, Huffaker, Goldstein

RESULT:

**B. Accepted the attached NBS Local Agency Special Tax and Bond Accountability Act report for the fiscal year ended June 30, 2022
[UNANIMOUS]**

MOVER: Matt Huffaker

SECONDER: Jamie Goldstein

AYES: Palacios, LaGoe, Huffaker, Goldstein

5. SCHEDULED UPCOMING MEETINGS

6. ADJOURNMENT

The Libraries Facilities Financing Authority (LFFA) adjourned at 9:08 a.m. to the Regular Meeting on Thursday February 2, 2023 at 9:00 a.m. via Zoom teleconference.

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



STAFF REPORT

AGENDA: February 2, 2023
DATE: January 7, 2023
TO: Libraries Facilities Financing Authority Board
FROM: LFFA Treasurer-Controller
RE: Special Tax Bond Quarterly Financial Reports as of December 31, 2022

RECOMMENDATION

Accept and file the attached financial statements of the Community Facilities District No. 2016-1 as of December 31, 2022.

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 31, 2022.

The first attachment, Improvement Fund Activity and Balances of Member Accounts Held in Trust at Bank of New York as of December 31, 2022, provides your Board with an accounting of the funds received into member trust accounts and distributed to members from both the 2017 and the 2020 bond issuances. As of December 31, 2022, the total balance in trust accounts with Bank of New York for these funds is \$10,110,519.30.

The 2017 Special Tax Bond was sold in June 2017. As of December 31, 2022, all 2017 bond funds have been drawn down to reimburse eligible expenditures. The remaining \$0.89 is interest income.

The second attachment, Member Distribution Summary as of December 31, 2022, 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 \$17,640,934 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, 2022

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	22,723.24	263,490.15	23,524.55	774,802.72
Available funds	13,576,820.86	523,171.94	7,796,691.48	523,973.25	22,420,657.53
Drawdowns	(13,576,820.86)	(523,171.60)	(7,796,691.48)	(523,972.70)	(22,420,656.64)
Current balance 2017 Bonds	-	0.34	-	0.55	0.89
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	129,742.34	-	661.79	3,951.30	134,355.43
Available funds	15,515,774.34	-	1,825,608.79	2,109,776.92	19,451,160.05
Drawdowns	(5,406,705.20)	-	(1,825,608.79)	(2,108,327.65)	(9,340,641.64)
Current balance 2020 Bonds	10,109,069.14	-	-	1,449.27	10,110,518.41
December 31, 2022 Balance at BNY:	\$ 10,109,069.14	\$ 0.34	\$ -	\$ 1,449.82	\$ 10,110,519.30

Santa Cruz Libraries Facilities Financing Authority
Community Facilities District No. 2016-1
Maximum Distribution Amounts & Member Distribution History
As of December 31, 2022

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	\$ -	0.00%
75237	City of Santa Cruz	40.32%	31,250,000	500,449	12,107,323	12,607,772	18,642,228	98.65%
75238	City of Scotts Valley	4.84%	3,750,000	2,606,275	889,547	3,495,822	254,178	1.35%
75239	County of Santa Cruz	41.94%	32,500,000	28,497,788	4,002,212	32,500,000	-	0.00%
	Total	100.00%	<u>\$ 77,500,000</u>	<u>\$ 40,962,660</u>	<u>\$ 17,640,934</u>	<u>\$ 58,603,594</u>	<u>\$ 18,896,406</u>	-

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



STAFF REPORT

AGENDA: February 2, 2023
DATE: January 7, 2023
TO: Board of Directors
FROM: LFFA Treasurer-Controller
SUBJECT: LFFA Basic Financial Statements and Independent Auditor's Report

RECOMMENDATION

Accept and file the Basic Financial Statements and Independent Auditor's Report for the fiscal year ended June 30, 2022 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 2021-22 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, 2022**

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
JUNE 30, 2022**

TABLE OF CONTENTS

	<u>Page</u>
Financial Section:	
Independent Auditor's Report	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	6
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position.....	7
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	8
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Government-Wide Statement of Activities.....	9
Notes to the Basic Financial Statements	10
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund.....	19
Note to the Required Supplementary Information	20
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 <i>Government Auditing Standards</i>	21

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and general fund of the Santa Cruz Libraries Facilities Financing Authority (the Authority) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority'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 and general fund of the Authority, as of June 30, 2022, and the respective changes in financial position for the 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 Authority 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 Authority'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 Authority'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 Authority'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 budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 12, 2022, 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

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 12, 2022

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and investments	\$ 3,579,508
Restricted cash and investments	<u>11,505,980</u>
Total Current Assets	<u>15,085,488</u>
LIABILITIES	
Current Liabilities	
Accounts payable	1,998,812
Due to other governments	1,361,955
Interest payable	424,179
Bonds payable, due within one year	<u>1,030,570</u>
Total Current Liabilities	<u>4,815,516</u>
Long-Term Liabilities:	
Bonds payable, due in more than one year	<u>38,724,169</u>
Total Liabilities	<u>43,539,685</u>
NET POSITION	
Unrestricted	<u>(28,454,197)</u>
Total Net Position	<u>\$ (28,454,197)</u>

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues	Net (Expense)
		Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:			
General government	\$ 9,046,535	\$ -	\$ (9,046,535)
Total governmental activities	<u>\$ 9,046,535</u>	<u>\$ -</u>	<u>(9,046,535)</u>
General Revenues:			
			4,400,172
			<u>16,048</u>
		Total general revenues	<u>4,416,220</u>
		Change in net position	(4,630,315)
Net position:			
		Beginning of year	<u>(23,823,882)</u>
		End of year	<u>\$ (28,454,197)</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
BALANCE SHEET
JUNE 30, 2022

	General Fund
	<u> </u>
ASSETS	
Cash and investments	\$ 3,579,508
Restricted cash and investments	<u>11,505,980</u>
Total Assets	<u><u>\$ 15,085,488</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 1,998,812
Due to other governments	<u>1,361,955</u>
Total Liabilities	<u>3,360,767</u>
 Fund Balance:	
Restricted	11,505,980
Unassigned	<u>218,741</u>
Total Fund Balance	<u>11,724,721</u>
Total Liabilities and Fund Balance	<u><u>\$ 15,085,488</u></u>

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, 2022**

Fund Balance - Total Governmental Fund (Page 6)	\$ 11,724,721
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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	(39,754,739)
Interest payable	<u>(424,179)</u>

Net Position of Governmental Activities (Page 4)	<u>\$ (28,454,197)</u>
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See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>
REVENUES:	
Tax assessments	\$ 4,400,172
Interest income	<u>16,048</u>
Total Revenues	<u>4,416,220</u>
EXPENDITURES:	
Contributions to other agencies	7,840,590
Principal on long-term debt	905,000
Interest on long-term debt	1,291,656
General and administrative	<u>13,776</u>
Total Expenditures	<u>10,051,022</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(5,634,802)</u>
NET CHANGE IN FUND BALANCE	<u>(5,634,802)</u>
FUND BALANCE:	
Beginning of year	<u>17,359,523</u>
End of year	<u><u>\$ 11,724,721</u></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, 2022**

Net Change in Fund Balance - Total Governmental Fund (Page 8)	\$ (5,634,802)
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:	
Special Tax Bonds	905,000
Amortization of bond premium	85,570
Change in accrued interest payable	<u>13,917</u>
Change in Net Position of Governmental Activities (Page 5)	<u><u>\$ (4,630,315)</u></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, 2022**

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 Measure S parcel tax and interest income. 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, 2022, 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, 2022, 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, 2022, the Authority had an unrestricted net position of negative \$28,454,197.

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, 2022.

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 \$11,505,980 as of June 30, 2022.

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, 2022.

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, 2022.

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 \$218,741 as of June 30, 2022.

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, 2022, the Authority implemented the following standards:

GASB Statement No. 87 – Leases. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. There was no impact on the basic financial statements due to the implementation of this statement.

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. There was no impact on the basic financial statements due to the implementation of this statement.

GASB Statement No. 92 – Omnibus 2020. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. There was no impact on the basic financial statements due to the implementation of this statement.

GASB Statement No. 93 – Replacement of Interbank Offered Rates. The requirements of this statement are effective for reporting periods beginning after December 31, 2021. There was no impact on the basic financial statements due to the implementation of this statement.

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, 2021. There was no impact on the basic financial statements due to the implementation of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Future Governmental Accounting Standards Board Pronouncements

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

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. 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. 99 – Omnibus 2022. The requirements of this statement are effective as follows:

- The requirements related to extension of the use of the London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance.
- The requirements related to leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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. 100 – Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62. For fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Authority has not fully judged the effect of the implementation of GASB Statement No. 100 as of the date of the basic financial statements.

GASB Statement No. 101 – Compensated Absences. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Authority has not fully judged the effect of the implementation of GASB Statement No. 101 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, 2022:

	Restricted	Unrestricted	Total
Pooled cash and investments held by the County of Santa Cruz	\$ -	\$ 3,579,508	\$ 3,579,508
Cash with fiscal agent	11,505,980	-	11,505,980
Total	\$ 11,505,980	\$ 3,579,508	\$ 15,085,488

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.

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

NOTE 2 – CASH AND INVESTMENTS (Continued)

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, 2022, 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.

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, 2022, 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, 2022, as included within the County's basic financial statements, the County invested \$5,036,569 in LAIF. LAIF provided a fair value factor of 0.987125414 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 \$11,505,980 included certain amounts which are held by fiscal agents on behalf of members and distributed for qualified project costs. 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, 2022, was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Amounts Due Within a Year	Amounts Due More than a Year
Governmental Activities:						
2020 Special Tax Bonds	\$ 18,590,000	\$ -	\$ (430,000)	\$ 18,160,000	\$ 450,000	\$ 17,710,000
Plus Deferred Amounts:						
For Issuance Premiums	1,191,796	-	(47,357)	1,144,439	47,356	1,097,083
2017 Special Tax Bonds	20,040,000	-	(475,000)	19,565,000	495,000	19,070,000
Plus Deferred Amounts:						
For Issuance Premiums	923,515	-	(38,215)	885,300	38,214	847,086
Total Governmental Activities						
Long-Term Liabilities	\$ 40,745,311	\$ -	\$ (990,572)	\$ 39,754,739	\$ 1,030,570	\$ 38,724,169

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, 2022, the total principal balance was \$19,565,000 and the unamortized bond premium was \$885,300. Principal and interest paid for the current period was \$732,956.

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
2023	\$ 495,000	\$ 708,706
2024	520,000	683,331
2025	545,000	656,706
2026	575,000	628,706
2027	605,000	599,206
2028-2032	3,460,000	2,560,981
2033-2037	4,095,000	1,929,313
2038-2042	4,800,000	1,203,816
2043-2046	4,470,000	319,550
Subtotal	19,565,000	\$ 9,290,315
Premium	885,300	
	<u>\$ 20,450,300</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, 2022, the total principal balance was \$18,160,000 and the unamortized bond premium was \$1,144,439. Principal and interest paid for the current period was \$988,700.

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
2023	\$ 450,000	\$ 558,700
2024	475,000	536,700
2025	495,000	513,575
2026	520,000	489,325
2027	550,000	463,950
2028-2032	3,175,000	1,893,825
2033-2037	3,720,000	1,319,753
2038-2042	4,135,000	907,269
2043-2046	4,640,000	417,409
Subtotal	18,160,000	\$ 7,100,506
Premium	1,144,439	
	<u>\$ 19,304,439</u>	

NOTE 4 – SUBSEQUENT EVENTS

The Authority's management has evaluated all events and transactions that occurred after June 30, 2022, and through December 12, 2022, the date the basic financial statements and accompanying notes to the basic financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Tax assessments	\$ 4,425,000	\$ 4,400,172	\$ 4,400,172	\$ -
Interest income	10,000	16,048	16,048	-
Total Revenues	4,435,000	4,416,220	4,416,220	-
EXPENDITURES:				
Contributions to other agencies	2,421,020	7,840,590	7,840,590	-
Principal on long-term debt	905,000	905,000	905,000	-
Interest on long-term debt	1,291,656	1,291,656	1,291,656	-
General and administrative	23,000	13,776	13,776	-
Total Expenditures	4,640,676	10,051,022	10,051,022	-
REVENUES UNDER EXPENDITURES	(205,676)	(5,634,802)	(5,634,802)	-
NET CHANGE IN FUND BALANCE	<u>\$ (205,676)</u>	<u>\$ (5,634,802)</u>	<u>(5,634,802)</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			17,359,523	
End of year			<u>\$ 11,724,721</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, 2022**

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 First Supplement to the Amended and Restated Joint Exercise of Powers Agreement, dated September 25, 2018. 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, less funds set aside for debt service and administrative costs, 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, 2022, 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 12, 2022.

Report on 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.

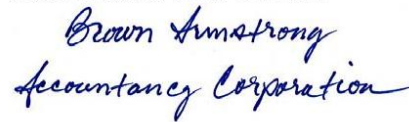
Report on Compliance and Other Matters

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, flowing style.

Bakersfield, California
December 12, 2022

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



STAFF REPORT

DATE: February 2, 2023

TO: Board of Directors

FROM: Yolande Wilburn, Library Director

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

RECOMMENDATION

Elect the Calendar year 2023 Board Chair and Vice-Chair as the County of Santa Cruz and the City of Capitola 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