

Annual Comprehensive Financial Report

Fiscal Year ended June 30, 2023



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Fiscal Year Ended
June 30, 2023

Prepared by the



Finance Department
1635 Faraday Ave.
Carlsbad, CA 92008
www.carlsbadca.gov



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Introductory Section



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March 26, 2024

Honorable Mayor, City Council,
and Residents of the City of Carlsbad
City of Carlsbad
Carlsbad, CA 92008

**LETTER OF TRANSMITTAL
FISCAL YEAR 2022-23 ANNUAL COMPREHENSIVE FINANCIAL REPORT**

Honorable Mayor, City Council, and Residents:

I am pleased to present the fiscal year 2022-23 Annual Comprehensive Financial Report for the City of Carlsbad (“city”). The information found in this report is provided by management to the City Council and the public to assist those interested in understanding the fiscal condition of the city as of June 30, 2023.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that has been established for this purpose. Because the cost of internal controls should not outweigh its benefits, the city’s comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

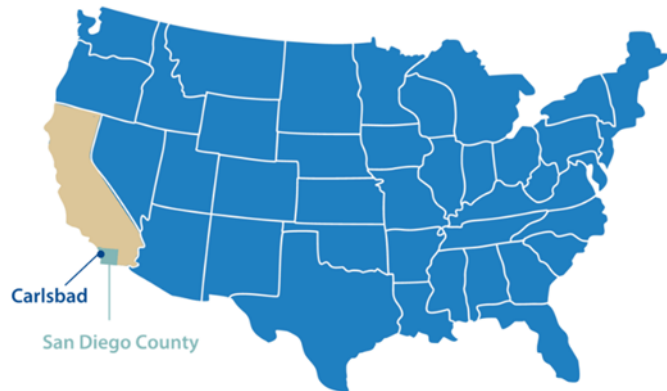
State law and the Carlsbad Municipal Code require that an annual financial report is prepared. This report fulfills that obligation. It has been prepared in conformity with generally accepted accounting principles (GAAP) and with the financial reporting requirements prescribed by the Governmental Accounting Standards Board (GASB). The independent auditing firm, Lance, Soll & Lunghard, LLP, has issued an unmodified opinion on the city’s financial statements for the fiscal year that ended June 30, 2023. The independent auditor’s report is located at the front of the financial section of this Annual Comprehensive Financial Report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

As a recipient of federal and state financial assistance, the city is required to have a “Single Audit” performed by an independent audit firm. The Single Audit is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require that the independent auditor report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports will be completed in March 2024 and made publicly available on the city’s website in the city’s separately issued Compliance Reports and Other Financial Information.

Profile of the City of Carlsbad

The City of Carlsbad is situated in north San Diego County where a great climate, beautiful beaches and lagoons, and abundant natural open space combine with world class resorts, family attractions, well-planned neighborhoods, a diverse business sector and a charming village atmosphere to create the ideal California experience.



CITY GOVERNMENT

Incorporated in 1952, the City of Carlsbad is a municipal corporation following the council-manager form of government. The City Council, the city's legislative body, defines the policy direction of the city. The city manager oversees the day-to-day operations of the city. The City of Carlsbad also has an elected City Clerk and City Treasurer. The City Council appoints the City Manager and City Attorney.

Districts

The City Council consists of an elected mayor and four elected council members. Each serves a four-year term. In 2017, the city switched to a system where City Council members are elected by district instead of at large or citywide.

Charter City

There are two types of cities in California: charter and general law. Charter cities follow the laws set forth in the state’s constitution along with their own adopted “charter” document. General law cities follow the laws set forth by the state legislature.

In 2008, City of Carlsbad residents overwhelmingly voted to approve the charter city measure. The charter gives the City of Carlsbad more flexibility on such issues as purchasing and contracting. Certain affairs, such as traffic and vehicle regulation, open and public meetings laws, certain planning and environmental laws, and eminent domain, remain matters of state authority even as a charter city.

This report includes financial statements for the City of Carlsbad, the Housing Authority of the City of Carlsbad, the Carlsbad Public Financing Authority, and the Carlsbad Municipal Water District. Through these entities, Carlsbad provides a full range of services to its citizens and customers including:

- Fire and paramedic services
- Police protection services
- Development services
- Library and arts programs
- Housing and homeless services
- Recreation programming for all ages
- Park and recreation areas
- Street construction and maintenance
- Water delivery system
- Wastewater system

In addition to the full range of services normally associated with a municipality, Carlsbad offers programs to help residents and businesses. The city’s Housing Authority administers federal housing assistance to 575 low-income households in Carlsbad, and older residents can take advantage of Carlsbad’s senior citizen programs.

Budget Process

The City Council sets the overall policy direction for the City of Carlsbad and helps staff prioritize programs, projects and services to support that direction. Public input plays a critical role in setting both the long-range policy direction of the city and decisions about day-to-day spending. The city operates on a fiscal year that begins July 1. City staff in all departments prepare individual budgets for their functional areas. These budgets are then combined into an overall city budget that is presented to the City Council each spring for review and input.

FISCAL YEAR 2022-23

BUDGET SCHEDULE

December 2021

City Council begins development of a five-year strategic plan

January 2022

Public input gathered on strategic plan goal themes

February 2022

City departments submit initial budgets and proposed changes for review

March 2022

City Council workshop to consider input and finalize strategic plan goal themes

April - May 2022

Department budgets are refined and finalized. List of Capital Improvement Program projects prioritized

May - June 2022

Preliminary budget presented to the City Council and public

June 2022

Final City Council budget adopted

July 1, 2022

First day of the new fiscal year

The City Council has the authority to approve the annual budget and may amend it during the year if needed. The legal level of budgetary control is at the fund level, which means spending in each different type of fund may not exceed the budgeted amount without City Council approval. Budgetary control for the city is maintained through its accounting systems. Quarterly reports summarizing the results of operations for the city's more significant funds are provided to the City Council and the public on the city's website.

The City Council's 5-Year Strategic Plan

The adoption of the City Council's 5-Year Strategic Plan in 2022 allows staff to focus on five main areas, with the annual budget outlining how the city will work to accomplish the strategic plan's objectives and work toward the plan's vision in the year ahead.



Community Character

Maintain Carlsbad's unique community character and connectedness

In five years, even though the city has grown and changed, residents agree that it still has the smalltown beach community character and connectedness that made them want to live here in the first place. Diverse community members of all ages enjoy participating in the wide array of programs and events offered by the city, where they run into neighbors, meet new friends and, mostly importantly, feel welcome and included.



Quality of Life and Safety

Prioritize the safety and well-being of the community

In five years, the City of Carlsbad remains one of the safest cities in the region due to new investments in fire and emergency medical services and a well-equipped and highly trained Police Department that enjoys excellent relationships with the community. Critical infrastructure like roads and pipes are well-maintained, while parks, community centers, libraries and other facilities reflect the community's high standards.



Sustainability and the Natural Environment

Protect the environment and natural resources

In five years, thanks to the city's strategic approach to environmental sustainability, Carlsbad is seen as a model for how to leverage partnerships and innovation to achieve climate and environmental goals. City residents and businesses feel supported in their own environmental sustainability efforts, whether it's complying with new mandates or taking advantage of opportunities to go above and beyond. As a result, the city has met or exceeded goals for eliminating greenhouse gas emissions, reducing what goes to landfills, keeping creeks, lagoons and the ocean clean, and protecting native habitat and natural open space.



Economic Vitality

Foster a healthy local economy

In five years, the City of Carlsbad has a strong and diverse economy that combines a thriving small business community with leading industries of the future. Smart, talented professionals want to work here, and entrepreneurial leaders want to invest in their own startup ventures. Those looking to grow their skills will find opportunities for workforce development in Carlsbad. Carlsbad has excellent relationships with key industries, business organizations, other cities in the region, and academic institutions. By achieving this goal, the city as a whole is financially stable and more residents have the jobs they want right in their own backyards.



Organizational Excellence and Fiscal Health

Be a model for effective and efficient local government

In five years, the City Council, the community and city employees have remained aligned around common goals established in the 5-Year Strategic Plan. This sustained focus has not only generated measurable results, but it has also translated into operational efficiencies and cost savings. The very best in their fields want to work for the City of Carlsbad because of the culture that has been created around innovation, inclusivity and engagement. The city's financial health has been maintained while meeting or even exceeding the community's high expectations for service delivery. Investments in technology have led to enhanced efficiency, transparency, accountability and value.

Economic and Fiscal Issues Facing the City

At the time of developing the Fiscal Year 2023-24 Preliminary Budget, the nation, state and city has largely recovered from fiscal impacts of the COVID-19 pandemic. However, unprecedented inflationary levels were challenging the economy. In the City of Carlsbad, high inflationary levels have actually boosted some of the city's revenue sources like sales and transient occupancy tax, but the city's expenditures have also increased tremendously. While the Federal Reserve has taken swift action to combat the rise in inflation by increasing interest rate targets, we have yet to see inflation levels return to more historically normal levels. As the city moves forward, and as the level of disposable income, personal savings and pent-up demand continues to diminish as a result of these sustained inflationary levels, uncertainty about the city's revenues keeping pace with its expenditures increases.

Prior to the pandemic, the city boasted a low unemployment rate of 2.9%. At the height of the pandemic, unemployment spiked to 13.8%. Over the past two years, the unemployment rate has had some correlation to the prevalence of COVID-19 in the region. However, with the pandemic's economic impacts behind us, unemployment rates settled between 2% and 3% during calendar year 2022. Through the first quarter of calendar year 2023, macro-trends in the tech industry pushed unemployment up nationally, but the labor market is still considered to be very tight. As of March 2023, the unemployment rate was 4.8% at the state level, 3.7% at the county level and 3.5% at the local level.

National interest rates, which dropped significantly during the pandemic, have now eclipsed pre-pandemic rates for all categories. One-year rates are currently at 1.63%, ten-year rates are currently at 2.32%, and 30-year rates are at 2.44%. With lingering concerns surrounding inflation, the Federal Reserve has begun to raise interest rates and has done so over the Federal Open Market Committee's last eight meetings resulting in current interest rate targets of 5%-5.25%. As of May 2023, local inflation had decreased year-over-year from 8.3% to 5.2%.

Maintaining good fiscal health must remain a top priority. Meeting this objective preserves the city's ability to continue providing important programs and services to the community. Past economic challenges and prudent financial planning have provided opportunities for developing solutions to address lost revenues while preserving vital services. The positive effect of inflation on some of the city's revenue sources have been significant but is considered one-time and something to be very closely monitored moving forward. As inflation is likely to decline in the future, so will revenue growth. Disciplined spending and long-term financial planning remain critical to ensuring the future sustainability of important city programs and services.

Long-Term Financial Planning

Strategic planning begins with determining the city's fiscal capacity based upon long-term financial forecasts of recurring available revenues and future financial obligations. Prior to the adoption of the annual budget, the finance department will prepare a Ten-Year Financial Forecast ("Forecast") that evaluates known internal and external issues impacting the city's financial condition. The methodology for preparing the Forecast can be found in the appendix of this document. The Forecast is intended to help the city:

- Attain and maintain financial sustainability;
- Have sufficient long-term information to guide financial decisions;
- Have sufficient resources to provide programs and services for the stakeholders;
- Identify potential risks to on-going operations in the long-term financial planning process and communicate these risks on an annual basis;
- Establish mechanisms to identify early warning indicators; and
- Identify changes in expenditure or revenue structures needed to deliver services or to meet the goals adopted by the City Council.

It is important to stress that the Forecast is not a budget. The Forecast does not dictate expenditure decisions, but rather highlights the need to prioritize the allocation of the city's limited resources to ensure the continuation of core city services. The purpose of the plan is to provide the City Council, key stakeholders, and the public an overview of the city's fiscal health based on various financial and service level assumptions over the next ten years. It also allows for the discussion of necessary steps to be initiated during the development and implementation of future budgets. The Forecast is intended to look beyond the annual budget cycle and serve as a planning tool to bring a long-term perspective to the budget process. The Forecast also takes into consideration Council Policies that need to be met on an annual basis including General Fund reserve guidelines, pension funding guidelines, etc. Should projected expenditures exceed projected revenues in any given year, the City Manager will need to identify steps to mitigate the shortfalls prior to presenting a balanced budget to the City Council for consideration during the annual budget development process.

It should be noted that the Forecast is a snapshot in time and will change as additional information is made available and incorporated into the fiscal projections. COVID-19 and the economic uncertainty associated with the pandemic period has increased the volatility of projecting future revenues.

The city prepares a long-term financial model for both capital and operating needs. It is imperative that the city plan for the impacts of development, the construction and operation of new public facilities, and planning resources needed to build them. The city prepares a ten-year operating forecast for the General Fund, a five-year Strategic Digital Transformation Investment Program, and a fifteen-year Capital Improvement Program. As part of the new Strategic Digital Transformation Investment Program and the Capital Improvement Program, the city annually calculates the amounts needed to pay for the projects and calculates the anticipated operating budget impacts. In this way, the city can anticipate the effects of development from both a capital and an operating perspective.

One important initiative the city has undertaken to ensure its financial health is the development of an Infrastructure Replacement Fund. With this fund, the city sets aside a portion of General Fund revenues on an annual basis for major maintenance and replacement of its infrastructure. Much of the city's infrastructure is relatively new; thus, the city is just now experiencing the impact of maintenance requirements. By setting aside funds now, the city's residents can be assured that the proper maintenance and replacement will be performed, as needed, on streets, parks and many facilities for which the city is responsible.

Employee retirement costs continue to require ongoing prudent fiscal management. The City Council issued a pension funding policy to codify its commitment to ensure that resources will be available to fulfill the city's contractual retirement promises to its employees, and to minimize the chance that the funding of these benefits will interfere with providing essential services to the community. The policy outlines a funding discipline to ensure that adequate resources will be accumulated in a systematic and disciplined manner to fund the long-term cost of benefits to the plan participants and annuitants. Overall funding levels of the city's plans are reviewed annually to ensure the city's funding level remains at least 80% – the city's minimum targeted level. While this enhances the city's funding position, risks remain in the system. Required employer contributions will continue to increase over the next few years and actual contribution increases could exceed expectations if future investment return rates or other factors are unfavorable.

Revenue and expenditure growth projections

The city's Forecast considers the annual growth of all currently known elements of city revenues and expenditures. Projecting revenues is particularly difficult when considering the short-term impacts of COVID-19 on the economy, leaving the timing of an economic rebound and future growth volatility uncertain. When forecasting expenditures, some of the major factors considered are rising healthcare and workers' compensation costs, underperforming pension programs, and general inflation in both personnel and operating expenditures. Currently, the city projects expenditure growth will outpace revenue growth in the near future. To support the increase in ongoing costs, the city will need to consider alternative options, such as ways to increase economic activity that will drive sustainable increases in the city's current revenue base, an expansion of the city's revenue base, or a reduction of the city's current service offerings and associated costs.

FINANCIAL MANAGEMENT POLICIES

Revenue Policies

The development and maintenance of balanced and reliable revenue streams will be the primary revenue objective of the city. Efforts will be directed to optimize existing revenue sources while periodically reviewing potential new revenue sources. One method to maximize existing revenue sources is to promote a healthy business climate. Revenue estimates will be prepared on an annual basis during the preparation of the budget and major revenue categories will be projected on a ten-year basis. Revenues will be estimated conservatively using accepted standards and estimates provided by the state and other governmental agencies. Alternative revenue sources will be periodically evaluated to determine their applicability to meet identified city needs. Sources of revenue will be evaluated and modified as necessary to assure a diversified and growing revenue base that improves the city's ability to handle fluctuations in individual revenue sources.

Revenues from "one-time" or limited duration revenue sources will not be used for ongoing operating expenses. Fees and charges for services will be evaluated and, if necessary, adjusted annually to ensure that they generate sufficient revenues to meet service delivery costs. The city will establish user charges at a level generally related to the full cost (operating, direct, indirect and capital costs) of providing the service, unless the City Council determines that a subsidy from the General Fund is in the public interest. The city will also consider market rates and charges levied by other municipalities of similar size for like services in establishing rates, fees and charges. Enterprise and internal service funds will be self-supporting.

Expenditure and Budget Policies

Major expenditure categories will be projected on a ten-year basis. The city will operate on a current funding basis. Expenditures will be budgeted and controlled so as not to exceed current revenues plus the planned use of any accumulated fund balances. Annual budgeted operating expenditures shall not exceed annual operating revenues, including budgeted use of reserves, unless directed by the City Council.

The City Manager shall prepare and submit to the City Council annually a proposed operating, strategic digital transformation investment program and capital improvement program budget each year, and the budgets will be adopted by June 30 of each year. Budget status reports are prepared monthly, distributed to all departments and posted on the city's website. Because the budget is based on estimates, from time to time, it is necessary to make adjustments to finetune the line-items within it. Various levels of administrative control are utilized to maintain the budget's integrity. Program managers are accountable for the line-item level of control of their individual program budgets. Department heads are accountable for the fund level of control for funds within their departments. The Finance Department oversees the general level of accountability related to budgetary integrity through systematic checks and balances and various internal controls.

[Council Policy No. 87 – General Fund Surplus Policy](#) outlines the use of surplus funds resulting from unrestricted General Fund actual revenues exceeding total actual expenditures, encumbrances, and commitments for a given fiscal year. It is the intent of the city to use all surplus funds generated to meet reserve policies, and the reduction or avoidance of long-term liabilities. The city will not use year-end surplus funds to fund ongoing operations unless otherwise approved by the City Council.

The city will use surplus funds to replenish any General Fund deficiencies, up to the minimum level as set forth in [Council Policy No. 74 – General Fund Reserve Policy](#) and then any pension liability deficiencies, as defined in [City Council Policy No. 86 – Pension Funding Policy](#).

The City Manager is authorized to approve the carryforward of any unencumbered and unspent and unencumbered budget for a particular item equal to or less than \$100,000 into the following fiscal year. These items will be one-time expenditures and not for ongoing services, programs or personnel. Any remaining surplus funds in excess of reserve and pension liability deficiencies and items equal to or greater than \$100,000 will be brought forward for City Council approval.

The city adheres to long-range financial planning which forecasts revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios, and other salient variables. Financial planning allows the city to execute overall strategies to support the process of aligning financial capacity with long-term service objectives. Financial forecasts are updated at least once a year, or more often, if unexpected changes in economic conditions or other unforeseen circumstances exist. Any significant changes will be reported to the City Manager and the City Council. Otherwise, these financial forecasts will be used as a tool during the development of the annual budget process and to set utility rates as needed.

[Reserve Policies](#)

The city formally mandates the levels at which reserves shall be maintained for the General Fund and informally sets minimum target levels for the enterprise and internal service funds.

[Council Policy No. 74 – General Fund Reserve Policy](#) was most recently updated and approved by the City Council in June 2019. The purpose of the policy is to establish a target minimum level of designated reserves in the General Fund to:

- Reduce the risk of financial impacts resulting from a natural disaster or other catastrophic events;
- Respond to the challenges of a changing economic environment, including prolonged downturns in the local, state or national economy; and
- Demonstrate continued prudent fiscal management and creditworthiness.

The city commits to maintaining General Fund reserves (the term reserve refers to any unassigned fund balance) at a target of 40% of General Fund annual operating expenditures. The total reserve level will be calculated using the prior year's adopted General Fund budgeted expenditures.

At the discretion of the City Council, reserve levels in excess of the 40% target requirement may be used for one-time opportunity cost purposes. Reserve funds will not be spent for any function other than the specific direction in the annual budget or by a separate City Council action.

As a general budget principle concerning the use of reserves, the City Council decides whether to appropriate funds from reserves. Reserve funds will not be spent for any function other than the specific purpose of the reserve account from which they are drawn without specific direction in the annual budget or by a separate City Council action.

[Council Policy No. 96 – Utilities Reserve Policy](#) is designed to establish guidelines to ensure the fiscal stability of the potable water, recycled water and wastewater funds. The annual budget process and the setting of utility user rates and charges will be used to achieve and maintain the various target reserve levels. The policy aims to maintain minimum and target reserves for the following areas:

- Operating Reserve-minimum of 90 days and target of 120 days of operating costs for the operating funds of potable water, recycled water and wastewater funds
- Debt Service Reserve-100% of required annual debt service for potable water, recycled water and wastewater
- Capital Construction Reserve-minimum 50% and target of 100% for potable and recycled water and a minimum 25% and a target of 50% of wastewater of the five-year rolling average of annual spending on capital improvement projects
- Emergency Capital Reserve-minimum of 0.5% and target of 1% of system replacement value for water, recycled water and wastewater
- Rate Stabilization Reserve-minimum 10% and target of 20% of rate revenues for potable and recycled water and a minimum 5% and a target of 10% of rate revenues for wastewater

The city's [Workers' Compensation Fund and Risk Management Fund \(General Liability\)](#) will maintain a minimum reserve equal to the estimated outstanding claims as calculated by a third-party administrator. Additional reserve amounts may be set aside as deemed appropriate based on a third-party actuarial study completed at two-year intervals. During the annual budget process, the target confidence level will be compared with the projected fund balance, and, if the projected fund balance is greater than or lesser than the target, a plan to adjust the fund balance will be considered, using either or both increasing revenues through interdepartmental charges and one-time cash contributions from those funds contributing to the shortfall.

The [Information Technology Asset Replacement Fund](#) shall maintain a minimum reserve level defined as the amount of accumulated depreciation of capitalized assets based on the original cost of each capitalized asset, and up to a maximum reserve level defined as the accumulated depreciation based on the estimated replacement cost of each capitalized asset.

The [Vehicle Asset Replacement Fund](#) shall maintain a minimum reserve level defined as the amount of accumulated depreciation of capitalized Fleet assets based on the original cost of each capitalized asset, and up to a maximum reserve level defined as the accumulated depreciation based on the estimated replacement cost of each capitalized asset.

Investment Policy

The city has established a formal Investment Policy. It is the policy of the City of Carlsbad to invest public funds not required for immediate day-to-day operations in safe, liquid and medium-term investments that shall yield an acceptable return while conforming to all California statutes. It is intended that the policy cover the investment activities of all contingency reserves and inactive cash under the direct authority of the city. Investments of the city and its component units will be made on a pooled basis; however, investments of bond proceeds will be held separately if required.

Pension Funding Policy

The city's [Council Policy No. 86 – Pension Funding Policy](#) embodies funding and accounting principles to ensure that resources will be available to fulfill the city's contractual promises to its employees. The policy objectives include using actuarially determined contributions, or ADC, provided by CalPERS, funding the full amount of the ADC each year, maintaining no less than a combined minimum of 80% funded ratio, and demonstrating accountability and transparency by communicating all information necessary for assessing the city's progress toward meeting its pension funding objectives.

In the event the city is unable to meet the minimum combined pension funded ratio of 80% with current resources (i.e., without borrowing or using reserves), the Finance Director will identify a reasonable period to return to a minimum 80% funded ratio status.

Long Term General Fund Capital Funding Policy

The city's [Council Policy No. 91 – Long Term General Fund Capital Funding Policy](#) ensures the needs of the city are met and demonstrates continued prudent fiscal management by providing a funding source for long-term, large value capital purchases. Many city assets demand large capital expenditures, examples include roads, building, parks, and information technology infrastructure. The city funds the General Fund portion of these necessary investments by adopting an annual budget that includes a transfer from the General Fund to one or more of the city's long-term capital funds. These long-term capital funds include the General Capital Construction Fund, the Infrastructure Replacement Fund and the Technology Investment Capital Fund. The city commits to targeting a transfer to the city's long-term capital funds of 6% of budgeted General Fund revenues. The transfers are proposed during the annual budget process or on an as needed basis for the City Council's consideration.

Full versions of these policies and other City Council policies are available on the city's website at www.carlsbadca.gov/city-hall/laws-policies/council-policies.

Strategic Digital Transformation Investment Program

The Strategic Digital Transformation Investment Program, or SDTIP, is a comprehensive approach to planning for and funding digital transformation efforts throughout the city. Several documents inform this program, including the City Council-approved Connected Carlsbad: An Inclusive City Innovation Roadmap, the Internal Digital Information Network Action Plan, and the Information Technology Strategy, which are complemented by a five-year projected roadmap of digital transformation investments. The SDTIP is the strategic plan for technology and digital transformation combined with project descriptions, costs, funding sources and timelines. The purpose of this new program is to provide for an annual investment strategy, not a commitment for spending, that outlines a five-year expenditure plan for future digital transformation and technology projects and the corresponding revenues necessary to pay for them.

Connected Carlsbad: An Inclusive City Innovation Roadmap

In January 2019, city staff presented Connected Carlsbad: An Inclusive City Innovation Roadmap, designed to provide a high-level, organized guide outlining the principles that matter to the city in creating a more connected community. This roadmap and its associated action plan were based on a combination of items, including:

- City Council approved projects,
- existing city documents,
- previous Information Technology assessments and interviews with departments, and
- a global scan of other cities and best practices that have emerged from leading smart city thinkers and Carlsbad-specific community engagement.

The Strategic Digital Transformation Investment Program expands on the Connected Carlsbad Roadmap to include a strategy for evaluating and prioritizing projects and a five-year investment roadmap that includes estimated costs and timelines. This new investment program continues to be organized into the five primary goal areas approved by City Council in Connected Carlsbad, listed below.

- **Pursue Communitywide Digital Transformation** focuses on the foundational elements, including connectivity, up-to-date hardware and software, and a robust security strategy while providing an aspirational vision for the future.
- **Build Capacity for Data-Driven Government** focuses on the policies, procedures and staffing necessary for the city to fully capture the value of emerging models of data analytics.
- **Foster a Vibrant Civic Engagement Culture** builds upon the first two goals with a human-centered perspective that an engaged city that uses data and technology in a way that respects people and their privacy will support a vibrant culture where residents, organizations and businesses are invested in their community and its future.
- **Enhance Accessibility and Transparency** recognizes that open government and approaching problem-solving from an accessibility perspective leads to better outcomes for all.
- **Promote Safety and Sustainability through Connectivity** leads to understanding the interconnected nature of our communities that can achieve environmental, mobility and sustainability goals when approached in a cross-departmental and community informed manner.

Once City Council adopts the proposed Strategic Digital Transformation Investment Program, projects receive an appropriation that authorizes spending in the amount specified for the adopted fiscal year only. Estimated budget information is shown for a five-year period to provide the most comprehensive information about known future projects. Spending authority in future years is not granted until adoption of the annual proposed SDTIP budget associated with each year.

Investing in Digital Transformation

As the city continues to grow and develop, the use of technology has also grown exponentially over the last two decades. The SDTIP outlines the financial resources needed to ensure that the technology infrastructure is in place to enable the city to provide services to the community. Prudent financial planning will ensure that ongoing funding for investment in technology is available.

SDTIP Project Evaluation

Making decisions on technology implementations is a challenging and complex task. The challenging nature of these decisions is exacerbated by the expanding reach of technology and the increasingly interdisciplinary nature of emerging technologies. A major component of the SDTIP is the establishment of a cross-departmental approach to technology leadership to evaluate, prioritize, budget for and adopt digital transformation efforts. A new administrative order has been developed that provides a collaborative forum for key staff to validate and prioritize technology implementations. This approach also provides a structured venue to explore how particular configurations of a technology implementation may positively or negatively affect others within the organization. The process to evaluate digital transformation initiatives is ongoing and meetings may be held on a monthly, bimonthly or quarterly basis depending on the need.

A number of factors are considered when putting together projects for the five-year program. All digital transformation and technology projects shall be consistent with:



Proposed projects are evaluated and prioritized by a set of criteria that include:

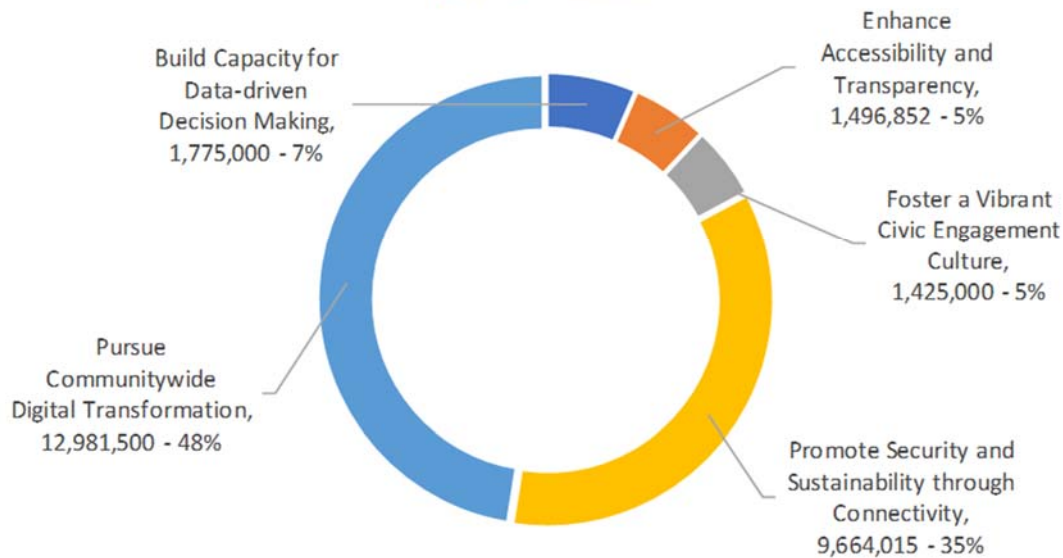
- Alignment with City Council goals and IT strategic plans, architecture, security and technology standards, including legislative and regulatory mandates, and administrative goals
- Coordination of IT investments across the enterprise to avoid duplication, maximizing the return on investment and increasing efficiency
- Effective articulation of the business case including valid operational benefits of the project
- Accuracy and reasonableness of cost and benefit estimates
- Consideration of potential project risks and identification of appropriate means to manage those risks
- Adherence to standard project management practices
- Capacity of staffing resources to implement the project

As the SDTIP is implemented throughout the year, staff will continually re-evaluate projects' scopes, costs and schedules to responsibly and cost-effectively manage city resources.

SDTIP Fiscal Year 2022-23 Appropriations

Going into fiscal year 2022-23, there were 33 continuing and new projects planned over the next five years at an estimated total cost of \$27.34 million. Included in the \$27.34 million is approximately \$15.35 million in estimated new costs over the course of the same time frame to provide additional funding for the continuation of existing projects as well as funding for new projects. Within the \$15.35 million is approximately \$3.94 million of estimated new appropriations for fiscal year 2022-23 for these same projects.

Estimated Total Projects Costs by Goal FY 2022-23 to FY 2026-27 \$27.34 million



Pursue Communitywide Digital Transformation \$12.98 million

This goal includes updating connectivity, up-to-date hardware and software, and a robust security strategy.

Build Capacity for Data-Driven Decision Making \$1.78 million

This goal's projects include the policies, procedures and staffing necessary for the city to fully capture the value of emerging models of data analytics. It builds a comprehensive approach to citywide data management to enable data-rich key performance metrics and effective operation of city departments. A data policy and resources will be created to align departments with standards of data cataloging for compliance ease of data sharing.

Foster a Vibrant Civic Engagement Culture \$1.43 million

The city's civic engagement culture builds upon the first two goals with a human-centered perspective to use data and technology in a way that respects people and their privacy. Projects in this category will support a vibrant culture where residents, organizations and businesses are invested in their community and its future.

Enhance Accessibility and Transparency
\$1.49 million

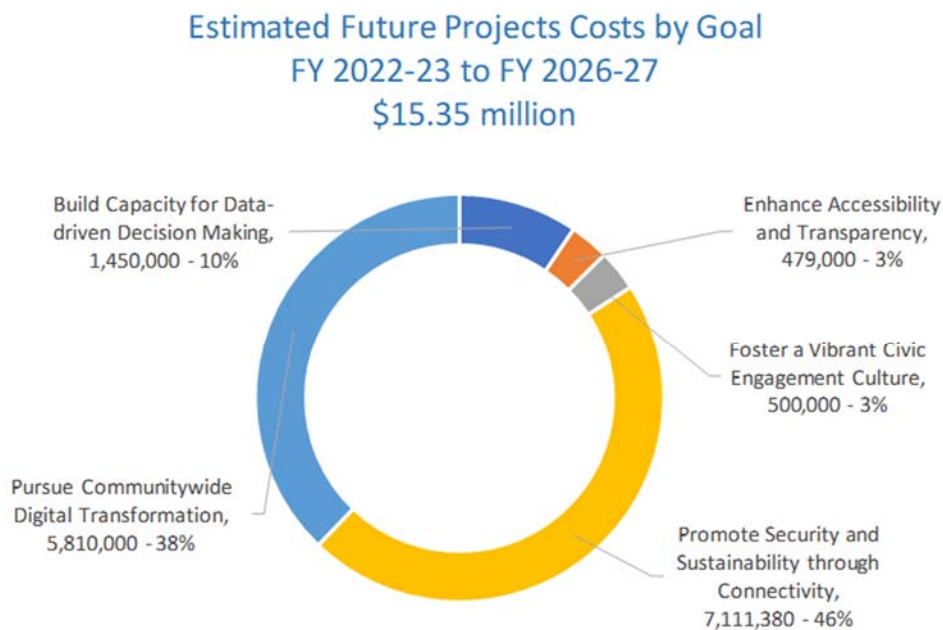
This goal recognizes that open government and approaching problem-solving from an accessibility perspective leads to better outcomes for all. Projects in this category include Civic Engagement with Open Data, Online Permitting/Electronic Reviews, Patron Print/Copy Management and a Virtual Permitting Counter.

Promote Security and Sustainability through Connectivity
\$9.66 million

Projects in this goal include the annual replacement of hardware and technology infrastructure, a Facility Security Master Plan, the replacement of the Police Computer Aided Dispatch System, and an enhancement to the 9-1-1 emergency system.

SDTIP Future Appropriations

The City of Carlsbad’s SDTIP for fiscal year 2022-23 to fiscal year 2026-27 outlines 33 projects at an estimated total cost of \$27.34 million. Of the \$27.34 million, \$15.35 million is for new or increased funding for projects over the next five years. The information provided for future years reflects the most comprehensive snapshot of known or anticipated future projects as well as associated estimated costs.



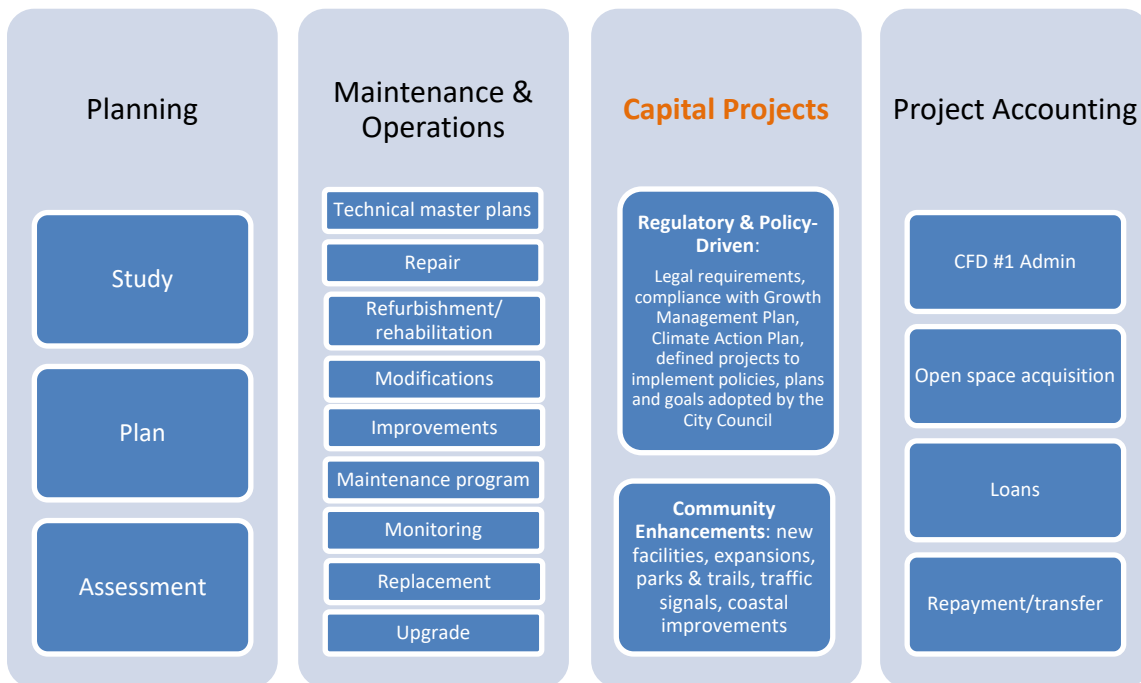
Capital Improvement Program

The City of Carlsbad Capital Improvement Program reflects the city’s ongoing commitment to maintaining the highest standards of quality facilities for our community today and in the future. It is a planning document, not a commitment for spending. The 15-year program outlines the expenditure plan for future capital projects and the corresponding revenues to pay for those expenditures.

Projects that are shown in the CIP are generally defined as any construction, rehabilitation or replacement of major infrastructure such as streets, libraries, parks, fire stations and administrative facilities, water, sewer and drainage facilities, and other facilities that are located on or in the ground. In most cases, the total construction cost of each of these assets is recorded and tracked as part of the city’s inventory of capital infrastructure assets and other city-owned property.

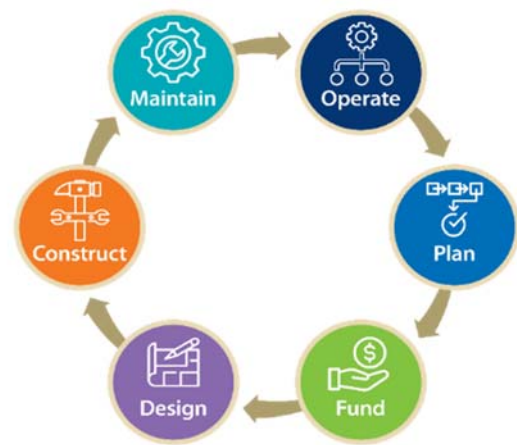
Once the City Council adopts the proposed annual CIP budget, projects receive an appropriation that authorizes spending in the amount specified for the adopted fiscal year only. Estimated budget information is shown for a 15-year period to provide the most comprehensive information about known future projects. Spending authority in future years is not granted until adoption of the annual proposed CIP budget associated with each year.

The CIP is organized by the following project classifications:



Investing in Quality of Life

The City of Carlsbad’s philosophy is to take a proactive, long-range planning approach to building quality facilities and infrastructure that support the priorities of the community. Prudent financial planning has ensured ongoing funding to modernize, and replace existing infrastructure projects through numerous asset management programs. Since the city applies a comprehensive asset management approach to infrastructure planning and budgeting it to avoid more costly unexpected repairs or operational needs and minimize the burden on emergency expenditures.



high
needs
repair,
city
is able

As the city continues to grow and develop, there is a corresponding increase in the demand for development-related services and new facilities. To ensure that the necessary infrastructure and facilities are built on a schedule that meets or exceeds this demand, the citizens of Carlsbad adopted a Growth Management Plan in 1986. The plan was established to manage development within the city by linking residential, commercial, and industrial development directly to standards for availability of public services and facilities.

The Growth Management Plan states that unless a standard level of facilities is available to meet new demands resulting from the city’s growth, development cannot proceed. Recently, certain actions, such as imposing a moratorium, have been determined to be impermissible by the California Housing and Community Development Department, per Senate Bill 330, Housing Crisis Act of 2019, which became effective on Jan. 1, 2020.

The detailed level of planning required by Growth Management has allowed the city’s CIP to anticipate the funding needed for capital improvements in the next 15 years. Facilities such as community centers, parks and fire stations have been constructed and opened to the public under this program.

The CIP has been designed to specifically address areas where new or expanded facilities will be needed to maintain compliance with the adopted performance standards. With the adoption of the fiscal year 2022-23 CIP, compliance with the Growth Management Plan is continued.

CIP Project Evaluation

Development of the CIP is a team effort involving all operational departments, the City Manager’s Office, the City Council, and the community. Community feedback on infrastructure needs is considered and incorporated as appropriate. The CIP is fully vetted at multiple levels of the city organization by appropriate staff using an inclusive and transparent process and reviewed on a quarterly basis.

Projects were evaluated for the ability to deliver realistic outcomes considering anticipated revenue decreases in some capital funding sources. The city remains focused on matching existing resources with reasonable and achievable project schedules while continuing to work on projects that are already underway. Existing project balances were evaluated to determine whether additional funding was needed or if the existing balances were adequate. Funding recommendations were matched against project timing and balanced against available funding sources.

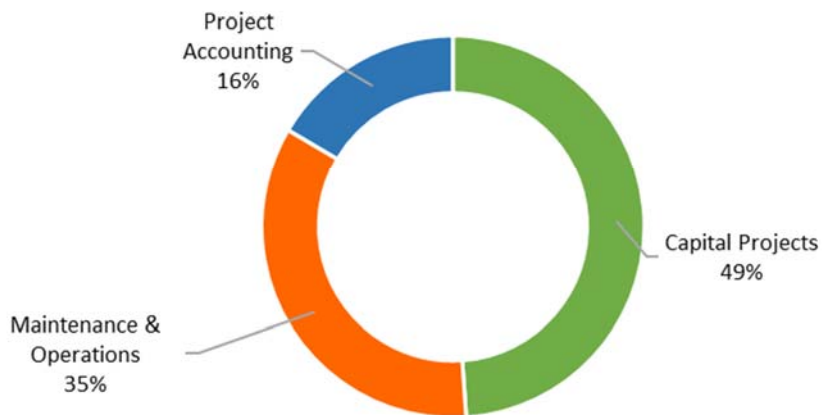


As the CIP is implemented throughout the year, staff continually re-evaluate projects’ scopes, costs and schedules to responsibly and cost-effectively manage infrastructure assets at the required levels of service throughout their lifecycle. Recommendations for project funding consider current project status, project scheduling and sequencing requirements, project constraints, and current staff capacity. Project charters are updated to include project description, location, summary of need, justification including any legislative or policy citations, cost estimates, and project scores.

CIP Fiscal Year 2022-23 Appropriations

In the fiscal year 2022-23 CIP, there are approximately 226 continuing and new projects planned over the next 15 years. The fiscal year 2022-23 CIP outlines \$42.6 million in new appropriations to provide additional funding for the continuation of existing projects as well as funding for 14 new projects. Projected revenues during the same fiscal year are estimated at \$59.5 million.

FY 2022-23 Appropriations by Category
\$42.6 million



FISCAL YEAR 2022-23 APPROPRIATIONS BY PROJECT TYPE



Civic Buildings and Facility Maintenance \$1.7 million

This category includes a variety of facilities such as fire stations, libraries and the new City Hall. Costs include repair, maintenance and replacement of civic buildings.



Parks \$1.8 million

Projects include improvements and enhancements to existing parks, such as playground resurfacing, picnic areas and other needs identified by the community and in recently updated parks master plans.



Drainage \$3.3 million

The city's drainage infrastructure plays an important role in handling storm water runoff flows, as well as maintaining the water quality of the city's creeks, lagoons and ocean. As the city continues to age, it is increasingly necessary to balance repairing and replacing the existing lines with enhancing the current infrastructure to accommodate future needs.



Sewer \$13.9 million

The city's sewer, or wastewater, projects include numerous pipeline construction and rehabilitation projects, as well as improvements to the Encina Wastewater Treatment facility. Most new lines are built and paid for with impact fees collected with new development.



Water and Recycled Water \$2.8 million

Future water and recycled water projects include construction of new pipelines, replacement of existing waterlines and reservoir improvements. The Carlsbad Municipal Water District has been producing and delivering recycled water for over 30 years.



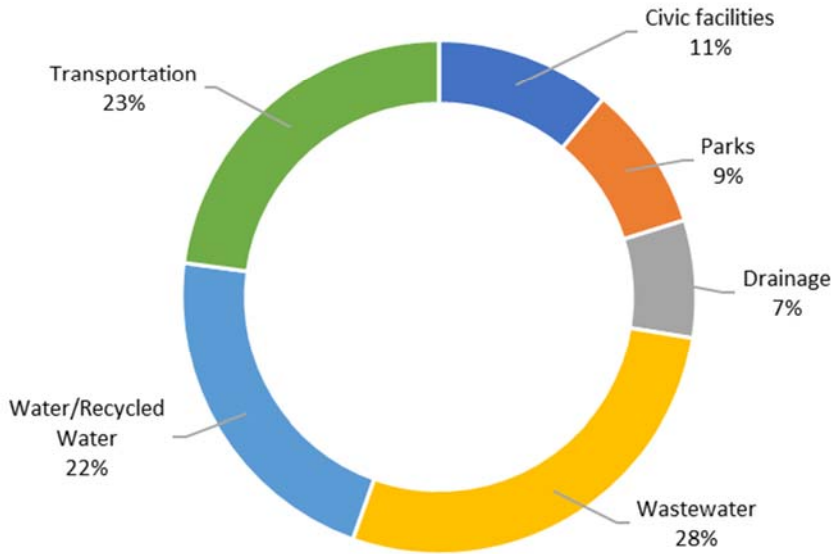
Transportation \$19 million

People of all ages and abilities want to go places safely and conveniently in Carlsbad, whether they drive, walk, bike, or ride a bus or train. The city continues to invest in modernizing roads, leveraging technology to improve traffic systems, and making timely repairs and rehabilitation of the roadways, bridges, sidewalks and other assets in public rights of way throughout the city.

CIP Future Projects

The CIP for fiscal year 2022-23 to fiscal year 2035-37 outlines approximately 246 projects at a cost of \$695 million. Long-range planning and responsible asset management play key roles in the development of future capital projects. Using data from various infrastructure master plans, ongoing asset condition assessments, technical modelling, field inspections as well as community feedback, the information provided for future years reflects the most comprehensive snapshot of known or anticipated future projects as well as associated estimated costs.

Future Project Costs By Type
 FY 2022-23 to FY 2035-37
 \$695 million



Unfunded Capital Improvement Projects

There are six projects identified in the CIP for which there is no identifiable funding source and, in some cases, where only partial funding has been identified. The city will investigate obtaining possible external funding, such as federal and state grants, loans, or other financing sources. Once funding is identified for these projects, the project costs will have to be reviewed and updated to reflect actual cost estimates. The unfunded projects do not receive annual inflationary increases. Two projects are partially funded by the Traffic Impact Fee program. The program was planned to generate enough revenue to pay for 20% of the total costs of these projects, leaving the remaining 80% unfunded.

Business Park Recreational Facility (Partial Funding)	\$ 6,600,000
Cannon Lake Park (6.7 Acres)	2,243,000
Carlsbad Blvd. Mountain View To Northerly City Limits (Partial Funding)	6,905,600
Carlsbad Blvd./ Palomar Airport Road (Partial Funding)	14,109,600
Carlsbad Blvd. Realignment - Segments 3-5	26,100,000
College Boulevard Extension	30,000,000
TOTAL UNFUNDED PROJECTS	\$ 85,958,200

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the city for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. This was the 25th consecutive year that the city has achieved this prestigious award. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The city strives to annually produce an Annual Comprehensive Financial Report which will continue to meet the Certificate of Achievement Program's requirements. This report will be also submitted to GFOA to determine eligibility for another certificate.

This report has been a comprehensive effort by many people from many different areas of responsibility. It could not have been accomplished without their help and the dedicated efforts of all of the finance staff, especially Roxanne Muhlmeister, Assistant Finance Director and Kim Riboni, Senior Accountant. I also appreciate the staff of Lance, Soll & Lunghard, LLP for the professional way in which the audit of this financial report was conducted. It has been a pleasure to work with them. Additionally, I would like to thank the City Council, the City Manager and the city's Executive Management Team for their leadership and unfailing support in maintaining the highest standards of professionalism in the management of the city's finances.

Respectfully submitted,



Zach Korach
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

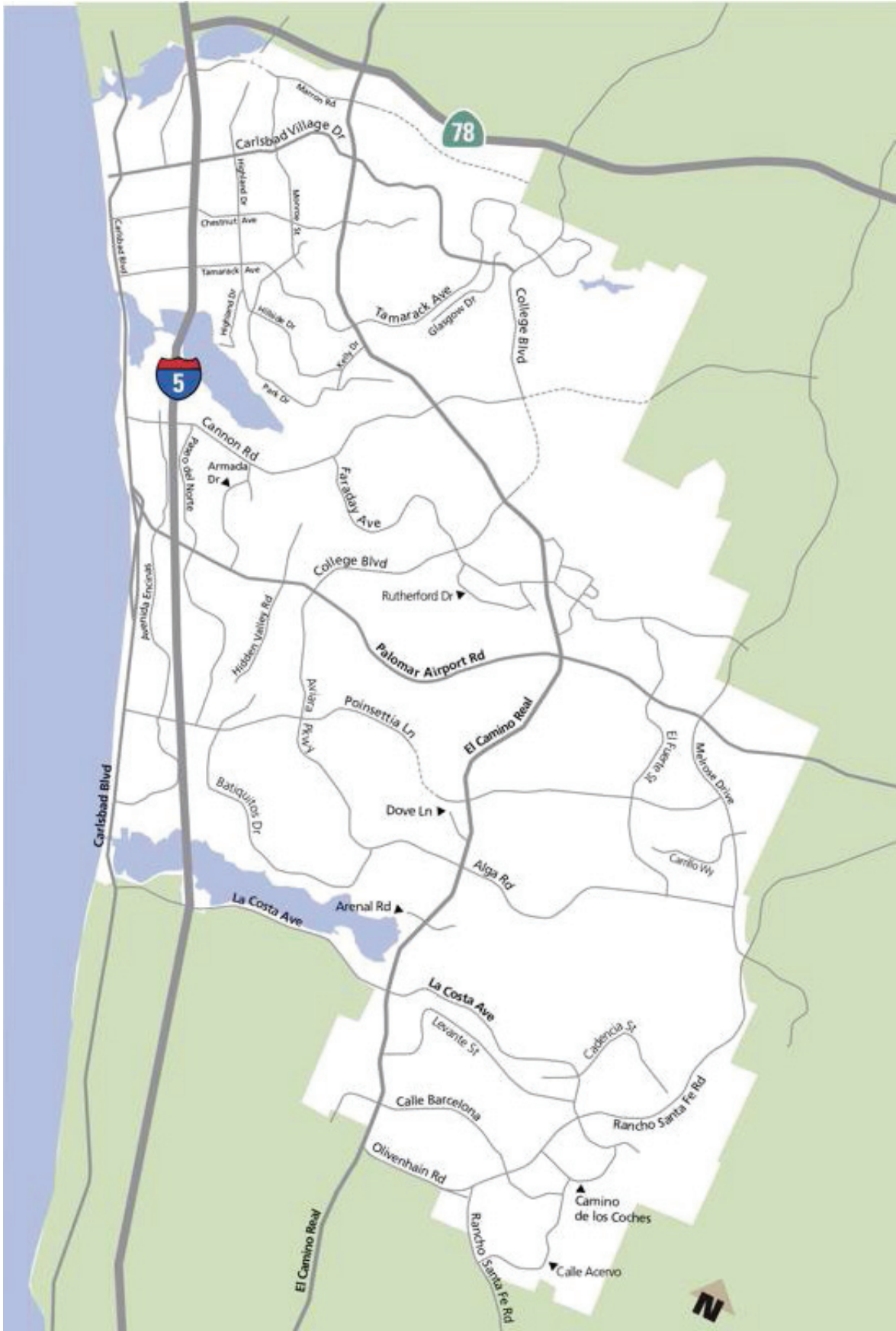
**City of Carlsbad
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO



Elected Officials

Keith Blackburn, Mayor
Melanie Burkholder, Council Member – District 1
Carolyn Luna, Council Member – District 2
Priya Bhat-Patel, Mayor Pro Tem – District 3
Teresa Acosta, Council Member – District 4
Sherry Freisinger, City Clerk
Craig Lindholm, City Treasurer

Leadership Team

Scott Chadwick, City Manager
Cindie McMahon, City Attorney
Geoff Patnoe, Assistant City Manager

Gary Barberio, Deputy City Manager, Community Services
Paz Gomez, Deputy City Manager, Public Works
Laura Rocha, Deputy City Manager, Administrative Services
Michael Calderwood, Chief, Fire Department
Mickey Williams, Chief, Police Department

Maria Callander, Director, Information Technology
Sheila Cobian, Director, Legislative and Constituent Services
Tom Frank, Director, Public Works Transportation
David Graham, Chief Innovation Officer
Jason Haber, Director, Intergovernmental Affairs
Emily Hasegawa, Engineering Manager, Public Works Construction Management & Inspections
Zach Korach, Director, Finance
Kyle Lancaster, Director, Parks & Recreation
John Maashoff, Public Works Manager, Public Works Fleet & Facilities
Faviola Medina, City Clerk Services Manager, Office of the City Clerk
Mandy Mills, Director, Housing & Homeless Services
Jeff Murphy, Director, Community Development
Vicki Quiram, Director, Public Works Utilities
Kristina Ray, Director, Communication & Engagement
Suzanne Smithson, Director, Library & Cultural Arts
Judy Von Kalinowski, Director, Human Resources
James Wood, Director, Public Works Environmental Sustainability

Boards and Commissions Chairs

Agricultural Conversion Mitigation Fee Advisory Committee – Carolyn Alkire
Arts Commission – Barbara Chung
Beach Preservation Commission – Kathleen Steindlberger
Carlsbad Golf Lodging Business Improvement District Board – Tim Stripe
Carlsbad Tourism Business Improvement District Board – Bill Canepa
Community-Police Engagement Commission – Patrick Connolly
Historic Preservation Commission – Chad Majer
Housing Commission – Tyler Collins
Library Board of Trustees – Stan Schatt
Parks & Recreation Commission – Robert Winston
Planning Commission – Peter Merz
Senior Commission – Kathryn Rangus
Traffic & Mobility Commission – Josh Coelho

As of 2/16/2024



Financial Section



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Carlsbad, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlsbad, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, 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 City 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the City adopted new accounting guidance, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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 City'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.



To the Honorable Mayor and Members of the City Council
City of Carlsbad, California

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 City'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 City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the General Fund, and the required pension and other postemployment benefits schedules, as listed on the table of contents, 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.



To the Honorable Mayor and Members of the City Council
City of Carlsbad, California

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024, on our consideration of the City'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 City'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 City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Soll & Lughard, LLP".

Brea, California
March 26, 2024



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Management’s Discussion and Analysis

Management of the City of Carlsbad (“city”) provides readers this overview and analysis of the financial activities of the city for the fiscal year ended June 30, 2023. The intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the city. This analysis will focus on the significant changes to explain the city’s overall financial condition. The information presented here should be considered in conjunction with the additional information furnished in the letter of transmittal.

Overview of the Financial Statements

The financial statements section of the annual report consists of four parts – *management’s discussion and analysis* (this section), the basic *financial statements, required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the city.

- The first two statements are *Government-wide Financial Statements* that provide both *long-term* and *short-term* information about the city’s overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual* parts of the city government, reporting the city’s operations in *more detail* than the Government-wide Statements.
 - The Governmental Funds Financial Statements detail how general government services, such as public safety and library services, were financed in the short-term, as well as what remains for future spending.
 - Proprietary Funds Statements offer short- and long-term financial information about the activities the city operates like businesses, such as providing water and wastewater services.
 - Fiduciary Funds Statements provide information about the financial relationships – such as assessment and business improvement districts – in which the city acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide greater detail. The statements are accompanied by *required supplementary information* that further explain and support the information in the financial statements. In addition to these required elements is the *combining fund statements* section that provides financial information about the nonmajor governmental funds, internal service funds, and fiduciary funds, which are added together and presented in single columns in the basic financial statements.

The remainder of this overview section of management’s discussion and analysis (MD&A) explains the structure and content of each of the statements.

Government-wide Financial Statements

The Government-wide Financial Statements report information about the city as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes *all* of the city’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide Financial Statements report the city’s *net* position and how it has changed. Net position – the difference between the city’s assets and liabilities – is one way to measure the city’s financial health, or *position*. Over time, increases or decreases in the city’s net position are an indicator of whether the city’s financial health is improving or deteriorating, respectively. Additional non-financial factors should be considered, such as changes in the city’s property tax base and the condition of the city’s infrastructure, to assess the overall health of the city.

The Government-wide Financial Statements of the city are divided into two categories:

- *Governmental activities* – Most of the city’s basic services, such as police, fire, public works, community services, and internal services are included here. Taxes, revenues from other governments and agencies, income from property and investments, grants and contributions, and charges for services finance most of these activities.
- *Business-type activities* – The city charges fees to customers to cover the cost of certain services it provides. The city’s water, wastewater, solid waste and municipal golf course operations are the primary business-type activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the city’s most significant *funds* – not the city as a whole. Funds are accounting devices used by the city to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by state law and bond covenants, while the city establishes other funds to control and manage money for particular purposes (such as the developer impact fee funds) or to show that it is properly using certain taxes and grants (such as the Section 8 Rental Assistance Fund).

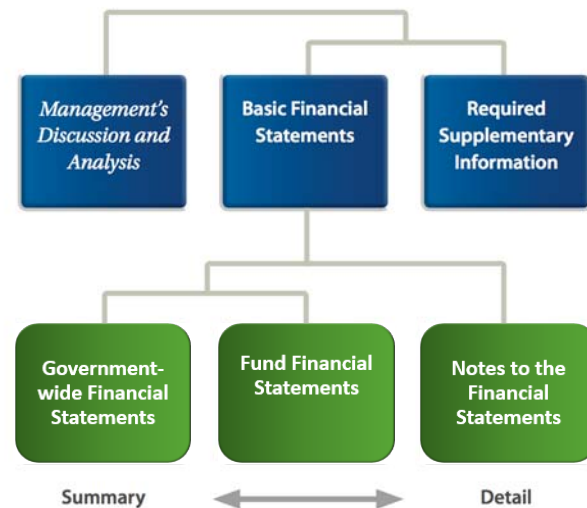
The city has three kinds of funds:

- *Governmental funds* – Most of the city’s basic services are included in governmental funds. These funds are used to account for (1) *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) balances left at year-end that are available for future spending. Consequently, the Governmental Funds Statement provides a detailed *short-term* view that helps the reader determine the amount of financial resources that can be spent in the near future to finance the city’s programs. The statements are presented on a modified accrual basis of accounting. A reconciliation between the long-term and short-term focus of the Government-wide Financial Statements is provided immediately following each statement. There are currently three governmental fund types being used by the city: *the General Fund, special revenue funds, and capital project funds.*
- *Proprietary funds* – Services for which the city charges customers a fee for a service are generally reported in proprietary funds. Proprietary funds, like Government-wide Financial Statements, provide both long- and short-term financial information, and are presented on an accrual basis of accounting.

There are two types of propriety funds, enterprise funds and internal service funds:

- *Enterprise funds are used to report activities that provide business-type services, generally to external customers – such as water, wastewater, solid waste, and golf services. In both the Government-wide Financial Statements and the Fund Financial Statements, these funds are shown under business-type activities.*
- *Internal service funds are used to report activities that provide services and supplies for the city’s other programs and activities – such as fleet, workers’ compensation, risk/liability, and information technology.*
- *Fiduciary funds – These funds are used to account for situations where the city’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. All of the city’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the city’s Government-wide Financial Statements because the city cannot use these assets to finance its operations.*

Required Components of the Annual Financial Report





Financial Analysis of the City as a Whole

Net Position

The city's *combined* net position as of June 30, 2023, as shown below, was \$1.87 billion. The city's net position increased by \$5.6 million as compared to the prior fiscal year. This increase was heavily impacted by revenues exceeding expenses for the year which was offset by a substantial increase in net pension liability as well as an increase and decrease in deferred outflows and inflows of resources related to pension, respectively.

CITY OF CARLSBAD'S NET POSITION (in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022-23</u>
Current and other assets	\$680.1	\$690.9	\$217.1	\$220.5	\$897.2	\$911.4	1.6%
Net OPEB asset	0.6	0.0	0.1	0.0	0.7	0.0	-100.0%
Capital assets	808.5	812.3	367.9	363.5	1,176.4	1,175.8	-0.1%
Total assets	1,489.2	1,503.2	585.1	584.0	2,074.3	2,087.2	0.6%
Deferred outflows	39.4	85.4	2.9	6.6	42.3	92.0	117.5%
Other liabilities	59.7	30.6	14.1	12.7	73.8	43.3	-41.3%
Net OPEB liability	0.0	2.6	0.0	0.3	0.0	2.9	N/A
Net pension liability	72.8	184.9	4.8	13.6	77.6	198.5	155.8%
Long-term debt outstanding	0.0	31.7	12.4	10.8	12.4	42.5	242.7%
Total liabilities	132.5	249.8	31.3	37.4	163.8	287.2	75.3%
Deferred inflows	74.7	13.7	10.5	5.1	85.2	18.8	-77.9%
Net position							
Net investment in							
capital assets	808.5	809.1	355.5	352.5	1,164.0	1,161.6	-0.2%
Restricted	249.3	249.2	38.9	38.4	288.2	287.6	-0.2%
Unrestricted	263.6	266.8	151.8	157.2	415.4	424.0	2.1%
Total net position	\$1,321.4	\$1,325.1	\$546.2	\$548.1	\$1,867.6	\$1,873.2	0.3%

As noted earlier, over time, net position may serve as a useful indicator of the city's financial position. For the city, assets and deferred outflows of resources currently exceed liabilities and deferred inflows of resources by \$1.87 billion at the close of the fiscal year.

A large portion of the city's net position, 62%, reflects its net investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The city uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the city's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves would not be used to pay for these liabilities. The net investment in capital assets for the city increased slightly during fiscal year 2022-23 due primarily to the progression of existing capital projects netted with a decrease in outstanding debt (primarily Recycled Water).

Of the city's total net position, 15.4% represents resources that are subject to external restrictions on usage. The remaining balance of unrestricted net position (\$424.0 million) may be used to meet the city's ongoing obligations to residents and creditors.

The remaining net position is unrestricted, meaning it can be used for future spending and largely coincided with the excess of revenues over expenditures which were offset by an increase in the net pension liability.



Changes in Net Position

The condensed summary of activities below shows that net position increased by \$5.6 million during the year. This increase occurs when revenues earned are greater than expenses incurred.

CITY OF CARLSBAD'S CHANGES IN NET POSITION (in millions of dollars)

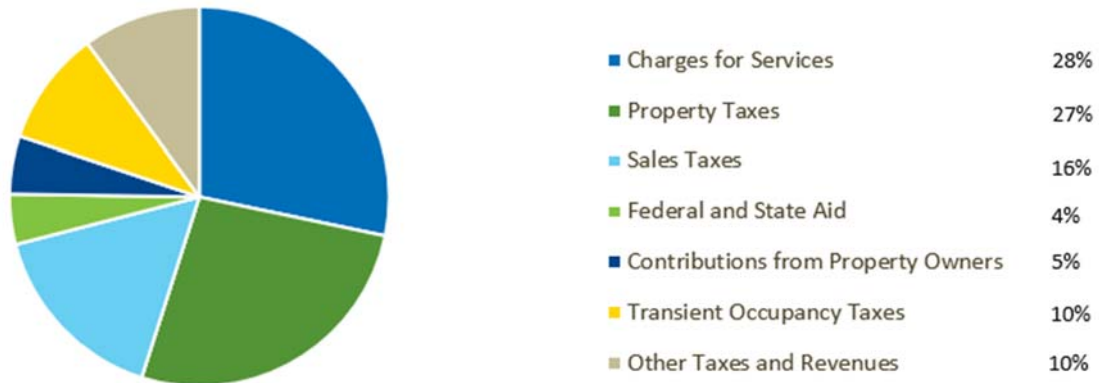
	Governmental		Business-Type		Total		Total Percentage Change <u>2022-23</u>
	Activities		Activities				
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	
Revenues							
Program revenues							
Charges for services	\$19.4	\$20.1	\$79.6	\$78.9	\$99.0	\$99.0	0.0%
Operating grants and contributions	20.4	14.1	0.2	0.2	20.6	14.3	-30.6%
Capital grants and contributions	9.9	13.0	0.9	5.2	10.8	18.2	68.5%
General revenues							
Property taxes	81.0	88.2	4.7	5.1	85.7	93.3	8.9%
Sales and use taxes	51.2	56.2	-	-	51.2	56.2	9.8%
Other taxes	47.6	49.7	-	-	47.6	49.7	4.4%
Income from property and investments	(22.1)	11.0	(7.7)	2.6	(29.8)	13.6	-145.6%
Other	1.3	4.5	2.2	1.6	3.5	6.1	74.3%
Total revenues	208.7	256.8	79.9	93.6	288.6	350.4	21.4%
Expenses							
General government	14.8	22.8	-	-	14.8	22.8	54.1%
Public safety	81.1	99.5	-	-	81.1	99.5	22.7%
Community services	59.0	76.4	-	-	59.0	76.4	29.5%
Public works	39.2	54.1	-	-	39.2	54.1	38.0%
Carlsbad Municipal Water District	-	-	53.6	54.2	53.6	54.2	1.1%
Golf course	-	-	11.7	12.2	11.7	12.2	4.3%
Wastewater	-	-	17.9	20.2	17.9	20.2	12.8%
Solid waste	-	-	4.7	5.4	4.7	5.4	14.9%
Total expenses	194.1	252.8	87.9	92.0	282.0	344.8	22.3%
Excess (deficiency) before transfers	14.6	4.0	(8.0)	1.6	6.6	5.6	-15.2%
Transfers	(1.3)	(0.3)	1.3	0.3	-	-	0.0%
Increase (decrease) in net position	13.3	3.7	(6.7)	1.9	6.6	5.6	-15.2%
Beginning position	1,308.1	1,321.4	552.9	546.2	1,861.0	1,867.6	0.4%
Ending net position	\$1,321.4	\$1,325.1	\$546.2	\$548.1	\$1,867.6	\$1,873.2	0.3%

There were several reasons for the increase in net position:

- Continued recovery from the adverse fiscal impacts of COVID-19 and significant inflation sustained by consumer demand, specifically with sales tax and transient occupancy tax.
- Fiscal discipline implemented by the city due to uncertainty surrounding COVID-19 restrictions and the economy resulted in budgetary savings in the prior fiscal year and although spending has been moving back to more normal levels, there was still significant budget savings that occurred during fiscal year 2022-23.
- The city also experienced significant increases in investment income and gains (fair market value adjustments) when compared to the prior fiscal year .

Approximately 76% of the revenues of the city’s governmental activities are generated through taxes collected (i.e., property tax, sales tax, transient occupancy tax, etc.), and approximately 84% of the city’s business-type revenue is generated through charges for services. The chart below graphically depicts the city’s revenue sources.

Sources of Revenue for Fiscal Year 2022-23
\$350.4 Million



During the prior fiscal year, due to pent-up demand and the easing of restrictions related to COVID-19, the fiscal recovery was accelerated, and the city experienced historically high levels of revenues, notably for sales and transient occupancy tax. During fiscal year 2022-23 the city continued to see recovery from COVID-19 as well as an increase due to inflation sustained by consumer demand, particularly in sales tax and transient occupancy tax.

Sales tax ended the fiscal year with \$56.2 million and the year-over-year increase of \$5.0 million or 9.8% was driven by the city’s transportation and light industry groups. The largest economic segments in the city are automobile dealers, general retail stores, and restaurants. Together, they generate 76% of the city’s sales tax revenues. Transient occupancy tax ended the fiscal year with \$34.3 million, an increase of \$1.9 million or 6%, and was driven by a combination of pent-up demand after COVID-19 and an increase in average daily room rates.

The city’s largest revenue source, property taxes, increased due to assessed values increasing, mainly in residential properties. This is the tenth year in a row that Carlsbad’s assessed values have increased from year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects continued strength in the regional housing market. The increase in this year’s assessed values is due to a large increase in the assessed values of residential properties in the city; the city saw smaller increases in commercial and industrial property values for the year. This is the eighth year in a row since the Great Recession ended that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

When compared to the prior fiscal year, business licenses were down 4% in fiscal year 2022-23. The decrease is due to a reduction in payments received for overdue business license renewals and penalties that were received last year and as a result of COVID-19. Development revenues increased 15% over the prior year as both residential and industrial/commercial saw increased building activity.

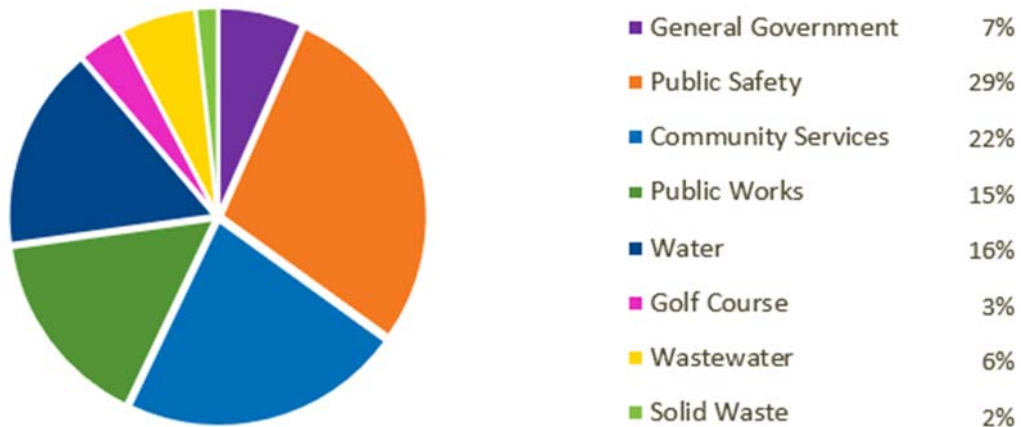
Income from property and investments was heavily impacted by unrealized gains created by adjusting the city’s investments to their fair market value on June 30, 2023. Rising inflation throughout the fiscal year triggered interest rate hikes from the Federal Reserve which had a substantial impact on the market value of the city’s portfolio; however, with rising rates, the city’s portfolio began to see continued increases in its monthly yield.

The primary contributors to the city’s charges for services are water and wastewater customers. A slight decrease in total water revenues was driven primarily by reduction volume which was offset by rate increases implemented in January 2022. Wastewater charges increased due to rate increases and development throughout the city. Together, these factors led to an overall increase in charges for services for the year for both water and wastewater. Additionally, the city’s municipal golf course experienced an increase in charges for services supported by continued demand.

The total cost of all programs and services was \$344.8 million in fiscal year 2022-23 which was higher (22.3%) than prior fiscal year costs of \$282.0 million. The majority of the increase in program costs came from the addition of 24 new full- time and 3.4 full-time equivalent part-time positions as well as negotiated and contractual salary and benefit cost increases. Increases were also driven by a return of travel and training costs, increases in workers’ compensation and risk claim liabilities and increases in pension liabilities as a result of unfavorable net investment returns experienced by CalPERS in fiscal year 2021-22. Each year, supplemental budget requests, in addition to the city’s ongoing base budget, are considered. In FY 2022-23, budget items such as the replacement of self-contained breathing apparatus for the fire department, a study for beach sand replenishment, a take home vehicle program for the police department, an update to the Sustainable Mobility Plan Element and \$2 million dollars set aside for the Safer Streets Together plan as a result of the City Council declaring a local emergency contributed to the increase. The city’s water district also saw increases as the cost of water and amount of water purchased increased.

Functional Expenses for Fiscal Year 2022-23

\$344.8 Million



- General Government (7%)**
 This segment of the city is divided into three major groups: Policy & Leadership, Administrative Services and non-departmental charges. The Policy & Leadership group encompasses all elected officials, the City Manager and City Attorney offices, the Communications & Engagement team, and the Legislative & Constituent Services team. The Administrative Services group includes Finance, Human Resources (including Workers’ Compensation and Risk Management), Information Technology, and Innovation & Economic Development. Non-departmental also includes any special projects directed by the City Council.
- Public Safety (29%)**
 Public Safety remains a top City Council priority. This major service area includes the Police Department, whose mission is to protect and serve the community with integrity, professionalism and valor. The Fire Department is the other component of this major service area with a mission to enhance the quality of life by delivering exceptional services in safeguarding lives, property, and the environment.



- Community Services (22%)

Community Services consists of Library & Cultural Arts, Parks & Recreation, Community Development and Housing & Homeless Services. These city service areas ensure the city's planning and building policies are carried out, foster lifelong learning, support strong neighborhoods, administer affordable housing and homeless response programs, attend to the community's health and wellness and promote transparency in government. Library & Cultural Arts provides educational, informational and cultural arts services for all community residents, which contribute to quality of life by supporting lifelong learning, the pursuit of knowledge, and creating the availability of community gathering places. Parks & Recreation offers comprehensive opportunities for meeting the recreational and social needs and interests of the community by providing programs for all segments of the population. Community Development's primary roles include the day-to-day administration of the local, state, and federal land use regulations, promoting economic and business development, protecting life and property, enhancing public health, and preserving the environment. Community Development encompasses Land Use Planning, Building, Code Enforcement, and Land Development Engineering.
- Public Works (15%)

Public Works is responsible for building and maintaining all city infrastructure assets. This service area includes Public Works Administration, Facilities & Fleet, Environmental Sustainability, Transportation, Construction Management & Inspection and Utilities. Construction Management & Inspection manages construction of major projects, inspection and oversight of private development grading, stormwater and improvements inspection and oversight of all activity in the public right-of-way. Environmental Sustainability oversees the climate action plan program, the habitat management plan program, the sustainable materials management program, solid waste, and provides coordination of the municipal component of the National Pollutant Discharge Elimination System Municipal Storm Water Permit. Fleet & Facilities supports the maintenance of city vehicles and facilities. The Transportation Department cares for road infrastructure and projects, keeps people and traffic moving, maintains streets and storm drains, maintains street lighting, and provides incident response for city and private property.
- Water (16%)

The Carlsbad Municipal Water District (CMWD), a subsidiary of the city, provides potable and recycled water service to approximately 28,900 connections within a 32.3 square mile service area. CMWD purchases 100% of its potable water, which includes a local supply of desalinated seawater, as treated water from the Metropolitan Water District and the San Diego County Water Authority. CMWD also provides recycled water for irrigation purposes which is produced at the Carlsbad Water Recycling Facility, as well as purchased from the Vallecitos Water District.
- Golf Course (3%)

The city opened a municipal golf course in the summer of 2007, further enhancing the recreational activities the city offers. The municipal golf course, The Crossings at Carlsbad, is an 18-hole golf course set in the rolling hills and canyons of Carlsbad. With ocean views, a high-quality golf experience, a first-class restaurant and clubhouse, and connections to hiking trails, The Crossings at Carlsbad is a destination for golfers and non-golfers alike.
- Wastewater (6%)

The city operates and maintains a sanitary wastewater collection system that provides wastewater services to approximately two thirds of the city's population, covering approximately 74% of the geographic area of the city. Wastewater is treated by the Encina Wastewater Treatment Plant, a facility jointly owned by the cities of Carlsbad, Vista and Encinitas; the Leucadia Wastewater District; the Vallecitos Water District; and the Buena Sanitation District.
- Solid Waste (2%)

The Solid Waste Division administers and monitors the solid waste contract and the Palomar Transfer Station agreement and is responsible for ensuring the waste reduction and recycling components of the Source Reduction and Recycling Element and Household Hazardous Waste Element comply with state mandated diversion and disposal requirements. Also included in this section is the Storm Water Protection Program, whose goal is to provide leadership and stewardship of the city's resources protecting the city's beaches, creeks and lagoons.

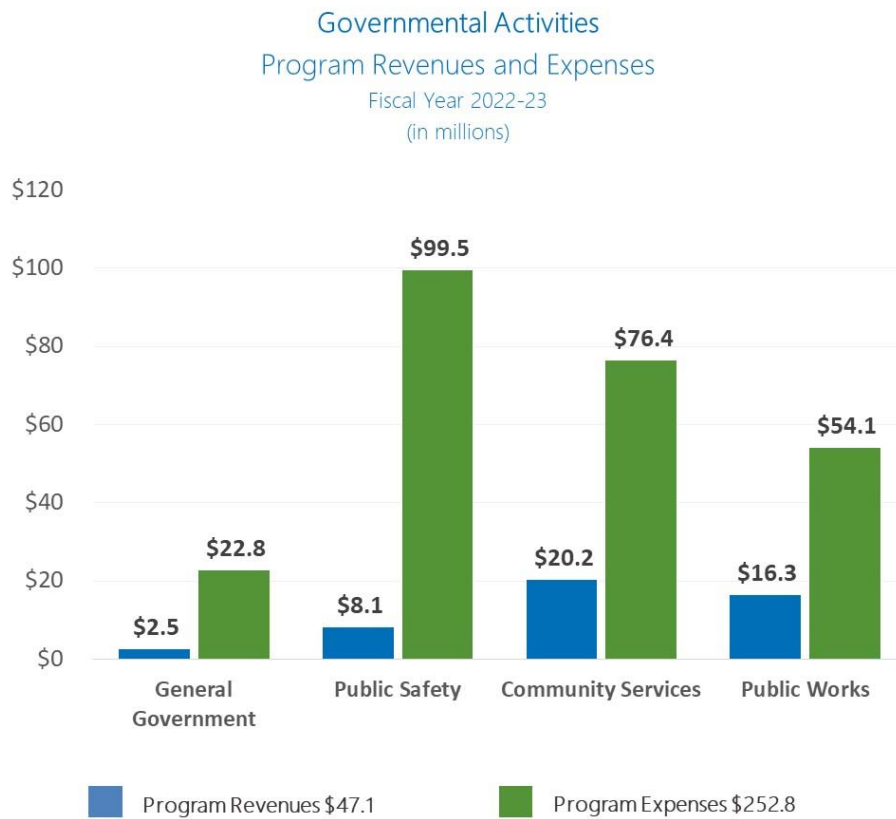


The following sections provide information about the operations of the governmental and business-type activities.

Governmental Activities

The increase in net position for governmental activities was \$3.7 million. Total revenues from governmental activities were \$256.8 million (\$47.1 million in program revenues and \$209.7 million in general revenues) and were offset by \$252.8 million in total costs of governmental activities and \$0.3 million in transfers out.

The table below presents the total cost of each of the city’s major programs, as well as each program’s revenue (fees generated by the activities, contributions, and intergovernmental funding). The net cost (the difference between adjoining bars in the graph) shows the financial burden that was placed on the city’s taxpayers by each of these programs (costs covered by general revenues).



Revenues are generated through several sources to cover the cost of the city’s programs. Total revenues of \$256.8 million include fees and charges paid by those who directly benefit from the programs (\$20.1 million), grants and contributions from other governments, organizations and property owners which subsidize certain programs and projects (\$27.0 million), and taxes and other revenues (such as income from property and investments) received by the city to pay for the “public benefit” portion of the city’s services (\$209.7 million).

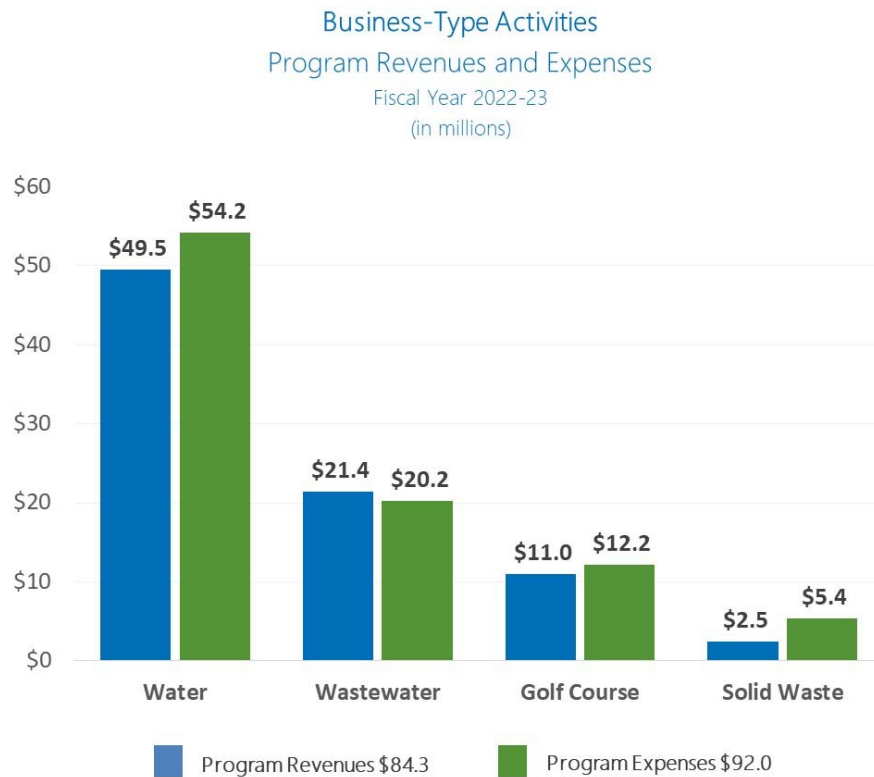
Community Services revenues are derived from development activities throughout the city, housing assistance programs, parks and recreation fees, and library fees. A large portion of Community Services revenues are comprised of housing assistance programs (Section 8 Rental Assistance, affordable housing loan repayments, and developers paying into the Affordable Housing Trust Fund) as well as charges for development related services. As expected, development activity reflected a moderate decrease from the prior fiscal year, offsetting only a portion of the program expenses.



The majority of Public Works revenues are used to acquire and build capital assets (versus covering operating expenses). In addition, the donation of capital assets from developers is reflected in the program revenues for Public Works. Capital assets are generally constructed or purchased once sufficient funds have accumulated to pay for the entire asset cost. Several years ago, the city entered a new stage of its lifecycle, from a developing or growing stage, to a mature and maintenance focused stage. As the city continues to mature and approach buildout, there will be fewer master planned projects. In past years, these projects constructed new facilities, roads, parks, and other city-owned infrastructure. The city is shifting its focus towards maintenance of existing facilities and will use funding sources such as the Infrastructure Replacement Fund to maintain and replace these assets.

Business-type Activities

Program revenues for the city’s business-type activities totaled \$84.3 million for the year, while program expenses equaled \$92.0 million.



Water program revenues are generated primarily from the sale of water, but also from developer donated assets and grants. While program expenses were higher than revenues, the fiscal year ended with a positive change in net position the water program from \$5.1 million in general revenues combined with interest from an increase in rates on a higher cash balance. While revenues increased from annual water rates in January 2022 and 2023, this was offset by a decline in water volume sales from significant rainfall and statewide drought restrictions. Expenses were driven by 7.7% increases for the cost of purchased water.

Wastewater program revenues of \$21.4 million were slightly higher than program expenses of \$20.2 million. An increase in revenue was driven by annual rate increases, and significant capital contributions from new development. Expenses are higher mostly from Encina operations and depreciation from new and replacement assets.



The city’s golf course enterprise was in its 16th full year of operation and finished the fiscal year with a net loss of \$1.2 million. The demand for golf has remained significant in the region and at the city’s municipal course. The course witnessed over 72,000 rounds played which significantly contributed to the golf course revenues sufficiently funding normal golf course operating expenses (i.e., excluding depreciation expense).

Solid waste revenues are primarily generated from fees charged to waste removal services customers to support the city’s integrated waste management plan which include recycling efforts and proper waste disposal programs. Expenses were planned to surpass revenues as many waste management programs have increased in level of effort and cost, such as solid waste, recycling, and organics management services, household hazardous waste collection and disposal, and environmental outreach and education. Despite the current year loss of \$3.0 million, the fund has sufficient reserves.

Capital construction expenses are spread over the life of an asset as annual depreciation charges (program expenses) and are not reflected as an expense in the year acquired.

A more detailed discussion of each of the enterprises can be found in the Proprietary Funds Section.

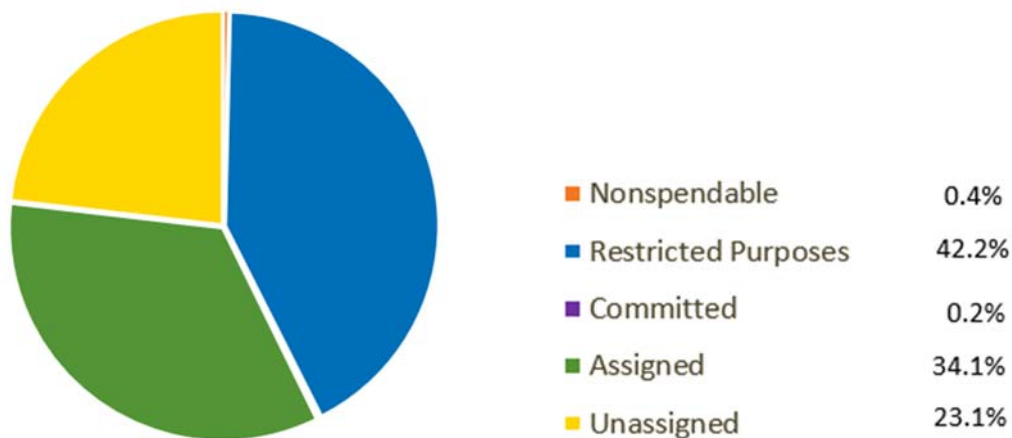
Financial Analysis of the City’s Funds

As noted earlier, the city uses fund accounting to ensure compliance with finance related legal requirements. In the current Annual Comprehensive Financial Report, the city implemented GASB Statement No. 91, Conduit Debt Obligations, GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, GASB Statement No. 96, Subscription-Based Information Technology Arrangements and GASB Statement No. 100, Accounting Changes and Error Corrections. More information on these pronouncements can be found in Note 1 of the financial statements.

Governmental Funds

The focus of the city’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the city’s financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

Governmental Fund Balances at June 30, 2023
\$590.7 Million



There are five fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned. These fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. At the end of the current fiscal year, the city’s governmental funds reported combined ending fund balances of \$590.7 million, up \$15.7 million from the year before. Approximately 0.4% (\$2.2 million) constitutes nonspendable fund balances, mostly comprised of advances and loans to other



funds. Restricted fund balances can only be spent for a specific purpose stipulated by law and make up about 42% (\$249.2 million). Assigned fund balances are intended to be used by the city for specific purposes, but do not meet the criteria to be classified as restricted or committed. These make up over 34% (\$201.4 million) of the city’s fund balance. Unassigned fund balance is 23% (\$136.8 million) of the overall fund balance, which is available for spending at the City Council’s discretion.

The General Fund is the main operating fund of the city, and at the end of the fiscal year had a total fund balance of \$182.8 million, an increase of \$20.7 million from the prior fiscal year. This resulted from continued recovery from COVID-19 and significant inflation sustained by consumer demand as property, sales, and transient occupancy tax revenues reached historical levels. And while spending has recovered to near normal levels, there is still an overall awareness of fiscal responsibility throughout the city.

The unassigned fund balance portion of the General Fund was \$136.8 million, an increase of \$26.9 million from last fiscal year. This increase resulted from (before transfers out) revenues in excess of expenditures of approximately \$44.9 million. In September 2022, the City Council approved a total of \$10.6 million of additional transfers to the Workers’ Compensation, Risk Management, and Fleet Maintenance Funds in an effort to address the health of each respective fund’s net position. Of the total \$24.2 million in transfers out of the General Fund, \$13.3 million were used to fund future capital projects, \$0.3 million were used for operating subsidies and \$10.6 million were used to assist with the rising activity and costs within the city’s internal service funds.

The city’s General Fund Reserve Policy, outlined in City Council Policy No. 74, commits the city to maintaining General Fund reserves at a target of 40% of General Fund annual operating expenditures. The total reserve level is to be calculated using the prior fiscal year’s adopted General Fund budgeted expenditures and is outlined below:

GENERAL FUND RESERVE BALANCE
(in millions of dollars)

	Actual	Target
Unassigned General Fund balance at June 30, 2023	\$ 136.8	\$ 79.4
Fiscal year 2022-23 adopted General Fund budgeted expenditures	\$ 198.4	\$ 198.4
General Fund reserve percentage	69%	40%



A summary of the General Fund’s revenues, expenditures and changes in fund balance is shown below.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(in millions of dollars)

	Total		Increase (Decrease)	Total Percentage Change
	2022	2023	2022-23	
Revenues				
Taxes	\$178.8	\$193.2	\$14.4	8.1%
Intergovernmental	7.9	2.5	(5.4)	-68.2%
Licenses and permits	3.2	3.7	0.5	14.4%
Charges for services	9.8	10.8	1.0	9.9%
Fines and forfeitures	0.3	0.4	0.1	16.6%
Income from property and investments	(5.6)	7.1	12.7	-227.5%
Miscellaneous	1.2	1.9	0.7	60.0%
Total revenues	195.7	219.6	23.9	12.2%
Expenditures				
General government	22.0	23.0	1.0	4.5%
Interdepartmental charges	(5.3)	(6.0)	(0.7)	13.2%
Public safety	82.0	85.4	3.4	4.1%
Community services	45.0	48.7	3.8	8.3%
Public works	20.1	22.3	2.3	11.2%
Capital outlay	2.7	1.3	(1.4)	-50.9%
Total expenditures	166.4	174.7	8.4	5.0%
Excess (deficiency) before transfers	29.3	44.9		
Transfers in	0.0	0.0		
Transfers out	(27.0)	(24.2)		
Increase (decrease) in fund balance	2.3	20.7		
Beginning fund balance	159.8	162.1		
Ending fund balance	\$162.1	\$182.8		

The Community Facilities District No. 1 Fund continues to collect assessments for the future construction of city infrastructure and facilities which includes projects such as Veteran’s Park, a centralized maintenance and operations center for Public Works and Parks Maintenance and a new city hall complex.

The General Capital Construction Fund used a portion of its existing fund balance towards the completion of the new Fire Station No. 2, facilities to house the temporary Fire Station No. 7, the refurbishment of the Police and Fire Headquarters building, Lake Calavera Outlet Improvements and various other projects. The expenditures were partially offset by a transfer from the General Fund for future projects.

The fund balance in the Infrastructure Replacement Fund increased as the city continued the annual transfer of funds from the General Fund for the future replacement of existing infrastructure and facilities. Projects for the year included the Police and Fire Headquarters refurbishment, a fuel island at the Fleet Service Center, roof repairs at Leo Carrillo Ranch, and various other infrastructure improvement projects.



The Technology Investment Fund, which is funded by an annual transfer of funds from the General Fund, is used for investments in future digital transformation and technology projects. Projects during fiscal year 2022-23 included audio visual upgrades in city conference rooms, investments in the city's digital information network, the beginning stages of the replacement of the computer aided dispatch system in public safety, technology upgrades in the City Council chambers, an expansion of the city's records management system and other various information technology projects.

During the year, the city continued to set aside money for the construction of various projects within these and other governmental funds. Historically, the city has not issued debt to fund the construction of capital projects and sets aside funds on an annual basis until sufficient funds have been collected for the construction of specific projects. In addition, projects will not be constructed until anticipated annual operating costs can be absorbed into the city's budget without creating a deficit.

Proprietary Funds

The purpose of the city's proprietary fund sections is to provide short-term and long-term financial information about the city's business-type activities. The analysis focuses on the determination of operating income, changes in net position (cost recovery), financial position, and cash flows.

The Carlsbad Municipal Water District (CMWD) funds experienced an operating loss of approximately \$7.6 million for the year. Operating revenues were approximately \$46.9 million and operating expenses were approximately \$54.4 million. Water purchases was one of the larger factors in the operating loss and caused by cost increases of water purchased from the Metropolitan Water District and the San Diego County Water Authority (suppliers of the CMWD's potable water). The loss is attributable to a lower volume of water sales driven by higher than expected rainfall in the current year, and statewide drought restrictions. This was offset by a 2% increase in CMWD's water rates effective January 2023. Nonoperating income included property and investments of \$1.9 million and property taxes of \$5.1 million. Income before transfers, capital contributions and special items for the year was (\$0.7) million.

The Wastewater Fund had an annual operating loss of \$0.6 million for the fiscal year. Total revenues from operations were up \$3.4 million from the prior year, due primarily to rate increases. Operating expenses were up \$2.5 million and were primarily the result of the increased capital improvements offset by a decrease in administration and general compared to the previous fiscal year. Nonoperating revenues resulted in a \$0.4 million gain driven by a higher value market value adjustment for the city's investment.

In the sixteenth year of operation, the Golf Course Fund had an operating loss of \$1.2 million. Excluding depreciation of the enterprise's assets (\$3.4 million), the Golf Course Fund's net income was \$2.2 million. Revenues exceeded expectations in the current year due to a continued strong demand for rounds combined with an increase in green fees during the year. While revenue increased, golf related costs are generally fixed in nature and did not increase at the same rate.

Solid Waste Operations and Storm Water Programs are combined on the city's financial reports and showed a net operating loss of \$2.8 million for the year. Revenues were lower than the previous fiscal year from changes in the collection of certain stormwater fees which results in a decline in revenue but aligns fees with regulatory standards, and expenses in the solid waste fund increased due to increases in the recycling and organics management services and programs. Nonoperating revenues resulted in a \$0.4 million increase to the \$2.8 million operating loss before transfers and capital contributions.

The unrestricted net position for the Water, Golf Course, Wastewater and Solid Waste Operations at the end of the year amounted to \$154.7 million, or approximately 28% of the total enterprise funds net position. This unrestricted balance increased mostly from positive operating performance excluding depreciation. Each fund's unrestricted net position may be used for rate stabilization for the respective fund's services, fluctuations in operating expenses, and unforeseen repairs and maintenance. Approximately \$38.4 million, or 7%, of the net position of all the proprietary funds are restricted for future capital construction of new and replacement water and wastewater infrastructure assets. Since funding for the replacement of infrastructure assets is not restricted, it is reflected in the Statement of Net Position as unrestricted. The city does, however, account for and monitor these amounts in separate funds to ensure that water and wastewater assets can be replaced when needed.



Council Policy No. 96 – Utilities Reserve Policy is designed to establish guidelines to ensure the fiscal stability of the potable water, recycled water and wastewater funds. The annual budget process and the setting of utility user rates and charges will be used to achieve and maintain the various target reserve levels. The policy aims to maintain minimum and target reserves for the following areas:

- Operating Reserve-minimum of 90 days and target of 120 days of operating costs for the operating funds of potable water, recycled water and wastewater funds.
- Debt Service Reserve-100% of required annual debt service for potable water, recycled water and wastewater.
- Capital Construction Reserve-minimum 50% and target of 100% for potable and recycled water and a minimum 25% and a target of 50% of wastewater of the five-year rolling average of annual spending on capital improvement projects.
- Emergency Capital Reserve-minimum of 0.5% and target of 1% of system replacement value for water, recycled water and wastewater.
- Rate Stabilization Reserve-minimum 10% and target of 20% of rate revenues for potable and recycled water and a minimum 5% and a target of 10% of rate revenues for wastewater.

UTILITIES RESERVES						
	<u>Operating (working capital)</u>	<u>Debt service</u>	<u>Capital construction 5- year average</u>	<u>Emergency capital</u>	<u>Rate stabilization</u>	
	Days of operating costs	Percent of annual debt service	Percent of 5-year rolling average	Percent of system replacement value	Percent of rate revenues	
Potable and recycled water						
Operating Budget	\$66.6					\$50.3
Debt Service Payment		\$1.9				
Capital Improvement Replacement Value			\$4.2		\$1,846.0	
Minimum	90	100%	50%	0.5%		10%
Target	120	100%	100%	1%		20%
Target (in millions)	\$21.9	\$0.6	\$4.2	\$18.5		\$50.5
Wastewater						
Operating Budget	\$23.1					\$21.9
Capital Improvement Replacement Value			\$8.5		\$780.0	
Minimum	90	100%	25%	0.5%		5%
Target	120	100%	50%	1%		10%
Target (in millions)	\$7.6	N/A	\$4.3	\$7.8		\$2.2



General Fund Budgetary Highlights for Fiscal Year 2022-23

Management monitors revenues during the year and updates estimated revenue figures when new information is received. General Fund revenue estimates were revised minimally during the year, as compared to the originally budgeted estimates. Some of the factors that led to the \$1.5 million increase in revenue estimates included:

- Adult literacy and family literacy grant funds received during the year.
- Building permit revenue received in excess of original budget estimates.
- Developer deposits received during the year to be used to pay for developer funded studies and reports.

The increase from the total original expenditure and transfers adopted budget to the final budget amounted to \$31.3 million and was primarily due to:

- Transfers of \$10.6 million to primarily fund increased actuarial claim estimates in the Worker's Compensation and Risk Management Internal Service Funds and increased operating costs in the Fleet Maintenance Internal Service Fund.
- \$3.1 million to purchase patrol vehicles for the Police take home vehicle program.
- \$114,000 for a cost increase on a previously approved fire engine purchase.
- \$60,000 for the remaining fiscal year 2022-23 program costs for the limited stay motel voucher program.
- The appropriation of new grant money received during the fiscal year.
- Developer funded reports and studies.
- Outstanding purchase orders at June 30, 2022 totaling \$11.9 million carried forward into fiscal year 2022-23.
- The carryforward of other unspent funds at June 30, 2022 in the amount of \$3.7 million planned to be used for:
 - Ambulance gurney replacements.
 - Remaining budget for the local traffic emergency.
 - Additional Police take home vehicle program costs.
 - Police in car video systems.
 - Police taser inventory replacement.
 - Police services community survey.
 - Sustainable Mobility Plan update with Vision Zero.
 - Active Transportation Monitoring report.

The difference of \$25.4 million between the final budgeted expenditures plus transfers and the actual expenditures plus transfers for the year, on a budgetary basis, can be generally summarized as follows:

- \$13.5 million in outstanding encumbrances as of June 30, 2023 that were carried forward to fiscal year 2023-24
- Unspent capital outlay budget for vehicles and equipment in the Police Department in the amount of \$850,000. This amount was requested for City Council approval to be carried forward into fiscal year 2023-24 as part of the city's carryforward process.
- Unspent budget for the city's Safer Streets Together local state of emergency in the amount of \$560,000. This amount was requested for City Council approval to be carried forward into fiscal year 2023-24 as part of the city's carryforward process.
- Savings by various major service areas within the city make up the remaining difference. Current year savings were generated from:
 - The closure of purchase orders that had no activity during the past 12 months.
 - Unspent City Council contingency funds in the amount of \$500,000.
 - Unfilled staff vacancies across the city.
 - Overall awareness of fiscal responsibility throughout the city.



Capital Asset and Debt Administration

Capital Assets

CITY OF CARLSBAD'S CAPITAL ASSETS (in millions of dollars)

	Governmental		Business-Type		Total		Total Percentage	
	Activities		Activities				Change	Change
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022-23</u>	<u>2022-23</u>
Land	\$160.6	\$159.7	\$9.3	\$9.4	\$170.0	\$169.1	(\$0.8)	-0.5%
Construction in progress	36.9	33.7	17.4	14.3	54.3	48.0	(6.3)	-11.6%
Buildings and other structures	138.3	154.0	41.4	44.1	179.7	198.1	18.4	10.2%
Improvements other than buildings	103.9	111.9	56.2	56.4	160.1	168.3	8.2	5.1%
Machinery and equipment	56.3	60.4	14.0	14.2	70.3	74.6	4.3	6.1%
Infrastructure	752.7	754.8	404.2	410.6	1,156.9	1,165.5	8.6	0.7%
Wastewater treatment facility	-	-	64.4	69.0	64.4	69.0	4.6	7.2%
Intangibles	6.5	11.5	-	-	6.5	11.5	5.0	76.8%
	1,255.1	1,286.1	606.9	617.9	1,862.0	1,904.0	42.0	2.3%
Accumulated depreciation	(446.6)	(473.8)	(239.0)	(254.4)	(685.6)	(728.2)	(42.7)	6.2%
Total	\$808.5	\$812.3	\$367.9	\$363.5	\$1,176.5	\$1,175.8	(\$0.7)	-0.1%

At the end of fiscal year 2022-23, the city had recorded investments of over \$1.2 billion in a broad range of capital assets, including park facilities, land, buildings, roads, bridges, drainage facilities, water and wastewater lines, Police and Fire vehicles, and other maintenance equipment. This number includes infrastructure assets of the general government which are required per GASB.

Some of this year's major capital asset additions included:

- Fire Station No. 2
- Agua Hedionda Lift Station
- Carlsbad Recycled Water Facility Improvements
- Poinsettia Park Phase IV Improvements
- New Village Art's Building Improvements
- Temporary Fire Station No. 7
- NW Storm Drain Improvements
- Water and sewer pipelines and traffic signal at Gateway Road
- License plate readers
- Golf Cart Fleet
- Lake Calavera Outlet Improvements
- ADA Ramp Improvements
- Villas Sewer Lift electric panel
- El Camino Real and Cannon Road Intersection Improvements
- Pavement paint marking truck
- Ambulance vehicle
- Traffic signal at Tamarack Ave. and Valley St.
- IT server devices
- Computer aided dispatch system
- Dump truck
- Refurbishment of Safety Training Center
- Information technology network and service software

In addition to carrying forward appropriations of \$251.5 million for previously budgeted projects, the city's fiscal year 2022-23 capital improvement budget appropriated an additional \$42.6 million for capital projects.

These additional appropriations were principally for the following projects: Intersection control at Camino De Los Coches and La Costa Avenue, La Costa Avenue Traffic Improvements, the city's pavement management and concrete replacement programs, village decorative lighting projects, beach access repair and upgrades Pine to Tamarack, Calavera Hills Community Center refurbishments, Hosp Grove Park improvements, Faraday Avenue and El Camino Real Sewer replacement (Orion to Palomar Airport Road), Cannon Road sewer lift station improvements, Encina Wastewater capital projects, Barrio street lighting projects, Avenida Encinas Coastal Rail Trail and pedestrian improvements, El Camino Real widening (Sunny Creek to Jackspar), SCADA improvements and water system rehabilitation and replacement program.



These projects will be financed by development fees, infrastructure and replacement transfers from the General Fund, special district fees and taxes, water and wastewater replacement reserves and other sources, including grants and contributions from other agencies. More detailed information about the city’s capital assets is presented in Note 6 of the financial statements and in the city’s Capital Improvement Program (CIP) document, which can be found on the city’s website or obtained from the Administrative Services Department.

Long-term Debt

CITY OF CARLSBAD’S OUTSTANDING DEBT

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2022-23
	2022	2023	2022	2023	2022	2023	
Leases	\$22,377	\$238,385	\$0	\$0	\$22,377	\$238,385	965.3%
Subscriptions	1,845,563	2,928,584	0	0	1,845,563	2,928,584	58.7%
Loans	0	0	12,443,537	10,792,169	12,443,537	10,792,169	-13.3%
Total	\$1,867,940	\$3,166,969	\$12,443,537	\$10,792,169	\$14,311,477	\$13,959,138	-2.5%

At fiscal year-end, the city had \$11.0 million in loans and leases, a decrease of \$1.4 million from last year, as shown in the table above. Regular payments were made on all the city’s outstanding loans and leases. More detail about the city’s long-term liabilities is presented in Note 12 of the financial statements.

The city implemented GASB Statement No. 96 for the fiscal year ended June 30, 2023. This statement improves financial reporting for subscription-based information technology arrangements by requiring the city to report a subscription asset and subscription liability for these types of arrangements. The outstanding subscription liability can be found in the chart above. More information about these arrangements can be found in Note 11 of the financial statements.

Economic Factors and Next Year’s Budgets and Rates for Fiscal Year 2023-24

The Carlsbad economy is diverse, has strong industry clusters and is a leader in innovation. According to the most recent biennial business survey of Carlsbad businesses, released in January 2022, five key industry clusters are driving growth:

- Life sciences
- Information, communications and technologies
- Cleantech
- Sports innovation and design
- Hospitality and tourism

The gross regional product for Carlsbad is \$15.8 billion, indicating that Carlsbad is the largest economy in the county behind the City of San Diego. Companies that call Carlsbad home are at the forefront in areas of technology and innovation, and the city’s hospitality and tourism industry generate the second-highest amount of transient occupancy tax among the county’s 18 cities.

In 2022, Carlsbad’s economy grew by roughly \$1.07 billion, with a total gross regional product of \$15.8 billion. Growth occurred in all sectors except the mining and oil and gas extraction sector, which contracted slightly. Wholesale trade, manufacturing, professional, scientific and technical services, and hospitality and food service were the leading growth sectors for Carlsbad in 2022.

Through most of 2022, Carlsbad’s unemployment rate fluctuated between 2% and 3%. In January 2023, the unemployment rate jumped to 3.4% and ticked up to 3.5% in February and March. Macrotrends in the tech industry are pushing unemployment up nationally, but the labor market is still seen as being very tight. The unemployment rate in March was 4.8% at the state level and 3.7% at the county level.



In the first quarter, the financial industry was impacted by the failure of Silicon Valley Bank (SVB). SVB was a major player in the entrepreneurship and startup ecosystem. The ripple effects of the SVB failure, and the subsequent failure of First Republic Bank, could have tumultuous impacts for San Diego and Carlsbad-based startups and entrepreneurs – a key focal point in the city’s Economic Development Strategic Plan. Combined with the continued rise in interest rates, capital will be harder to access for some developing companies. This could stunt growth and potentially lead to downsizing. Some economists are predicting the United States is at or near the peak of inflation, although many predict continued interest rate hikes are likely. With these pressures on the financial system, most economists agree that a recession is looming, although the length and severity is debated.

The continued rise in interest rates is also impacting property values in Carlsbad. The median home price in Carlsbad fell \$98,000 in the last quarter. Median home prices rose consistently in Carlsbad between March 2019 and July 2022 and have since been falling. The current median home price is \$1,338,506, which is roughly equivalent to the median home price in December 2021.

Commercial real estate was more resilient last quarter in Carlsbad, with rental rates continuing to rise in all categories, office, industrial and retail. However, commercial developers are largely holding off on building new developments and office space elsewhere in the region and the county is seeing a rise in vacancy and a drop in value, an indicator of instability.

The importance of monitoring economic trends at global as well as local levels becomes increasingly important as the city navigates these uncertain times. Below are budgetary expectations and highlights from the fiscal year 2023-24 adopted budget.

Property tax, the largest source of General Fund revenues, is expected to grow by 3.4% over last year’s estimates. While the residential real estate market in Carlsbad has seen significant increases in values in recent years, the growth has begun to cool off. Commercial property assessed values are expected to remain relatively flat as the increase in interest rates has created immense uncertainty in the sector. With the COVID-19 emergency officially ended, the focus on the housing market shifts to other economic factors. In response to the unprecedented inflationary increases experienced over the last year and a half, the Federal Reserve has responded by raising rates to a current range of 5.0-5.25%, the highest range since July 2006. This has made home purchasing more difficult for borrowers. While demand remains relatively high both locally and around the state, these increases have certainly contributed to the median home value in Carlsbad falling to \$1.3 million, roughly the same value as in December 2021. Proposition 8 allows owners to have their property temporarily revalued if market value is lower than the factored base year value, posing a risk that commercial property values could temporarily decrease.

Assessed values on the residential real estate side are expected to grow modestly, capped by California’s Proposition 13. Adopted in 1978, Proposition 13 limits the annual increase in assessed values for property. Under this proposition, assessed values (and the related property tax) can grow by no more than 2% per year. The value upon which the tax is based is only increased to the full market value upon the sale of a property. The maximum increase of assessed values when properties are not sold is by the change in California’s Consumer Price Index, which was 1.036% in fiscal year 2021-22 – below the 2% cap for the first time since 2016-17. In recent years, residential activity has been driven by low interest rates on mortgages, pent-up demand that built during the shutdown and an increase in the ability to work remotely. Now, increasing rates and diminishing pent-up demand as we move past the pandemic will likely have adverse impacts compared to prior periods. Based on resale data from Zillow, the median price of a single-family residence in Carlsbad is \$1.3 million, up by 0.7% year over year in March 2023.

Sales Tax revenues generally move in step with economic conditions and overall, Carlsbad’s economy has absorbed the inflationary increases experienced over the past 12-18 months. The restrictions resulting from the COVID-19 pandemic led to increases in segments like auto sales, construction, drug store sales, chemical products, food markets and recreational products, while others like restaurants and general retail took a major hit. With the pandemic and its impacts mostly behind us, the uncertainty rests with continued levels of inflationary increase and whether the rise in interest rates will lower inflation levels adequately.



Sales tax revenues improved markedly up until fiscal year 2019-20, peaking in fiscal year 2018-19 at \$40.8 million. The onset of the pandemic in March 2020 resulted in swift reductions in sales tax revenues and the city ended the year with \$38 million in sales tax revenues. During fiscal year 2020-21, sales tax levels generally correlated with shelter-in-place mandates. As restrictions were lifted, the city's sales tax levels recovered—the city ended fiscal year 2020-21 with \$44 million in sales tax revenues. Fiscal year 2021-22 experienced the most accelerated recovery, ending the year at a historic high of \$51.2 million in sales tax revenues. The fiscal year 2022-23 sales tax estimates reflected uncertainty surrounding market and economic conditions like inflation and impacts to disposable income. These inflationary increases have yet to adversely impact sales tax revenues through the first six months of the fiscal year and staff anticipate another historic high of sales tax revenues. However, this positive experience does not change the outlook. With continued levels of inflation and a risk of recession looming, staff have proposed a conservative estimate of \$51.1 million in budgeted revenue for fiscal year 2023-24 which represents a decrease of \$0.3 million, or 1%, over fiscal year 2022-23 estimates.

The third highest General Fund revenue source is Transient Occupancy Tax, also known as TOT or hotel tax. TOT was the revenue category most adversely impacted by COVID-19. From historic highs of \$26 million in fiscal year 2018-19, the city experienced year-over-year decreases of 27% and 16%. Recovery from the pandemic was estimated conservatively; however, fiscal year 2021-22 proved otherwise, reaching a historic high of \$32.4 million driven by the easing of restrictions, pent-up demand and an increase in average daily room rates. This trend continued in fiscal year 2022-23, whereby actual revenues exceeded conservative estimates that were applied to account for sustained levels of unprecedented inflation. It is estimated that TOT revenues will once again reach a historic high this year.

According to a report from Tourism Economics, San Diego County tourism will see continued growth in visitation demand of around 9.8% in calendar year 2023. The projected increase is supported by the thought that travel has, since the pandemic, been "reclassified" as a necessary expense rather than a discretionary one. Furthermore, the influx of financial aid and savings achieved throughout the pandemic may likely indicate that uncertainty in the economy can be mitigated by these additional funds. However, group business travel has yet to fully return to pre-pandemic levels and uncertainty around rising inflation and diminishing pent up demand continue to drive a moderately conservative estimate in fiscal year 2023-24. The City of Carlsbad currently has approximately 4,776 hotel rooms, 343 registered vacation rentals and over 660 timeshares.

Ambulance fee revenues are estimated to increase \$3.3 million over last year's estimates, from \$3.9 million to \$6.3 million. This increase is due to the Fire Department's addition of two medical transports. The increase is also driven by the Ground Emergency Medical Transportation Certified Public Expenditure Program, which helps cover uncompensated costs for Medical fee-for-service transports. The department submitted cost reports for fiscal year 2018-19 through 2022-23 and is expected to receive a one-time reimbursement of \$666,000. Furthermore, the department will participate in the Public Provider Ground Emergency Medical Transport Intergovernmental Transfer Program which will provide add-on reimbursement payments to help cover uncompensated costs in the future. This will generate approximately \$883,000 in additional revenue annually. Lastly, the Fire Department recently completed an ambulance fee study and is proposing to increase the fees to better align cost recovery levels in comparison with jurisdictions in the region. The additional revenue will amount to approximately \$2 million annually.

The City Council approved 2 new Personnel or full-time positions in the General Fund which were offset by a reduction of one full-time position and several part-time positions in the General Fund (net decrease of 12.06 full-time equivalent positions). The staffing changes in the General Fund included:

- Library & Cultural Arts added 1.0 Production Technician and 1.0 Senior Librarian in Adult & Teen Services. The addition of these two full-time positions is offset and funded by the reduction of part-time staff equal to 5.55 full-time equivalent positions, resulting in ongoing savings to the General Fund of approximately \$100,000.
- The Fire Department added 1.0 Senior Office Specialist. The addition of this full-time position is offset and funded by the reduction of two part-time positions. In conjunction with additional changes made during fiscal year 2022-23, a cost neutral fiscal impact was achieved.
- Community Services Administration eliminated a full-time administrative position as part of departmental reorganization efforts within the branch.



As part of CalPERS' strategy to ensure the plan's sustainability, and as a result of their investment performance in fiscal year 2020-21, CalPERS reduced its discount rate from 7.0% to 6.8% which increases the amount the city is required to contribute on an annual basis. In support of CalPERS strategies for plan sustainability, and as part of the city's strategic, long-term approach to financial management, the city actively manages its unfunded pension liability. The City Council approved an additional discretionary contribution of \$6.4 million to decrease future costs of the city's unfunded actuarial liability. In fiscal year 2021-22, CalPERS experienced a 6.1% investment loss which nearly negated the positive performance from the previous year. The city expects its required contributions to increase significantly once this investment loss from fiscal year 2021-22 is factored into CalPERS' actuarial valuation reports in fiscal year 2024-25. During fiscal year 2023-24, the city established a Section 115 Pension Trust for purposes of mitigating CalPERS' volatility, maintaining local control over city assets, and preparing for potential future decreases in CalPERS' discount rate. An initial contribution of \$10 million was authorized by the City Council and made to the trust. On an annual basis, the city will evaluate the plan's funded status in respect to City Council Policy No. 86 as well as potential changes in CalPERS' assumptions to determine the appropriateness of further contributions to the trust. This active management helps ensure resources are available to fulfill the city's contractual promises to its employees and minimizes the chance that funding these pension benefits will interfere with the city's ability to provide essential public services.

These factors were considered when preparing the city's General Fund budget for fiscal year 2023-24. Budgeted expenditures increased by 9.3% to \$216.9 million. The total personnel budget for fiscal year 2023-24 is \$130.1 million, which is 4.8% more than the previous year's personnel budget of \$124.1 million. The total maintenance and operations budget for fiscal year 2023-24 is \$64.8 million, which is 9.5% higher than the previous year's budget of \$59.2 million and reflects the one-time \$5.2 million appropriation for the Village Trenching project. The total capital outlay budget for fiscal year 2023-24 is \$0.1 million, \$1.4 million less than the previous year.

Transfers out of the General Fund are budgeted at \$21.9 million, an \$8.3 million increase from the prior fiscal year. This increase resulted from a one-time use of projected budget surplus of \$7.4 million to further fund capital projects.

The city's business-type activities reflect the following:

Water revenues are expected to increase from rate increase starting January 2024, which may be offset by a reduction in volume from statewide water conservation efforts.

The effective increase in purchase costs for CMWD is projected to be approximately 7%. The cost of water purchased from the San Diego County Water Authority is projected to increase due to increases in Metropolitan Water District's water rates. A recent cost of service study set rate increases beginning in January 2025 with increases based on purchase rates, capital repair costs and maintaining adequate reserves.

Wastewater rates increased 20% beginning in January 2024 with planned increases based on a recent cost study. The increases are needed to invest in maintaining wastewater infrastructure that has reached the end of its expected life and increases in cost of materials and supplies needed to operate systems.

Solid Waste revenues are projected to slightly decrease, and the fund expects to run a deficit due to increasing waste management requirements imposed by the state. Sufficient reserves are expected to sustain the increased costs without significant revenue increases in the short term.

The Golf Course Fund projected a slight increase in revenues from an increase in rates in July 2023 further driven continued demand and a return of private events. As a result, the operation expected to continue to see improvements in their cash flows going forward.

[Contacting the City's Financial Management](#)

This financial report is designed to provide the City of Carlsbad's residents, taxpayers, customers, investors, and creditors with a general overview of the city's finances and to demonstrate the city's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Department, 1635 Faraday Avenue, Carlsbad, CA 92008, 442-339-2430, or find additional information at www.carlsbadca.gov.

Basic Financial Statements



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Government-Wide Financial Statements



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CITY OF CARLSBAD
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 623,710,662	\$ 194,883,503	\$ 818,594,165
Receivables:			
Accounts	454,301	10,977,267	11,431,568
Taxes	16,965,470	52,546	17,018,016
Notes and loans	27,713,432	-	27,713,432
Accrued interest	6,473,922	846,570	7,320,492
Leases	12,183,616	4,990,120	17,173,736
Other	1,424,636	537,496	1,962,132
Internal balances	(2,522,868)	2,522,868	-
Prepaid costs	2,035,022	108,503	2,143,525
Deposits	200,432	-	200,432
Due from other governments	1,651,419	3,999,983	5,651,402
Inventories	251,781	1,627,479	1,879,260
Land held for resale	442,800	-	442,800
Capital assets not being depreciated	193,464,148	23,662,906	217,127,054
Capital assets, net of depreciation	618,785,860	339,881,068	958,666,928
Total assets	1,503,234,633	584,090,309	2,087,324,942
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related	81,599,021	5,909,550	87,508,571
OPEB-related	3,829,200	654,350	4,483,550
Total deferred outflows of resources	85,428,221	6,563,900	91,992,121
LIABILITIES			
Accrued liabilities	19,857,740	3,987,267	23,845,007
Accrued interest	34,513	29,325	63,838
Unearned revenue	1,303,685	149,976	1,453,661
Deposits payable	9,244,647	1,147,733	10,392,380
Due to other governments	116,266	7,338,482	7,454,748
Noncurrent liabilities:			
Due within one year: loans, leases, subscriptions, and claims	15,418,502	1,738,405	17,156,907
Due in more than one year:			
Loans, leases, subscriptions, and claims	16,307,600	9,053,764	25,361,364
Net pension liability	184,927,240	13,600,231	198,527,471
Net OPEB liability	2,629,936	338,604	2,968,540
Total liabilities	249,840,129	37,383,787	287,223,916
DEFERRED INFLOWS OF RESOURCES			
Pension-related	1,110,710	176,912	1,287,622
OPEB-related	761,572	134,434	896,006
Lease-related	11,850,946	4,836,833	16,687,779
Total deferred inflows of resources	13,723,228	5,148,179	18,871,407
NET POSITION			
Net investment in capital assets	809,083,039	352,493,976	1,161,577,015
Restricted:			
Affordable housing	41,800,556	-	41,800,556
Community services	3,599,267	-	3,599,267
Lighting and landscape districts	9,897,059	-	9,897,059
General government	701,325	-	701,325
Public safety	602,264	-	602,264
Capital projects	192,629,411	38,437,080	231,066,491
Unrestricted	266,786,576	157,191,187	423,977,763
Total net position	\$ 1,325,099,497	\$ 548,122,243	\$ 1,873,221,740

See accompanying notes to financial statements.

CITY OF CARLSBAD
Statement of Activities
Year Ended June 30, 2023

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
Functions/Programs:				
Primary government:				
Governmental activities:				
General government	\$ 22,767,518	\$ 633,721	\$ 1,602,768	\$ 284,652
Public safety	99,483,879	6,504,817	1,576,440	-
Community services	76,373,519	9,423,350	10,624,775	171,020
Public works	54,124,139	3,505,432	255,732	12,511,475
Interest on long-term debt	22,365	-	-	-
Total governmental activities	252,771,420	20,067,320	14,059,715	12,967,147
Business-type activities:				
Carlsbad Municipal Water District	54,178,068	46,101,707	-	3,427,569
Golf course	12,198,021	10,966,531	-	-
Wastewater	20,193,986	19,616,466	-	1,761,415
Solid waste	5,405,204	2,245,025	209,448	-
Total business-type activities	91,975,279	78,929,729	209,448	5,188,984
Total primary government	\$ 344,746,699	\$ 98,997,049	\$ 14,269,163	\$ 18,156,131

General revenues and transfers

General revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Real property transfer taxes

Business license taxes

Use of money and property

Other

Gain on sale of capital asset

Transfers

Total general revenues and transfers

Change in net position

Net position-beginning

Net position-ending

**Net (Expenses) Revenues and
Changes in Net Position**

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (20,246,377)	\$ -	\$ (20,246,377)
(91,402,622)	-	(91,402,622)
(56,154,374)	-	(56,154,374)
(37,851,500)	-	(37,851,500)
(22,365)	-	(22,365)
(205,677,238)	-	(205,677,238)
-	(4,648,792)	(4,648,792)
-	(1,231,490)	(1,231,490)
-	1,183,895	1,183,895
-	(2,950,731)	(2,950,731)
-	(7,647,118)	(7,647,118)
(205,677,238)	(7,647,118)	(213,324,356)

88,196,125	5,129,819	93,325,944
34,280,239	-	34,280,239
56,186,707	-	56,186,707
7,833,845	-	7,833,845
1,367,481	-	1,367,481
6,356,809	-	6,356,809
10,988,049	2,579,136	13,567,185
3,969,327	1,526,467	5,495,794
513,445	-	513,445
(332,000)	332,000	-
209,360,027	9,567,422	218,927,449
3,682,789	1,920,304	5,603,093
1,321,416,708	546,201,939	1,867,618,647
\$ 1,325,099,497	\$ 548,122,243	\$ 1,873,221,740



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Fund Financial Statements



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CITY OF CARLSBAD
Balance Sheet
Governmental Funds
June 30, 2023

	Capital Projects Funds			
	General	Community Facilities District #1	Infrastructure Replacement Fund	Park Development
ASSETS				
Cash and investments	\$ 177,207,987	\$ 94,606,892	\$ 111,637,918	\$ 14,611,756
Receivables (net of allowance for uncollectible):				
Accounts	441,582	-	-	-
Taxes	16,959,620	5,850	-	-
Accrued interest	822,759	412,464	482,867	63,200
Due from other governments	167,852	-	-	-
Notes and loans	381,635	-	-	-
Leases	7,883,689	1,276,727	-	-
Other	1,245,116	-	-	-
Due from other funds	-	-	-	-
Deposits	200,432	-	-	-
Inventories	12,110	-	-	-
Prepaid costs	36,973	-	-	-
Land held for resale	-	-	-	-
Advances to other funds	1,167,725	901,024	-	-
Total assets	\$ 206,527,480	\$ 97,202,957	\$ 112,120,785	\$ 14,674,956
LIABILITIES				
Accrued liabilities	\$ 6,264,215	\$ 237,929	\$ 863,570	\$ 96,439
Due to other governments	-	-	-	-
Deposits payable	8,723,996	13,000	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	5,650,000
Unearned revenues	958,777	-	-	-
Total liabilities	15,946,988	250,929	863,570	5,746,439
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	94,408	-	-	-
Lease-related	7,636,838	1,221,360	-	-
Total deferred inflows of resources	7,731,246	1,221,360	-	-
FUND BALANCES				
Nonspendable	1,798,875	-	-	-
Restricted	-	95,730,668	-	8,928,517
Committed	1,000,000	-	-	-
Assigned	43,209,995	-	111,257,215	-
Unassigned	136,840,376	-	-	-
Total fund balances	182,849,246	95,730,668	111,257,215	8,928,517
Total liabilities, deferred inflows of resources, and fund balances	\$ 206,527,480	\$ 97,202,957	\$ 112,120,785	\$ 14,674,956

CITY OF CARLSBAD
Balance Sheet
Governmental Funds
June 30, 2023

	Total Nonmajor Funds	Total Governmental Funds
ASSETS		
Cash and investments	\$ 162,650,801	\$ 560,715,354
Receivables (net of allowance for uncollectible):		
Accounts	8,307	449,889
Taxes	-	16,965,470
Accrued interest	4,447,836	6,229,126
Due from other governments	1,483,567	1,651,419
Notes and loans	27,331,797	27,713,432
Leases	3,023,200	12,183,616
Other	179,520	1,424,636
Due from other funds	24,002	24,002
Deposits	-	200,432
Inventories	3,814	15,924
Prepaid costs	378,021	414,994
Land held for resale	442,800	442,800
Advances to other funds	5,650,000	7,718,749
Total assets	\$ 205,623,665	\$ 636,149,843
LIABILITIES		
Accrued liabilities	\$ 3,591,394	\$ 11,053,547
Due to other governments	116,266	116,266
Deposits payable	505,559	9,242,555
Due to other funds	24,002	24,002
Advances from other funds	2,068,749	7,718,749
Unearned revenues	344,908	1,303,685
Total liabilities	6,650,878	29,458,804
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	4,015,323	4,109,731
Lease-related	2,992,748	11,850,946
Total deferred inflows of resources	7,008,071	15,960,677
FUND BALANCES		
Nonspendable	378,021	2,176,896
Restricted	144,570,697	249,229,882
Committed	-	1,000,000
Assigned	47,030,612	201,497,822
Unassigned	(14,614)	136,825,762
Total fund balances	191,964,716	590,730,362
Total liabilities, deferred inflows of resources, and fund balances	\$ 205,623,665	\$ 636,149,843

CITY OF CARLSBAD
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2023

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds		\$ 590,730,362
Capital assets, net of accumulated depreciation/amortization, used in governmental activities are not financial resources and, therefore, are not reported in the funds		787,953,919
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings, and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the Statement of Net Position.		
Deferred outflows-pension related	78,257,161	
Deferred outflows-OPEB related	3,590,991	
Deferred inflows-pension related	(1,010,666)	
Deferred inflows-OPEB related	<u>(725,273)</u>	
Total deferred outflows and inflows related to postemployment benefits		80,112,213
Other long-term assets that are not available to pay for current period expenditures and, therefore, are either labeled unavailable or not reported in the funds.		
Long-term receivables	3,682,496	
Miscellaneous revenues	<u>427,235</u>	
Total other long-term assets		4,109,731
Internal service funds are used by management charge the cost of fleet management, self-insurance, information technology, risk management, and workers' compensation to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Activities.		42,077,480
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.		
Leases payable	(238,385)	
Net pension liability	(177,236,282)	
Net OPEB liability	<u>(2,409,541)</u>	
Total long-term liabilities		<u>(179,884,208)</u>
Net position of governmental activities		<u><u>\$1,325,099,497</u></u>

CITY OF CARLSBAD
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Capital Projects Funds			
	General	Community Facilities District #1	Infrastructure Replacement Fund	Park Development
REVENUES				
Taxes	\$ 193,235,077	\$ 986,129	\$ -	\$ -
Licenses and permits	3,710,466	-	-	-
Intergovernmental	2,456,236	-	-	-
Contribution from property owners	-	740,042	-	549,031
Charges for services	10,833,054	-	-	-
Use of money and property	7,069,605	1,143,702	1,403,303	135,814
Fines and forfeitures	390,400	-	-	-
Contributions	20,233	-	-	-
Miscellaneous	1,907,690	-	27,177	-
Total revenues	219,622,761	2,869,873	1,430,480	684,845
EXPENDITURES				
Current:				
General government	22,975,577	50,005	-	-
Less: interdepartmental charges	(5,991,590)	-	-	-
Public safety	85,437,538	-	-	-
Community services	48,705,129	-	-	-
Public works	22,265,076	-	-	-
Capital outlay	1,336,186	912,722	7,293,771	189,929
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	174,727,916	962,727	7,293,771	189,929
Excess (deficiency) of revenues over (under) expenditures	44,894,845	1,907,146	(5,863,291)	494,916
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,956,000	-
Transfers out	(24,208,252)	-	-	-
Proceeds from sale of capital asset	24,042	-	-	-
Total other financing sources (uses)	(24,184,210)	-	3,956,000	-
Net change in fund balances	20,710,635	1,907,146	(1,907,291)	494,916
Fund balances-beginning, restated	162,138,611	93,823,522	113,164,506	8,433,601
Fund balances-ending	\$ 182,849,246	\$ 95,730,668	\$ 111,257,215	\$ 8,928,517

CITY OF CARLSBAD
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Total Nonmajor Funds	Total Governmental Funds
REVENUES		
Taxes	\$ 5,520,836	\$ 199,742,042
Licenses and permits	-	3,710,466
Intergovernmental	14,267,654	16,723,890
Contribution from property owners	3,625,934	4,915,007
Charges for services	4,329,462	15,162,516
Use of money and property	1,313,146	11,065,570
Fines and forfeitures	-	390,400
Contributions	293,624	313,857
Miscellaneous	2,034,460	3,969,327
Total revenues	31,385,116	255,993,075
EXPENDITURES		
Current:		
General government	402,241	23,427,823
Less: interdepartmental charges	-	(5,991,590)
Public safety	402,883	85,840,421
Community services	16,797,621	65,502,750
Public works	3,071,794	25,336,870
Capital outlay	25,845,641	35,578,249
Debt service:		
Interest and fiscal charges	22,365	22,365
Total expenditures	46,542,545	229,716,888
Excess (deficiency) of revenues over (under) expenditures	(15,157,429)	26,276,187
OTHER FINANCING SOURCES (USES)		
Transfers in	9,472,000	13,428,000
Transfers out	(160,000)	(24,368,252)
Proceeds from sale of capital asset	355,302	379,344
Total other financing sources (uses)	9,667,302	(10,560,908)
Net change in fund balances	(5,490,127)	15,715,279
Fund balances-beginning, restated	197,454,843	575,015,083
Fund balances-ending	\$ 191,964,716	\$ 590,730,362



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CITY OF CARLSBAD
Reconciliation of the Statement of Revenues, Expenses and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		\$ 15,715,279
<p>Governmental funds report capital outlays are expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current period.</p>		
Capital outlay	24,900,772	
Donations of capital assets	134,101	
Loss/(gain) on disposal of capital assets	(1,949,808)	
Depreciation/amortization expense	<u>(22,844,721)</u>	
Total adjustment		240,344
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Earned but unavailable tax revenues	(89,316)	
Earned but unavailable grant revenues	(196,269)	
Earned but unavailable other revenues	<u>(651,763)</u>	
Total adjustment		(937,348)
<p>Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Leases issued	238,606	
Principal payments	<u>(22,598)</u>	
Total adjustment		216,008
<p>The internal service funds are used by management to charge the costs of fleet management, self-insurance, information technology, risk management, and workers' compensation to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		(2,698,675)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the</p>		
Changes in pension liabilities and related deferrals	(8,811,295)	
Changes in OPEB liabilities and related deferrals	<u>(41,524)</u>	
Total adjustment		<u>(8,852,819)</u>
Change in net position of governmental activities		\$ <u><u>3,682,789</u></u>

CITY OF CARLSBAD
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities - Enterprise Funds		
	Carlsbad Municipal Water District	Wastewater	Other Enterprise Funds
ASSETS			
Current:			
Cash and investments	\$ 135,103,762	\$ 42,952,020	\$ 16,827,721
Receivables:			
Accounts, net of allowances	7,505,963	3,465,237	6,067
Taxes	52,546	-	-
Accrued interest	590,743	185,768	70,059
Lease	176,397	-	58,461
Other	-	-	537,496
Prepaid costs	15,433	-	93,070
Due from other governments	2,870,359	1,129,624	-
Inventories	1,411,886	15,607	199,986
Total current assets	147,727,089	47,748,256	17,792,860
Noncurrent:			
Lease receivable	3,513,043	-	1,242,219
Capital assets, net	201,877,232	140,336,677	21,330,065
Total noncurrent assets	205,390,275	140,336,677	22,572,284
Total assets	353,117,364	188,084,933	40,365,144
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related	3,522,504	1,552,655	834,391
OPEB-related	453,877	114,773	85,700
Total deferred outflows of resources	3,976,381	1,667,428	920,091
LIABILITIES			
Current:			
Accrued liabilities	2,054,455	1,091,999	840,813
Accrued interest	29,325	-	-
Due to other governments	7,001,084	337,398	-
Unearned revenues	-	10,000	139,976
Deposits payable	107,289	168,646	871,798
Loans and subscriptions	1,738,405	-	-
Claims and judgments	-	-	-
Total current liabilities	10,930,558	1,608,043	1,852,587
Noncurrent:			
Accrued claims and judgments	-	-	-
Loans and subscriptions	9,053,764	-	-
Net pension liability	8,106,689	3,573,277	1,920,265
Net OPEB liability	202,879	61,854	73,871
Total Noncurrent Liabilities	17,363,332	3,635,131	1,994,136
Total liabilities	28,293,890	5,243,174	3,846,723

CITY OF CARLSBAD
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities - Enterprise Funds		
	Carlsbad Municipal Water District	Wastewater	Other Enterprise Funds
DEFERRED INFLOWS OF RESOURCES			
Pension-related	105,452	46,481	24,979
OPEB-related	93,735	25,553	15,146
Lease-related	3,579,091	-	1,257,742
Total deferred inflows of resources	3,778,278	72,034	1,297,867
NET POSITION			
Net investment in capital assets	191,018,397	140,145,514	21,330,065
Restricted for capital projects	35,621,275	2,815,805	-
Unrestricted	98,381,905	41,475,834	14,810,580
Total net position	\$ 325,021,577	\$ 184,437,153	\$ 36,140,645

Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time

Net position of business-type activities

CITY OF CARLSBAD
Statement of Net Position
Proprietary Funds
June 30, 2023

	Totals	Governmental Activities- Internal Service Funds
ASSETS		
Current:		
Cash and investments	\$ 194,883,503	\$ 62,995,308
Receivables:		
Accounts, net of allowances	10,977,267	4,412
Taxes	52,546	-
Accrued interest	846,570	244,796
Lease	234,858	-
Other	537,496	-
Prepaid costs	108,503	1,620,028
Due from other governments	3,999,983	-
Inventories	1,627,479	235,857
Total current assets	<u>213,268,205</u>	<u>65,100,401</u>
Noncurrent:		
Lease receivable	4,755,262	-
Capital assets, net	363,543,974	24,296,089
Total noncurrent assets	<u>368,299,236</u>	<u>24,296,089</u>
Total assets	<u>581,567,441</u>	<u>89,396,490</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related	5,909,550	3,341,860
OPEB-related	654,350	238,209
Total deferred outflows of resources	<u>6,563,900</u>	<u>3,580,069</u>
LIABILITIES		
Current:		
Accrued liabilities	3,987,267	8,804,193
Accrued interest	29,325	34,513
Due to other governments	7,338,482	-
Unearned revenues	149,976	-
Deposits payable	1,147,733	1,000
Loans and subscriptions	1,738,405	1,568,813
Claims and judgments	-	13,822,294
Total current liabilities	<u>14,391,188</u>	<u>24,230,813</u>
Noncurrent:		
Accrued claims and judgments	-	14,736,839
Loans and subscriptions	9,053,764	1,359,771
Net pension liability	13,600,231	7,690,958
Net OPEB liability	338,604	220,395
Total Noncurrent Liabilities	<u>22,992,599</u>	<u>24,007,963</u>
Total liabilities	<u>37,383,787</u>	<u>48,238,776</u>

CITY OF CARLSBAD
Statement of Net Position
Proprietary Funds
June 30, 2023

	Totals	Governmental Activities- Internal Service Funds
DEFERRED INFLOWS OF RESOURCES		
Pension-related	176,912	100,044
OPEB-related	134,434	36,299
Lease-related	4,836,833	-
Total deferred inflows of resources	5,148,179	136,343
NET POSITION		
Net investment in capital assets	352,751,805	21,367,505
Restricted for capital projects	38,437,080	-
Unrestricted	154,410,490	23,233,935
Total net position	545,599,375	\$ 44,601,440
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time	2,522,868	
Net position of business-type activities	\$ 548,122,243	

CITY OF CARLSBAD
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Funds
Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds		
	Carlsbad Municipal Water District	Wastewater	Other Enterprise Funds
OPERATING REVENUES			
Sales and service charges	\$ 45,370,836	\$ -	\$ -
Wastewater service charges	-	19,616,466	-
Golf course operations	-	-	10,966,531
Other charges for services	730,871	-	2,245,025
Miscellaneous	772,617	187,320	581,554
Total operating revenues	46,874,324	19,803,786	13,793,110
OPERATING EXPENSES			
Administration and general	18,359,435	6,719,812	5,663,331
Encina plant operations	1,341,433	4,760,559	-
Purchased water	28,357,952	-	-
Golf course operations	-	-	8,744,007
Depreciation/amortization	6,375,383	8,914,919	3,405,438
Claims and premiums	-	-	-
Fuel and supplies	-	-	-
Small equipment purchases	-	-	-
Total operating expenses	54,434,203	20,395,290	17,812,776
Operating income (loss)	(7,559,879)	(591,504)	(4,019,666)
NONOPERATING REVENUES (EXPENSES)			
Taxes	5,129,819	-	-
Intergovernmental	-	-	209,448
Interest expense	(217,551)	-	-
Investment income (loss)	1,899,379	400,096	264,637
Gain (loss) on disposal of capital assets	-	-	(13,851)
Total nonoperating revenues (expenses)	6,811,647	400,096	460,234
Income (loss) before transfer and capital contributions	(748,232)	(191,408)	(3,559,432)
Transfers in	-	-	332,000
Capital contributions:			
Capital restricted fees and grants	2,111,538	1,136,698	-
Developer constructed assets	1,316,031	624,717	-
Donated capital assets	-	-	-
Change in net position	2,679,337	1,570,007	(3,227,432)
Net position-beginning	322,342,240	182,867,146	39,368,077
Net position-ending	\$ 325,021,577	\$ 184,437,153	\$ 36,140,645

CITY OF CARLSBAD
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Funds
Year Ended June 30, 2023

	Totals	Governmental Activities- Internal Service Funds
OPERATING REVENUES		
Sales and service charges	\$ 45,370,836	\$ -
Wastewater service charges	19,616,466	-
Golf course operations	10,966,531	-
Other charges for services	2,975,896	32,280,508
Miscellaneous	1,541,491	581,665
Total operating revenues	80,471,220	32,862,173
OPERATING EXPENSES		
Administration and general	30,742,578	16,640,507
Encina plant operations	6,101,992	-
Purchased water	28,357,952	-
Golf course operations	8,744,007	-
Depreciation/amortization	18,695,740	5,030,460
Claims and premiums	-	22,565,654
Fuel and supplies	-	1,839,305
Small equipment purchases	-	544,828
Total operating expenses	92,642,269	46,620,754
Operating income (loss)	(12,171,049)	(13,758,581)
NONOPERATING REVENUES (EXPENSES)		
Taxes	5,129,819	-
Intergovernmental	209,448	-
Interest expense	(217,551)	(77,521)
Investment income (loss)	2,564,112	32,957
Gain (loss) on disposal of capital assets	(13,851)	51,645
Total nonoperating revenues (expenses)	7,671,977	7,081
Income (loss) before transfer and capital contributions	(4,499,072)	(13,751,500)
Transfers in	332,000	10,608,252
Capital contributions:		
Capital restricted fees and grants	3,248,236	-
Developer constructed assets	1,940,748	-
Donated capital assets	-	1,344,057
Change in net position	1,021,912	(1,799,191)
Net position-beginning	544,577,463	46,400,631
Net position-ending	\$ 545,599,375	\$ 44,601,440
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds	898,392	
Changes in net position of business-type activities	\$ 1,920,304	

CITY OF CARLSBAD
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds		
	Carlsbad Municipal Water District	Wastewater	Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 47,489,228	\$ 18,628,306	\$ 14,155,273
Cash received from interfund service provided	-	-	-
Cash paid to suppliers for goods and services	(30,419,102)	(9,320,597)	(5,579,847)
Cash paid to employees for services	(18,088,696)	(2,673,404)	(9,481,125)
Claims and premiums paid	-	-	-
Cash received from (payments to) others	772,617	187,320	581,554
Net cash provided by (used for) operating activities	(245,953)	6,821,625	(324,145)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash transfers in	-	-	332,000
Cash transfers out	-	-	-
Property taxes	5,115,393	-	-
Net cash provided by (used for) capital and related financing activities	5,115,393	-	332,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	46,778	-	-
Capital contributions	-	1,137,649	-
Acquisition and construction of capital assets	(5,217,359)	(7,509,390)	(1,054,158)
Principal paid on capital debt	(1,698,146)	-	-
Interest paid on capital debt	(225,112)	-	-
Capital grants	301,992	-	209,448
Proceeds from sales of capital assets	1,316,532	332,686	20,482
Net cash provided by (used for) capital and related financing activities	(5,475,315)	(6,039,055)	(824,228)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from leasing activities	320,643	-	81,583
Investment earnings	2,329,045	634,491	246,376
Net cash provided by (used for) investing activities	2,649,688	634,491	327,959
Net increase (decrease) in cash and cash equivalents	2,043,813	1,417,061	(488,414)
Cash and Cash Equivalents at Beginning of Year	133,925,207	41,795,736	17,423,853
Adjustment: unrealized gain (loss) on investments	(865,258)	(260,777)	(107,718)
Cash and Cash Equivalents at End of Year	\$ 135,103,762	\$ 42,952,020	\$ 16,827,721

CITY OF CARLSBAD
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds		
	Carlsbad Municipal Water District	Wastewater	Other Enterprise Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	\$ (7,559,879)	\$ (591,504)	\$ (4,019,666)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization	6,375,383	8,914,919	3,405,438
(Increase) decrease in accounts receivable	1,372,491	(399,786)	1,124,122
(Increase) decrease in inventories	(664,408)	1,759	(23,867)
(Increase) decrease in due from other governments	-	(487,224)	-
(Increase) decrease in prepaid expense	39,233	-	(9,569)
Increase (decrease) in accrued liabilities	503,799	87,584	(937,564)
Increase (decrease) in due to other governments	(598,341)	(721,983)	-
Increase (decrease) in deposits payable	15,030	(101,150)	144,410
Increase (decrease) in unearned revenue	-	-	(70,694)
Increase (decrease) in OPEB liability	(199,428)	(1,007,407)	(498,707)
Increase (decrease) in pension liability	470,167	1,126,417	561,952
Increase (decrease) in claims and judgments	-	-	-
Total adjustments	7,313,926	7,413,129	3,695,521
Net cash provided by (used for) operating activities	\$ (245,953)	\$ 6,821,625	\$ (324,145)
SCHEDULE OF NON-CASH ACTIVITIES			
Donated capital assets	\$ 1,316,031	\$ 623,766	\$ -
Capital assets purchased on account	66,666	191,163	-
Unrealized gain (loss) on investments	(865,258)	(260,777)	(107,718)
Amortization of deferred inflows related to leases	(223,151)	-	(77,243)

CITY OF CARLSBAD
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	Totals	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 80,272,807	\$ -
Cash received from interfund service provided	-	32,801,776
Cash paid to suppliers for goods and services	(45,319,546)	(1,990,410)
Cash paid to employees for services	(30,243,225)	(15,171,586)
Claims and premiums paid	-	(10,916,336)
Cash received from (payments to) others	1,541,491	581,665
Net cash provided by (used for) operating activities	6,251,527	5,305,109
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash transfers in	332,000	-
Cash transfers out	-	10,608,252
Property taxes	5,115,393	-
Net cash provided by (used for) capital and related financing activities	5,447,393	10,608,252
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	46,778	-
Capital contributions	1,137,649	-
Acquisition and construction of capital assets	(13,780,907)	(1,872,125)
Principal paid on capital debt	(1,698,146)	(1,925,993)
Interest paid on capital debt	(225,112)	(43,008)
Capital grants	511,440	-
Proceeds from sales of capital assets	1,669,700	51,645
Net cash provided by (used for) capital and related financing activities	(12,338,598)	(3,789,481)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from leasing activities	402,226	-
Investment earnings	3,209,912	841,215
Net cash provided by (used for) investing activities	3,612,138	841,215
Net increase (decrease) in cash and cash equivalents	2,972,460	12,965,095
Cash and Cash Equivalents at Beginning of Year	193,144,796	50,911,503
Adjustment: unrealized gain (loss) on investments	(1,233,753)	(881,290)
Cash and Cash Equivalents at End of Year	\$ 194,883,503	\$ 62,995,308

CITY OF CARLSBAD
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	<u>Totals</u>	<u>Governmental Activities- Internal Service Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ (12,171,049)	\$ (13,758,581)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation/amortization	18,695,740	5,030,460
(Increase) decrease in accounts receivable	2,096,827	8,394
(Increase) decrease in inventories	(686,516)	21,401
(Increase) decrease in due from other governments	(487,224)	-
(Increase) decrease in prepaid expense	29,664	783,215
Increase (decrease) in accrued liabilities	(346,181)	1,313,492
Increase (decrease) in due to other governments	(1,320,324)	-
Increase (decrease) in deposits payable	58,290	-
Increase (decrease) in unearned revenue	(70,694)	-
Increase (decrease) in OPEB liability	(1,705,542)	(168,179)
Increase (decrease) in pension liability	2,158,536	425,589
Increase (decrease) in claims and judgments	-	11,649,318
Total adjustments	<u>18,422,576</u>	<u>19,063,690</u>
Net cash provided by (used for) operating activities	<u>\$ 6,251,527</u>	<u>\$ 5,305,109</u>
SCHEDULE OF NON-CASH ACTIVITIES		
Donated capital assets	\$ 1,939,797	\$ 1,344,057
Capital assets purchased on account	257,829	690
Unrealized gain (loss) on investments	(1,233,753)	(881,290)
Amortization of deferred inflows related to leases	(300,394)	-

CITY OF CARLSBAD
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Private Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 1,143,775	\$ 11,079,365
Restricted assets:		
Cash and investments	-	2,370,330
Receivables:		
Assessments	-	24,382
Accrued interest	4,947	47,922
Taxes	-	595
Loans receivable	4,567,798	-
Total assets	5,716,520	13,522,594
LIABILITIES		
Accrued liabilities	-	134,740
Accrued interest	17,667	-
Due to bondholders	-	6,370,885
Long-term liabilities:		
Due in one year	1,000,000	-
Total liabilities	1,017,667	6,505,625
NET POSITION		
Restricted for:		
Redevelopment obligation retirement purposes	4,698,853	-
Individuals, organizations and other governments	-	7,016,969
Total net position	\$ 4,698,853	\$ 7,016,969

CITY OF CARLSBAD
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Private Purpose Trust Fund	Custodial Funds
ADDITIONS		
Assessment district collections	\$ -	\$ 14,006,750
Proceeds from debt issuance	-	16,240,000
Income from property and investments	3,911	169,965
Taxes	949,059	1,308,000
Interest on housing loans	112,624	-
Miscellaneous	-	4,418,368
Total additions	1,065,594	36,143,083
DEDUCTIONS		
Distributions to beneficiaries	-	6,054,378
Administrative expenses	7,866	162,596
Debt refunding	-	22,236,632
Bond interest expense and fees	63,607	1,544,538
Principal expense	-	2,365,000
Other deductions	-	2,234,380
Total deductions	71,473	34,597,524
Net increase (decrease) in fiduciary net position	994,121	1,545,559
Net position-beginning, restated	3,704,732	5,471,410
Net position-ending	\$ 4,698,853	\$ 7,016,969



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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Carlsbad, California (“city”), was incorporated on July 16, 1952. The city was a general law city until 2008, when the citizens in Carlsbad voted and approved the city to become a charter city. The city operates under a Council-Manager form of government and provides the following services: general government, public safety, community services and public works.

The accounting policies of the city and its component units conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

A. Description and Scope of the Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position of the city and its component units, entities for which the city is considered to be financially accountable. The city is considered to be financially accountable for an organization if the city appoints a voting majority of that organization’s governing body and the city is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the city. The city is also considered to be financially accountable for an organization if that organization is fiscally dependent upon the city (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the city). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the city are such that their exclusion would cause the city’s financial statements to be misleading or incomplete.

Based upon the above criteria, the component units of the city are the Housing Authority of the City of Carlsbad, the City of Carlsbad Public Improvement Corporation, the Carlsbad Public Financing Authority, and the Carlsbad Municipal Water District. The city does not issue separate financial statements for these component units.

Since the City Council serves as the governing board for these component units and there is either a financial benefit/burden relationship between the component unit and city or the management of the city has the operational responsibility for the component unit, all of the city’s component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance part of the city’s operations, and so data from these units is reported with the interfund data of the primary government.

B. Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the city and its blended component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the Fund Financial Statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Property taxes are recognized as revenues in the year for which they are levied.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting, as long as the expenditure reflects a near-term cash outflow. Principal and interest on long-term debt are recorded as fund liabilities when due.

Revenues that are accrued include real property taxes, sales tax, transient occupancy taxes (TOT), franchise taxes, highway users' tax, interest, and some state and federal grants.

Real property taxes are levied on October 15 against property owners of record on January 1 of that year. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day of January in the fiscal year for which the taxes are levied. Under the provisions of NCGA (National Council on Government Accounting) Interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year.

Custodial funds, which are a type of fiduciary fund, account for assets held by the city for other governments or individuals. These funds report using an economic resources measurement focus and include all inflows, outflows and balances reflecting the fund's net position.

The city reports the following major governmental funds:

- The **General Fund** is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Community Facilities District (CFD) No. 1** capital project fund is used to account for the receipt of taxes and fees charged to developers that are restricted for civic facilities, parks, and road segments.
- The **Infrastructure Replacement (IRF)** capital project fund is used to account for transfers from the General Fund and expenditures for the replacement of major infrastructure throughout the city.
- The **Park Development** capital project fund is used to account for the receipts and expenditures for park related projects.

The city reports the following major enterprise funds:

- The **Carlsbad Municipal Water District (CMWD)** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the city's potable and recycled water systems.
- The **Wastewater** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the city's wastewater system.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the city reports the following fund types:

- **Internal Service funds** account for fleet maintenance and replacement, self-insured benefits, information technology, risk management and workers' compensation services provided to other departments or agencies of the city.
- The **Custodial funds** account for assets held by the city for other governments or individuals. These funds include debt service transactions on assessment district bonds for which the city is not obligated and the city's two Business Improvement Districts: the Carlsbad Tourism Business Improvement District and the Carlsbad Golf Lodging Business Improvement District.
- The **Private-Purpose Trust fund** accounts for the activities of the Redevelopment Obligation Retirement Fund, which accumulates resources for obligations previously incurred by the former City of Carlsbad Redevelopment Agency (RDA).

As a general rule, the effect of interfund activity has been eliminated from the Government-wide Financial Statements. An exception to this general rule is the charges between the Carlsbad Municipal Water District and various other functions of the city. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the city's proprietary funds are charges to customers for sales and services. The city also recognizes new account charges, late fees, and contributions from other agencies as operating revenues. Operating expenses for enterprise and internal service funds include the cost of sales and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, restricted revenue will be applied first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the policy is to apply committed fund balance first, then assigned fund balance and finally unassigned fund balance.

D. Cash and Investments

Cash includes amounts in demand and time deposits. Investments are reported in the accompanying balance sheet at fair value, except for certain investment contracts that are reported at cost because they are not transferable, and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings; changes in fair value; any gains or losses realized upon the liquidation, maturity, or sale of investments; property rentals and the sale of city owned property.

The city pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds on a monthly basis, based on each fund's average cash and investments balance. Restricted cash and investments represent amounts that are restricted under the terms of debt agreements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Inventories

Inventories consist of materials and supplies that are valued at cost and are recorded as expenses or expenditures on a first-in, first-out basis when consumed.

F. Compensated Absences

Compensated absences are comprised of vacation payable for all city employees and banked overtime (comp time). Vacation pay and comp time are payable to employees at the time used or upon termination of employment. For governmental funds, the cost of accumulated vacation and comp time expected to be paid in the next 12 months is recorded as a liability in the Self-Insured Benefits internal service fund. Since the city caps the amount of vacation and comp time employees are allowed to have on the books at any point in time, for compensated absences recorded at June 30, 2023, all balances are expected to be paid within the following 12 months. For proprietary funds, the cost of vacation and comp time is recorded as a liability when earned.

G. Risk Management

The city accounts for its general liability and workers' compensation activities in internal service funds. The funds are responsible for collecting premiums from other city funds and departments and paying claims, settlements, and insurance premiums. Interfund premiums are based on the insured fund's claims experience. Incurred but not reported claims are accrued at year-end if material.

H. Unbilled Services

Unbilled water and wastewater revenues of the enterprise funds are recognized as earned when the services are used.

I. Capital Assets

Capital assets, which include land (including right-of-way), buildings, equipment, lease assets, subscription assets, and infrastructure assets (e.g., roads, bridges, traffic signals, water and wastewater systems, and related items), are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements. Capital assets are defined by the city as machinery and equipment and capital construction with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year; and intangible assets such as computer software with an initial cost of more than \$100,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Construction in progress costs are transferred to their respective capital asset category upon completion.

Depreciation and amortization on right-to-use assets is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

	<u>Years</u>
Buildings and other structures	10 – 50
Improvements other than buildings	10 – 50
Infrastructure	10 – 100
Intangible assets	5 – 10
Machinery and equipment	5 – 20
Wastewater treatment facility (including equipment)	5 – 75
Subscriptions	1 – 5

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The city has capitalized all general infrastructure assets acquired or constructed. In addition, the land upon which the streets and roads are constructed (right-of-way) has also been valued and capitalized.

J. Unearned Revenue

The unearned revenue reported in the city's financial statements represents money received during the current or previous fiscal years that has not been earned by the city as of the end of the fiscal year. These monies will be recognized as revenues in subsequent fiscal years once the revenue has been earned.

K. Deferred Outflows

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The city has pension-related and other postemployment benefits related items in this category.

L. Deferred Inflows

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The city has three types of items that qualify for reporting in this category.

The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: interest on advances and loans and grants. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

The second item is reported in the proprietary funds balance sheet and the Statement of Net Position. The city has pension related and other postemployment benefits related items in this category.

The third item is reported in the proprietary funds balance sheet and the Statement of Net Position. The city has lease related items in this category.

M. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (short-term interfund loans), or "advances to/from other funds" (long-term interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-wide Financial Statements as "internal balances."

The portion of fund balance associated with amounts that have been disbursed to other funds in the form of long-term interfund advances have been classified as nonspendable unless the funds associated with repayment of the advance are otherwise restricted for a specific purpose.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Receivables and Payables

All trade, service and tax receivables are shown net of an allowance for uncollectibles. The utility billing receivable allowance is equal to 2% of outstanding billings at June 30, 2023, the ambulance billing receivable allowance is equal to 40% of outstanding billings at June 30, 2023, and the trade and false alarm receivable allowance is equal to 19% of the total of all outstanding receivable balance at June 30, 2023. The only exceptions to these rules are receivables that were subsequently paid or were known to be collectible at year-end, which were not reserved for at June 30, 2023, and any receivables due from other public agencies.

O. Loan and Reimbursement Receivable

The accompanying financial statements reflect the recording of certain loans receivable that represent loans made to various organizations and individuals. In certain cases, the amount of collection is dependent upon future residual receipts to be generated by the property or contingent upon the ability of the owner to sell the property at an amount sufficient to pay all liens against the property, including the obligation to the city. All loan and reimbursement receivables are shown net of an allowance for uncollectibles.

P. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds. Unexpended and unencumbered appropriations lapse at fiscal year-end unless City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year.

Q. Net Position

Net position represents the differences between assets and deferred outflows, and liabilities and deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. It is the city's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

R. Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the city's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

S. Long-term Obligations

In the Government-wide Financial Statements, and proprietary fund types in the Fund Financial Statements, long- term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Pensions

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

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

U. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the city's plan (OPEB Plan), the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), and additions to and deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

V. Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the city’s own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the city’s own data.

W. Fund Balances

Nonspendable Fund Balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by the constitution, external resource providers, or through enabling legislation. If the City Council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. It includes legislation (council action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the City Council action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The city considers a resolution to constitute the formal action of the City Council that is necessary to commit fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the City Council but does not require a formal action like a resolution or ordinance. The City Council has delegated the authority for the City Manager to carry forward certain unspent budget amounts for specific one-time purposes if the amount is equal or less than \$100,000 per item to the next fiscal year. The City Council has authorized, through resolution, that all outstanding encumbrances at the end of the fiscal year and certain unspent budgeted amounts over \$100,000 per item to be carried forward into the next fiscal year. The assigned fund balance also includes an assignment for economic uncertainty and an assignment of General Fund budget surplus for Fleet Maintenance, Risk Management and Workers’ Compensation Internal Service Funds, all of which were approved by the City Council through a resolution. These amounts are show as assigned fund balance at the end of the fiscal year:

- General Government – unspent funds for a Transient Occupancy Tax audit engagement contract and a cost allocation plan update contract. Encumbrances rolled forward include grant writing services, financial audit services, ambulance billing services, website content and social media management services for economic development and various professional services for communications, human resources, finance and the city manager’s office.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Public Safety – unspent funds for vehicles for a police officer take home vehicle program, replacement of the police department’s taser inventory, an increase in the school crossing guard contract, vehicle outfitting costs for the Homeless Outreach Team, a police services community survey and unspent grant funds on a police officer wellness and mental health grant. Encumbrances rolled forward include the purchase and outfitting of new patrol vehicles, installation costs for fixed license plate recognition cameras, a contract for a needs assessment and proposal evaluation for a new CAD system, the purchase of two new fire engines, hydraulic rescue tools and the replacement of the fire department’s self-contained breathing apparatus inventory.
- Community Services – unspent funds for state library grants, contract funds to update guidelines for Carlsbad tribal, cultural and paleontological resources, weed abatement costs, agreements for temporary public art, maintenance costs on permanent public art, an agreement for a guest artist residency and trail improvements at Lake Calavera Preserve. Encumbrances rolled forward include engineering and building plan check services, consulting services for transportation and traffic engineering services, citywide abandoned items/litter removal services, an agreement for rapid rehousing program services, master and strategic planning services for Parks and Recreation, repair services for the Lake Calavera Trail loop, irrigation system replacements at various park sites and minor concrete and fence repair and replacements at Poinsettia Community Park.
- Public Works – unspent funds for HEPA filter replacements at the Safety Training Center and contract funds for an active transportation monitoring report. Encumbrances rolled forward include agreements for the habitat management plan preserve steward services and a green business network coordinator, pressure washing services, a cargo van, electrical maintenance services, citywide roof inspection services, mark-out services for traffic signals, professional services for a citywide speed limit reduction evaluation, sustainable mobility implementation plan and safe routes to school program.
- Capital Projects – includes citywide infrastructure replacement projects, barrio street lighting, village and barrio traffic circles, Buena Vista Creek channel fencing, beach access repairs, village decorative lighting, Kelly Drive channel repair, Police and Fire Headquarters refurbishment, Hosp Grove playground refurbishment, Calavera Hills Community Center refurbishment, Fleet service center fuel island upgrades, an enterprise asset management system, Lake Calavera Outlet Improvements and Leo Carrillo Ranch Roof Repair.
- Risk Management – City Council assigned general fund surplus from fiscal year 2022-23 to the city’s Risk Management Internal Service Fund in order to increase the reserve balance for several large claims.
- Workers’ Compensation – City Council assigned general fund surplus from fiscal year 2022-23 to the city’s Workers’ Compensation Internal Service Fund in order to address increases in claim volume and average claim costs.
- Safer Streets Local Emergency – City Council assigned general fund surplus to address traffic safety. The City Council declared a local emergency via City Council resolution.
- Economic Uncertainty – City Council assigned reserve that can be utilized via City Council resolution to mitigate general revenue losses during times of economic downturns.
- Pension Trust – The City Council approved the establishment of a Public Agencies Post-Employment Benefits Trust (Section 115 Trust) on September 12, 2023. This trust allows the city to stabilize pension cost volatility, maintain local control over the city’s assets and earn a potentially higher rate of return than if the assets were kept within the General Fund. The City Council approved an initial trust contribution of \$10 million on September 26, 2023 as part of an ongoing effort to maintain compliance with City Council Policy Statement No. 86 and the city’s minimum 80% pension funded ratio.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications. The General Fund is the only fund that reports a positive unassigned fund balance amount.

It is the city's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the City Council.

X. Leases

Lessee: The city is a lessee for a noncancellable lease of buildings and land improvements. The city recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The city recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the city initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the city determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The city uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the city uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the city is certain to exercise.

The city monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The city is a lessor for noncancellable leases of buildings and land. The city recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the city initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Key estimates and judgments include how the city determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The city uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The city monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Y. Subscription-Based Information Technology Arrangements

The city is a subscriber for a noncancellable subscription of information technology services. The city recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The city recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the city initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to subscriptions include how the city determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) lease term, and (3) subscription payments.

- The city uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the city uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the non-cancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments that the city is certain to exercise.

The city monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

Z. New GASB Pronouncements Effective during Fiscal Year

The following Government Accounting Standards Board (GASB) pronouncements were effective for and/or early implemented for the fiscal year ended June 30, 2023:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1. GASB Statement No. 91, Conduit Debt Obligations

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

2. GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose essential information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.

3. GASB Statement No. 96, Subscription-Based Information Technology Arrangements

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

4. GASB Statement No. 100, Accounting Changes and Error Corrections

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, dependable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The city follows these procedures in establishing its budgetary data:

- During May or June, the City Manager submits a proposed operating, strategic digital transformation investment program and capital improvement program budgets for the fiscal year commencing the following July 1 to the City Council. The budget includes estimated revenues and proposed expenditures on a departmental and/or project basis.
- In June, a public hearing is conducted at a City Council meeting to obtain citizens' comments.
- Prior to July 1, the budget is enacted legally through passage of an appropriation resolution.
- For purposes of budgetary presentation, actual revenues have been adjusted to exclude unrealized gains and losses pursuant to GASB. Actual expenditures have been adjusted to include encumbrances outstanding. Annual budgets are adopted for the General Fund, special revenue funds and capital project funds."

The City Manager is authorized to make transfers of appropriated amounts from one department to another within a fund. The legal level of budgetary control is at the fund level. Revisions that alter the total appropriations of any fund must be approved by the City Council with the exception of budget adjustments that involve offsetting revenues and expenditures, increases in General Liability and Workers' Compensation Fund claims expenses, increases in Encina Wastewater Authority expenses, increases of 15% or less to purchasing authority for capital outlay items requiring the City Council to act as the awarding authority as approved in the budget process, increases in earned leave accrual expenses and liabilities, increases in unforeseen legal expenses and liabilities and adjustments to increase the appropriation for Mutual Aid expenses in an amount equal to the increases in amounts to be reimbursed by other agencies. The City Manager is authorized to increase or decrease an appropriation for a specific purpose where the appropriation is offset by unbudgeted revenue, which is designated for said specific purpose. Quarterly financial reports are provided to the City Council during the year, and any changes to the adopted budget are approved by the City Council as necessary. During the year, several supplementary appropriations were necessary.

Budgets for governmental type funds are adopted on the modified accrual basis except that encumbrances are treated as budgeted expenditures in the year purchases are committed. Expenditures may not exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end unless the City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year or, if the appropriation is less than \$100,000, the City Manager may approve to continue the appropriation into the following fiscal year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

B. Deficit Fund Equity

The Following funds reported deficits in fund balances or net position as of June 30, 2023:

Deficit balance	
Special revenue funds:	
Habitat and agricultural management	(4,740)
California opioid settlement	(9,874)
 Internal service funds:	
Risk management	(4,083,823)

The deficit of \$4,740 in the Habitat and Agricultural Management Special Revenue Fund is the result of the General Fund advancing money for the purchase of mitigation credits in a prior fiscal year. The advance is returned to the General Fund in periodic payments from developer impact fees collected in the Habitat and Agricultural Management Fund.

The deficit of \$9,874 in the California Opioid Settlement Special Revenue Fund is the result of an unrealized loss recorded on investments recorded at fiscal year-end.

The deficit of \$4,083,823 in the Risk Management Internal Service Fund is the result of estimated claims tracking higher than anticipated. The City Council assigned general fund surplus budget in the amount of \$5 million from fiscal year 2022-23 in response to higher claims. This will result in a fund transfer in fiscal year 2023-24 from the General Fund to the Risk Management Internal Service Fund.

NOTE 3: CASH AND INVESTMENTS

Cash resources of the individual funds are combined to form a pool of cash and investments. The city maintains a formal Investment Policy Statement, which is reviewed by the Investment Review Committee and adopted annually by the City Council. All investments held in the Treasurer’s Pool are consistent with the city’s Investment Policy Statement objectives of safety of principal, sufficient liquidity, and to realize a return on investment. The risk disclosures on the next page apply to the city’s internal investment pool. Portfolio investments are exposed to five types of risk: custodial (investments and cash deposits), concentration, default, event, and market or interest rate risk.

The city and its agencies invest a portion of the funds in an external investment pool known as the Local Agency Investment Fund (LAIF). Management and oversight are the responsibility of the California State Treasurer. As of June 30, 2023, the LAIF performance report shows a fair value factor of 0.984828499. The city’s position in the LAIF pool is calculated as a percentage of the fair value of the city’s shares to the fair value of the pooled shares.

The city and its agencies invest a portion of the funds in an external investment pool known as the California Asset Management Program (CAMP). CAMP is a California Joint Powers Authority directed by a Board of Trustees, which is made up of local government finance directors and treasurers.

Investments held outside the Treasurer’s Pool consist mainly of required reserve funds for various bond issues. They are held by trustees and are not available for the city’s general expenditures.

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 818,594,165
Restricted:	
Cash and investments	
Statement of Fiduciary Net Position	
Cash and cash equivalents	12,223,140
Restricted:	
Cash and investments	<u>2,370,330</u>
Total cash and investments	<u>\$ 833,187,635</u>
Deposits with financial institutions	
Investments	\$ 18,002,762
	812,814,543
Restricted:	
Cash and investments	<u>2,370,330</u>
Total cash and investments	<u>\$ 833,187,635</u>

A. Fair Value Measurement

The city categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The city has the following recurring fair value measurements as of June 30, 2023:

Investment Type	Total	Input Category		
		Level 1	Level 2	Uncategorized
U.S. Treasury obligations	\$ 75,318,700	\$ 75,318,700	\$ -	\$ -
U.S. agency securities	309,326,161	-	309,326,161	-
Certificates of deposit	19,735,113	-	19,735,113	-
Medium-term notes	149,168,105	-	149,168,105	-
Municipal investments	64,779,091	-	64,779,091	-
Mortgage pass-through securities	33,350,238	-	33,350,238	-
Supranational Securites	18,379,217	-	-	18,379,217
California Asset Management Program	141,006,057	-	-	141,006,057
Local Agency Investment Fund	1,751,861	-	-	1,751,861
Total	<u>\$ 812,814,543</u>	<u>\$ 75,318,700</u>	<u>\$ 576,358,708</u>	<u>\$ 161,137,135</u>

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

B. Custodial Credit Risk (Investments)

The city uses a third-party bank for its custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the city will not be able to recover the value of its investments in the event of the custodian's failure. All city investments held in custody and safekeeping are held in the name of the city and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure. Investments are settled on Delivery vs. Payment (DVP) in accordance with the third-party custodial agreement.

C. Custodial Credit Risk (Deposits)

The city maintains cash accounts at one major banking institution. At the conclusion of each business day and if advantageous to the city, balances in these accounts are "swept" into overnight pooled investments, which are pooled into funds collateralized with U.S. government securities (guaranteed) or U.S. agency securities (government-sponsored). The California Code authorizes both of these types of investments. Amounts up to \$250,000 are Federal Deposit Insurance Corporation (FDIC) insured. All funds in non-interest-bearing transaction accounts are fully insured under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

D. Concentration Credit Risk

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. The California state code and the city's Investment Policy Statement require that total investments in medium-term corporate notes of all issuers not exceed 30% of the portfolio. For concentration of investments, the city's Investment Policy Statement requires that no more than 5% of investments in corporate notes or passthrough securities be in any one issuer. There is no similar requirement in either the state code or the city's Investment Policy Statement for U.S. agencies. As of June 30, 2023, the portfolio was in compliance with this requirement.

E. Default Credit Risk

Default credit risk is the risk that the issuer of the security does not pay either the interest or principal when due. Debts of most U.S. agencies are not backed by the full faith and credit of the federal government. These agencies are U.S. government sponsored. In August 2011, Standard and Poor's Investor's Service downgraded U.S. long-term debt one step to AA+. Competing agencies, Moody's Investors Service, and Fitch Ratings, maintained their AAA rating on U.S. debt. Although the default credit risk of these investments has increased, the city believes the risk of default remains low.

California state code limits investments in medium-term corporate notes to the top three credit ratings (AAA, AA, and A). California state code and the city's Investment Policy Statement allow the city Treasurer to determine the course of action to correct exceptions to the Investment Policy Statement. It is the intent of the city treasurer to hold these investments in the portfolio until maturity unless events indicate they should be sold. The default credit risk for corporate notes with a credit rating of single A is considered by the city Treasurer to be within acceptable limits for purposes of holding to maturity. A credit rating of single A is within state code purchase requirements.

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

The Local Agency Investment Funds (LAIF) is an external investment pool managed by the California State Treasurer. The California Asset Management Program (CAMP) is an external investment pool managed by PFM Asset Management LLC. These investments are short-term and follow the investment requirements of the State. LAIF is not rated; however, the city Treasurer considers the default credit risk to be minimal. CAMP is rated AAA by Standard and Poor's Investor Services.

Money market funds held by bond trustees are rated AAA. Investment contracts held by bond trustees are not rated by rating agencies.

The table below is the minimum rating (where applicable) of the California state code, the city's investment policy, or debt agreements, and the actual rating at June 30, 2023 for each investment type by S&P Investor's Service:

Investment Type	Total	Minimum Legal Rating	Moody's Rating as of Fiscal Year End			
			Aaa	Aa	A	Exempt or Not Rated
U.S. Treasury obligations	\$ 75,318,700	Exempt	\$ -	\$ -	\$ -	\$ 75,318,700
U.S. agency securities	309,326,161	Exempt	-	-	-	309,326,161
Supranational Securities	18,379,217	AA	18,379,217	-	-	-
Municipal investments	64,779,091	AA/A	11,208,926	52,572,875	997,290	-
Mortgage pass-through securities	33,350,237	AA	942,972	32,407,265	-	-
Medium-term notes	149,168,105	AA/A	21,321,311	45,805,881	82,040,913	-
Local Agency Investment Fund	1,751,862	Not Rated	-	-	-	1,751,862
Certificates of deposit	19,735,113	Not Rated	-	-	-	19,735,113
California Asset Management Program	141,006,057	Not Rated	-	-	-	141,006,057
Total	\$ 812,814,543	\$ -	\$ 51,852,426	\$ 130,786,021	\$ 83,038,203	\$ 547,137,893

Notes for this schedule:

- Certificates of Deposit are FDIC insured.
- As of June 30, 2023, five investments in medium term notes had credit ratings of single A (A) which is below the single A/double (AA) ratings required by the Investment Policy. These investments were initially made in accordance with the city's Investment Policy. California state code and the city's Investment Policy allow the city treasurer to determine the course of action to correct exceptions to the policy. It is the intent of the city Treasurer to hold these assets in the portfolio until maturity unless events indicate a sale should be made. These investments are paying interest at the required times and their principal is considered secure.

F. Interest Rate Risk

Interest rate risk is the risk that investments will lose market value because of increases in market interest rates. A rise in market interest rates will cause the market value of investments made earlier at lower interest rates to lose value. The reverse will cause a gain in market value. As of June 30, 2023, the portfolio had a 5% loss in market value based on cost.

The city's Investment Policy Statement has adopted two means of limiting its exposure to market value losses caused by rising market interest rates: (1) limiting total portfolio investments to a maximum modified duration of 2.2; and requiring liquid investments (LAIF and bank accounts) and investments maturing within one year to be equal to an amount that is not less than two-thirds of the current fiscal year's operating budget. The city met those requirements as follows:

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

- As of June 30, 2023, the modified duration of the portfolio was 1.55. Modified duration is a prospective measure of the sensitivity of a fixed-income security's value to changes in market rates of interest. Modified duration identifies the potential gain/loss in value before it actually occurs. For example, a modified duration of 1.5 indicates that when and if a 1.0% change in market interest rates occurs, a 1.5% change in the security's value will result. Investments with modified durations of one to three are considered to be conservative.
- As of June 30, 2023, maturities within one year exceeded the required minimum of \$228,000,000 (two-thirds of current year operating budget for the city per the Fiscal Year 2022-23 operating budget adopted by the City Council).
- As of June 30, 2023, the weighted average maturity of the LAIF underlying debt securities was 260 days. As of June 30, 2023, LAIF had a 0.0152% loss in market value.

NOTE 4: LEASE RECEIVABLES

The city leases land and buildings to various companies and agencies. The terms by lease type are listed in the table below. Some leases have extension options ranging from five to 20 years. As of June 30, 2023, the value of the lease receivable is \$17,173,736. The value of the deferred inflow of resources as of June 30, 2023 was \$16,687,779, and the amortization of the deferred inflow during the year totaled \$1,093,387. The city recognized lease revenue of \$3,491,084 during the fiscal year which included \$1,093,387 related to the amortization of the deferred inflow and \$2,397,697 for variable and other payments, including short term leases not included in the measurement of the lease receivable.

Governmental Activities				
Lease Type	Term Range	Lease Receivable	Lease Revenue	Lease Interest
Land	5 - 19 years	\$ 1,821,540	\$ 159,786	\$ 33,009
Buildings	2 - 80 years	10,362,076	633,207	144,123
Subtotal - governmental activities		12,183,616	792,993	177,132
Business-type Activities				
Lease Type	Term Range	Lease Receivable	Lease Revenue	Lease Interest
Buildings	2 - 80 years	4,990,120	300,394	75,623
Subtotal - business-type activities		4,990,120	300,394	75,623
Total		<u>\$ 17,173,736</u>	<u>\$ 1,093,387</u>	<u>\$ 252,755</u>

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 4: LEASE RECEIVABLES (CONTINUED)

Future receivable principal and interest payments expected to be received through maturity are as follows:

June 30	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 626,989	\$ 225,231	\$ 234,858	\$ 87,656	\$ 861,847	\$ 312,887
2025	519,536	217,193	245,335	84,127	764,871	301,320
2026	542,838	209,232	254,704	80,433	797,542	289,665
2027	500,174	201,158	215,156	76,767	715,330	277,925
2028	516,406	193,133	213,124	73,336	729,530	266,469
2029-2033	2,255,165	845,409	1,125,866	310,866	3,381,031	1,156,275
2034-2038	1,624,551	683,689	910,153	223,559	2,534,704	907,248
2039-2043	745,105	593,220	221,481	178,774	966,586	771,994
2044-2048	649,942	569,428	-	195,178	649,942	764,606
2049-2053	429,026	552,023	-	220,826	429,026	772,849
2054-2058	-	600,834	-	249,844	-	850,678
2059-2063	-	679,788	-	282,676	-	962,464
2064-2068	-	769,118	-	319,821	-	1,088,939
2069-2073	152,766	708,562	63,524	294,640	216,290	1,003,202
2074-2078	468,767	411,626	194,927	171,166	663,694	582,792
2079-2083	529,130	351,263	220,027	146,065	749,157	497,328
2084-2088	597,265	283,127	248,360	117,733	845,625	400,860
2089-2093	674,174	206,218	280,341	85,751	954,515	291,969
2094-2098	760,987	119,405	316,440	49,652	1,077,427	169,057
2099-2102	590,795	26,000	245,824	10,812	836,619	36,812
Totals	\$ 12,183,616	\$ 8,445,657	\$ 4,990,120	\$ 3,259,682	\$ 17,173,736	\$ 11,705,339

NOTE 5: ACCRUED LIABILITIES

A. Summary

The balance of accrued liabilities at June 30, 2023 is composed of the following:

Classification	General Fund	Community Facilities District #1	Infrastructure Replacement Fund	Park Development	Other Governmental Funds	Internal Service Funds	Total Governmental Actives
Accounts payable	\$ 3,816,834	\$ 224,539	\$ 631,407	\$ 96,439	\$ 2,950,162	\$ 1,756,641	\$ 9,476,022
Retentions payable	36,477	-	232,163	-	576,549	690	845,879
Accrued wages	1,221,710	-	-	-	22,627	87,713	1,332,050
Employee benefits	516,594	-	-	-	-	-	516,594
Pension payable	641,312	-	-	-	-	-	641,312
Compensated absences	-	-	-	-	-	6,949,494	6,949,494
Other	31,288	13,390	-	-	42,056	9,655	96,389
Total	\$ 6,264,215	\$ 237,929	\$ 863,570	\$ 96,439	\$ 3,591,394	\$ 8,804,193	\$ 19,857,740

	Carlsbad Municipal Water District	Wastewater	Other Enterprise Funds	Total Business-type Activities	Custodial Funds
Accounts payable	\$ 1,465,768	\$ 773,566	\$ 316,433	\$ 2,555,767	\$ 107,994
Retentions payable	66,666	192,233	2,354	261,253	-
Accrued wages	62,361	27,094	20,709	110,164	-
Compensated absences	451,136	99,055	60,166	610,357	-
Other	8,524	51	441,151	449,726	26,746
Total	\$ 2,054,455	\$ 1,091,999	\$ 840,813	\$ 3,987,267	\$ 134,740

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 5: ACCRUED LIABILITIES (CONTINUED)

B. Compensated Absences

Compensated absences are liquidated by the internal service funds, Carlsbad Municipal Water District, Wastewater, and other enterprise funds. There is no fixed repayment schedule for compensated absences, and it is the policy of the City to treat compensated absences as a current liability. The compensated absences activities for the year ended June 30, 2023, are as follows:

	Balance July 1, 2022	Net Change	Balance June 30, 2023
Governmental activities	\$ 6,278,968	\$ 670,526	\$ 6,949,494
Business-type activities	503,675	106,682	610,357
Total	\$ 6,782,643	\$ 777,208	\$ 7,559,851

NOTE 6: CAPITAL ASSETS

A. Governmental Activities

Governmental activities' capital assets for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Adjustments	Additions	Deletions	Transfers	Balance June 30, 2023
Governmental activities:						
Capital assets, not being depreciated/amortized						
Land	\$ 160,619,596	\$ -	\$ 234,610	\$ (1,105,548)	\$ -	\$ 159,748,658
Construction-in-progress	36,891,555	-	14,530,673	(144,042)	(17,562,696)	33,715,490
Total capital assets, not being depreciated/amortized	197,511,151	-	14,765,283	(1,249,590)	(17,562,696)	193,464,148
Capital assets, being depreciated/amortized						
Buildings and structures	138,281,470	-	4,197,578	-	11,515,345	153,994,393
Machinery, equipment, and vehicles	56,253,190	-	3,422,660	(508,253)	1,242,236	60,409,833
Lease assets	25,067	-	238,606	-	-	263,673
Subscription assets	-	1,845,563	3,009,014	-	-	4,854,577
Intangible assets	6,483,648	-	-	(141,291)	-	6,342,357
Land improvements	103,902,694	-	4,996,926	(60,690)	3,078,414	111,917,344
Infrastructure	752,669,574	-	431,667	-	1,726,701	754,827,942
Total capital assets, being depreciated/amortized	1,057,615,643	1,845,563	16,296,451	(710,234)	17,562,696	1,092,610,119
Less accumulated depreciation/amortization						
Buildings and structures	(51,495,406)	-	(2,854,207)	-	-	(54,349,613)
Machinery, equipment, and vehicles	(30,615,090)	-	(4,308,090)	499,076	-	(34,424,104)
Lease assets	(1,671)	-	(27,362)	-	-	(29,033)
Subscription assets	-	-	(1,407,481)	-	-	(1,407,481)
Intangible assets	(4,026,460)	-	(752,636)	141,291	-	(4,637,805)
Land improvements	(43,323,472)	-	(3,688,898)	-	-	(47,012,370)
Infrastructure	(317,127,346)	-	(14,836,507)	-	-	(331,963,853)
Total accumulated depreciation/amortization	(446,589,445)	-	(27,875,181)	640,367	-	(473,824,259)
Total capital assets, being depreciated/amortized, net	611,026,198	1,845,563	(11,578,730)	(69,867)	17,562,696	618,785,860
Total governmental activities capital assets	\$ 808,537,349	\$ 1,845,563	\$ 3,186,553	\$ (1,319,457)	\$ -	\$ 812,250,008

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 6: CAPITAL ASSETS (CONTINUED)

Depreciation/amortization expense was charged to the functions/programs of the governmental activities of the primary government as follows:

General government	\$ 910,614
Public safety	1,386,539
Community services	5,512,907
Public works	15,034,661
Internal service funds*	5,030,460
Total depreciation/amortization expense	<u>\$ 27,875,181</u>

* Depreciation and amortization of capital assets held by the city's internal service funds are charged to the various functions based on their usage of the assets.

B. Business-type Activities

Business-type activities' capital assets for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Transfers	Balance June 30, 2023
Business-type activities:					
Capital assets, not being depreciated/amortized					
Land	\$ 9,330,718	\$ 23,225	\$ -	\$ -	\$ 9,353,943
Construction-in-progress	17,436,454	6,815,494	(1,649,219)	(8,293,766)	14,308,963
Total capital assets, not being depreciated/amortized	<u>26,767,172</u>	<u>6,838,719</u>	<u>(1,649,219)</u>	<u>(8,293,766)</u>	<u>23,662,906</u>
Capital assets, being depreciated/amortized					
Buildings and structures	41,391,888	2,680,717	-	-	44,072,605
Machinery, equipment, and vehicles	14,007,845	918,863	(778,065)	6,631	14,155,274
Wastewater treatment facility	64,373,642	-	(2,560,330)	7,216,853	69,030,165
Land improvements	56,202,412	175,672	-	-	56,378,084
Infrastructure	404,212,142	5,364,562	-	1,070,282	410,646,986
Total capital assets, being depreciated/amortized	<u>580,187,929</u>	<u>9,139,814</u>	<u>(3,338,395)</u>	<u>8,293,766</u>	<u>594,283,114</u>
Less accumulated depreciation/amortization					
Buildings and structures	(14,088,720)	(782,874)	-	-	(14,871,594)
Machinery, equipment, and vehicles	(6,713,329)	(1,544,486)	757,585	-	(7,500,230)
Wastewater treatment facility	(35,864,922)	(5,459,570)	2,560,330	-	(38,764,162)
Land improvements	(47,183,331)	(3,088,699)	-	-	(50,272,030)
Infrastructure	(135,173,919)	(7,820,111)	-	-	(142,994,030)
Total accumulated depreciation/amortization	<u>(239,024,221)</u>	<u>(18,695,740)</u>	<u>3,317,915</u>	<u>-</u>	<u>(254,402,046)</u>
Total capital assets, being depreciated/amortized, net	<u>341,163,708</u>	<u>(9,555,926)</u>	<u>(20,480)</u>	<u>8,293,766</u>	<u>339,881,068</u>
Total business-type activities capital assets	<u>\$ 367,930,880</u>	<u>\$ (2,717,207)</u>	<u>\$ (1,669,699)</u>	<u>\$ -</u>	<u>\$ 363,543,974</u>

Depreciation/amortization expense was charged to the functions/programs of the business-type activities of the primary government as follows:

Water	\$ 6,375,383
Golf	3,405,438
Wastewater	8,914,919
Total depreciation/amortization expense	<u>\$ 18,695,740</u>

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 7: PENSION PLANS

The city contributes to two defined benefit pension plans. As of and for the year ended June 30, 2023, the two plans had the following balances reported in the government-wide financial statements:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Miscellaneous Plan	\$ 98,982,755	\$ 43,009,821	\$ 1,287,622	\$ 16,063,931
Safety Plan	99,544,716	44,498,750	-	17,582,794
Total pension plans	<u>\$ 198,527,471</u>	<u>\$ 87,508,571</u>	<u>\$ 1,287,622</u>	<u>\$ 33,646,725</u>

A. Plan Description, Benefits Provided, and Employees Covered

All qualified permanent and probationary employees are eligible to participate in the city’s Safety (sworn police and fire) and Miscellaneous (all other) Plans (the Plans), agent multiple employer defined benefit pension plans administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. A full description of the Plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan’s June 30, 2021 Annual Actuarial Valuation Reports (funding valuations). Details of the benefits provided can be obtained in Appendix B of the Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website.

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 7: PENSION PLANS (CONTINUED)

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous		
	Prior to November 28, 2011	On or after	
		November 28, 2011 to December 31, 2012	November 28, 2011 to December 31, 2012
Hire date			
Benefit formula	3% @ 60	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 60	50 - 63	52 - 67
Monthly benefits as a % of eligible compensation	2% to 3%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8.00%	7.00%	7.50%
Required employer contribution rates	15.12%	12.60%	11.72%
Required employer payment of unfunded liability		\$7,227,710	
	Safety		
	Prior to November 28, 2011	On or after	
		November 28, 2011 to December 31, 2012	November 28, 2011 to December 31, 2012
Hire date			
Benefit formula	3% @ 50	2% @ 50	2% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits as a % of eligible compensation	3%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	13.50%
Required employer contribution rates	23.41%	20.59%	19.79%
Required employer payment of unfunded liability		\$5,881,880	

As of the valuation date, June 30, 2021, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	645	279
Inactive employees or beneficiaries currently not receiving benefits	528	104
Active employees	528	212
	1,701	595

B. Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any

NOTE 7: PENSION PLANS (CONTINUED)

unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. Plan contributions for the year equaled \$19,626,500 and \$14,880,482 for miscellaneous and safety, respectively.

C. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2021 valuation was rolled forward to determine the June 30, 2022 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method Actuarial Assumptions	Entry Age Normal Cost Method
Discount rate	6.90%
Inflation	2.50%
Salary increases	Varies by entry age and services
Mortality rate table	Derived using CalPERS' membership data for all funds
Post-retirement benefit increases	The lesser of contract COLA or 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

D. Long-term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return ^{1, 2}
Global equity-cap-weighted	30.00%	4.54%
Global equity-non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study

NOTE 7: PENSION PLANS (CONTINUED)

E. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Events Subsequent to the Actuarial Valuation Date

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

G. Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expenses.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The EARSL for the plan for the measurement period ending June 30, 2022 is 3.3 years, which was obtained by dividing the total service years of 5,648 (the sum of remaining service lifetimes of the active employees) by 1,701 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 7: PENSION PLANS (CONTINUED)

H. Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

1. *Miscellaneous Plan*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2021	\$ 439,587,141	\$ 404,540,402	\$ 35,046,739
Changes recognized for the measurement period:			
Service cost	8,937,350	-	8,937,350
Interest on total pension liability	30,675,372	-	30,675,372
Changes of benefit terms	-	-	-
Changes of assumptions	13,648,298	-	13,648,298
Differences between expected and actual experience	(1,847,457)	-	(1,847,457)
Contributions-employer	-	14,517,690	(14,517,690)
Contributions-employee	-	3,756,998	(3,756,998)
Net investment income	-	(30,545,136)	30,545,136
Benefit payments, including refunds of employee contributions	(22,572,119)	(22,572,119)	-
Administrative expense	-	(252,005)	252,005
Net changes during 2021-22	28,841,444	(35,094,572)	63,936,016
Balance at June 30, 2022	\$ 468,428,585	\$ 369,445,830	\$ 98,982,755

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 7: PENSION PLANS (CONTINUED)

2. Safety Plan

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2021	\$ 350,937,662	\$ 308,361,275	\$ 42,576,387
Changes recognized for the measurement period:			
Service cost	8,397,439	-	8,397,439
Interest on total pension liability	24,991,969	-	24,991,969
Changes of benefit terms	-	-	-
Changes of assumptions	13,165,149	-	13,165,149
Differences between expected and actual experience	3,204,494	-	3,204,494
Contributions-employer	-	13,322,734	(13,322,734)
Contributions-employee	-	3,020,571	(3,020,571)
Net investment income	-	(23,360,492)	23,360,492
Benefit payments, including refunds of employee contributions	(18,607,148)	(18,607,148)	-
Administrative expense	-	(192,091)	192,091
Net changes during 2021-22	31,151,903	(25,816,426)	56,968,329
Balance at June 30, 2022	<u>\$ 382,089,565</u>	<u>\$ 282,544,849</u>	<u>\$ 99,544,716</u>

H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liabilities calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	Discount Rate -1 Percent (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1 Percent (7.90%)
Misc. Plan's net pension liability/(asset)	\$ 160,489,037	\$ 98,982,755	\$ 48,129,781
Safety Plan's net pension liability/(asset)	153,448,717	99,544,716	55,607,789
Total	<u>\$ 313,937,754</u>	<u>\$ 198,527,471</u>	<u>\$ 103,737,570</u>

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 7: PENSION PLANS (CONTINUED)

I. Pension Expense and Deferred Outflows and Deferred Inflows of Resources

For the fiscal year ended June 30, 2023, the city recognized \$16,063,931 and \$17,582,794 in pension expense for the Miscellaneous and Safety plans, respectively, for a total amount of pension expense of \$33,646,725.

The following table presents deferred outflows and deferred inflows of resources related to pensions as of the June 30, 2023:

1. Miscellaneous Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 12,800,872	\$ -
Changes of assumptions	9,512,450	1,287,622
Differences between expected and actual experience	1,435,886	-
Net difference between projected and actual earnings on pension plan investments	19,260,613	-
Total	<u>\$ 43,009,821</u>	<u>\$ 1,287,622</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 7,952,273
2025	6,753,871
2026	2,560,361
2027	11,654,822
2028	-
Thereafter	-
Total	<u>\$ 28,921,327</u>

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 7: PENSION PLANS (CONTINUED)

2. Safety Plan

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 11,354,715	\$ -
Changes of assumptions	10,422,410	-
Differences between expected and actual experience	7,841,143	-
Net difference between projected and actual earnings on pension plan investments	<u>14,880,482</u>	<u>-</u>
Total	<u>\$ 44,498,750</u>	<u>\$ -</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Fiscal year ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 8,296,315
2025	7,431,470
2026	5,783,739
2027	11,632,511
2028	-
Thereafter	<u>-</u>
Total	<u>\$ 33,144,035</u>

NOTE 8: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

The city offers other postemployment benefits in the form of health benefits to two employee groups: City of Carlsbad employees and former CMWD employees. The majority of city and former CMWD employees are under the city defined benefit agent multiple-employer plan.

A. Benefit Description by Employee Group

1. *Former Carlsbad Municipal Water District (CMWD) employees*

The benefit plan is for active and retired employees who were employed with CMWD at the time CMWD was acquired by the city. Per Resolution No. 614, all former employees of CMWD (including dependents) are eligible for postretirement health care benefits if they voluntarily retire after the age of fifty, with no less than five years of service and whose age, combined with years of service, equals seventy or more.

The city pays for 100% of the health insurance premiums which is coordinated with Medicare and other benefits provided by federal and state law, when available, to the extent it reduces the cost of insurance premiums. CalPERS administers this plan.

2. *City of Carlsbad employees*

City employees are offered health insurance coverage under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS. Under PEMHCA, the city is required to pay a small portion of the monthly medical premiums of retired employees (considered a subsidy), if the retired employees continue their medical coverage under PEMHCA. Surviving spouses and domestic partners of eligible retirees are eligible for the city subsidy. Surviving spouses and domestic partners of deceased active members are eligible for the city subsidy only if the employee had attained age 50 with five years of service.

The city pays a monthly subsidy per eligible employee/retiree regardless of coverage elected:

Calendar Year 2021	\$	143
Calendar Year 2022		149
Calendar Year 2023		151

Thereafter, the subsidy is adjusted annually to reflect changes in the medical component of the Consumer Price Index.

3. *California Public Employer's Retiree Benefit Trust Program*

The city is participating in the California Employer's Retiree Benefit Trust Program (CERBT) through irrevocable trust agreements for both plans. CERBT is administered by CalPERS. The city's OPEB fiduciary net position is included in the CERBT Schedule of Changes in Fiduciary Net Position by Employer report. That report may be obtained on the California Public Employees' Retirement System website at www.calpers.ca.gov under forms and publications.

NOTE 8: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (CONTINUED)

B. Employees Covered

As of the June 30, 2022, the measurement date, the following employees were covered by the benefit terms for each benefit tier:

Inactive employees or beneficiaries currently receiving benefits	285
Inactive employees or beneficiaries not yet receiving benefits	316
Active employees	789
Total	<u><u>1,390</u></u>

C. Contributions

The obligation of CMWD to contribute to the CMWD plan is established and may not be amended by the CMWD Board. The obligation of the city to contribute to the city plan is established, and as long as the city is a member of PEMCHA, may not be amended by the City Council. The City Council does have the authority to change health insurance coverage outside of PEMHCA, which could change the funding obligation for city employees.

Employees are not required to contribute to the plan. The city and CMWD’s contributions are based on the actuarially determined contribution (ADC), an amount actuarially determined in accordance with the parameters of GASB. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years on a “closed” basis. The city’s and CMWD’s contributions are as follows:

Fiscal Year 2022-23 Cash Contributions	\$ 693,884
Fiscal Year 2022-23 Estimated Implied Subsidy Payments	449,142
Administrative Expenses Paid Outside of Trust	10,088
Total	<u><u>\$ 1,153,114</u></u>

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 8: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (CONTINUED)

D. Net OPEB Liability

The city's net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021, based on the actuarial methods and assumptions shown below:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	2.50%
Investment Rate of Return	6.25% with a 45% to 50% confidence based on Bartel Associates modeling for CERBT Strategy 1
Mortality Rate (1)	Derived using CalPERS Membership Data for all funds.
Pre-Retirement Turnover (2)	Derived using CalPERS Membership Data for all funds.
Healthcare Trend Rate (3)	Based in part on premium experience.

Notes:

- 1 Based on CalPERS 2000-2019 Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.
- 2 Based on CalPERS 2000-2019 Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.
- 3 Short-Term healthcare trends were developed in consultation with Axene Health Partner's healthcare actuaries. Long-term healthcare trend development using Society of Actuaries' Getzen Model of Long-Run Medical Cost Trends.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERBT Strategy 1	
	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	49%	4.56%
Fixed Income	23%	1.56%
TIPS	5%	-0.08%
Commodities	3%	1.22%
REITs	20%	4.06%
Total	100%	

Notes:

- 1 The long-term expected rate of return is 6.25%
- 2 Assumed long-term rate of inflation is 2.5%

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 8: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (CONTINUED)

E. Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that city contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plans' fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB Plans investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The changes in the net OPEB (asset)/liability are shown below:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2021	\$ 19,761,187	\$ 20,443,852	\$ (682,665)
Changes recognized for the measurement period:			
Service cost	757,499	-	757,499
Interest on total OPEB liability	1,248,183	-	1,248,183
Contributions-employer	-	1,102,669	(1,102,669)
Contributions-employee	-	-	-
Net investment income	-	(2,735,878)	2,735,878
Benefit payments, including refunds of employee contributions	(1,095,532)	(1,095,532)	-
Administrative expense	-	(12,314)	12,314
Net changes during 2021-22	910,150	(2,741,055)	3,651,205
Balance at June 30, 2022	\$ 20,671,337	\$ 17,702,797	\$ 2,968,540

F. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of CMWD and city if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	Discount Rate -1 Percent (5.25%)	Current Discount Rate (6.25%)	Discount Rate +1 Percent (7.25%)
Plan's net OPEB liability/(asset)	\$ 5,579,612	\$ 2,968,540	\$ 802,183

NOTE 8: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (CONTINUED)

G. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the CMWD and city if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	1 Percent Decrease	Current Healthcare Trend Rate	1 Percent Increase
Plan's net OPEB liability/(asset)	\$ 364,085	\$ 2,968,540	\$ 6,183,979

H. Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expenses. The initial recognition period is five years.

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

For the fiscal year ended June 30, 2023, the city recognized OPEB expense of \$1,204,200. As of June 30, 2023, the city reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 1,153,114	\$ -
Changes of assumptions	1,170,894	183,423
Differences between expected and actual experience	674,703	712,583
Net difference between projected and actual earnings on OPEB plan investments	1,484,839	-
Total	\$ 4,483,550	\$ 896,006

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 8: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (CONTINUED)

The \$1,153,114 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 898,337
2025	850,935
2026	638,234
2027	1,292,346
2028	434,035
Thereafter	(1,679,457)
Total	<u>\$ 2,434,430</u>

NOTE 9: SIGNIFICANT COMMITMENTS

A. Water Purchase Agreements

On August 5, 2003, CMWD entered into a 22-year agreement with the Vallecitos Water District, to purchase three million gallons per day (3,360-acre feet) of recycled water for uses throughout CMWD’s boundaries. Per the agreement, there is an annual reconciliation that trues up the monthly payments to the actual cost for the water purchased each fiscal year. The recycled water cost is adjusted every July 1st and shall not exceed 75% of the wholesale cost of potable water from SDCWA. The agreement also stipulates that CMWD will pay for its share of the actual operating costs (up to a maximum cost of 75% of the wholesale cost of potable water from the San Diego County Water Authority) of the Mahr Reservoir, which produces the water. The estimated operating costs paid by CMWD for the period ended June 30, 2023, are \$2,761,924.

B. Golf Course Advances

The Golf Course Fund previously showed an advance from other funds balance in the amount of \$47,031,506 representing loans received from the city’s General Fund that were used to fund the initial course construction and some operating costs. For financial statement purposes, these loans were reclassified to “Transfers In” in fiscal year 2022 recognizing that the repayment of these loans is not scheduled to happen in the near and near future.

The city has not forgiven the loans and the advances are now being disclosed as a contingent liability of the Golf Course Fund. The balance of these loans is \$55,458,868 in total, \$47,031,506 of principal and \$8,427,362 of interest. The city discontinued accruing interest on the advances in fiscal year 2013-14. Should sufficiently resources in the golf course become available to make repayments in the future, those repayments of this contingent liability will take place, and will be recorded as transfers out from the Golf Course Fund at that time.

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 9: SIGNIFICANT COMMITMENTS (CONTINUED)

C. Encumbrances

As of June 30, 2023, city commitments for outstanding encumbrances (purchase orders and contracts for goods and services not yet delivered) by major governmental fund and nonmajor funds in the aggregate are as follows:

	<u>Outstanding Encumbrances</u>
Governmental activities	
General fund	\$ 13,496,927
Community Facilities District No. 1	51,704
Infrastructure Replacement Fund	5,581,527
Park Development	1,669,411
Internal Service Funds	7,919,912
Non-major governmental funds	21,719,092
Subtotal - governmental activities	<u>50,438,573</u>
Business-type activities	
Carlsbad Municipal Water District	14,117,973
Wastewater	2,945,096
Non-major enterprise funds	1,158,151
Subtotal - business-type activities	<u>18,221,220</u>
Total	<u>\$ 68,659,793</u>

NOTE 10: RISK MANAGEMENT

The city is exposed to various risks of loss related to its operations, including losses associated with errors and omissions and injuries to employees and members of the public. The city uses a Risk Management Self-Insurance Fund and a Workers' Compensation Fund (all internal service funds) to account for and finance its uninsured risks of loss. All other funds of the city make payments to these funds based on annual estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

Beginning July 1, 2019, the city joined the California Insurance Pool Authority (CIPA) for excess general liability coverage. This coverage was purchased directly through the pool's manager, Kiser & Company. Under this program, the city's coverage is a maximum of \$43,000,000 per occurrence with a self-insured retention of \$1,000,000. CIPA has been in existence since 1978. At June 30, 2023, the unrestricted fund equity for the Risk Management Self-Insurance Fund was a \$4,055,838 deficit. Funds used by the Risk Management Fund to liquidate the claims liability come from the General Fund (81.36%), the Water Fund (6.64%), the Solid Waste Fund (3.72%) and the Wastewater Fund (2.97%).

The city is self-insured for workers' compensation claims for claims up to \$1,250,000 and insured by Safety National thereafter and up to statutory limits. At June 30, 2023, the unrestricted fund equity for the Workers' Compensation Self-Insurance Fund was \$83,155. Funds used by the Workers' Compensation Fund to liquidate the claims liability come from the General Fund (95.68%), the Water Fund (1.59%) and the Wastewater fund (0.71%).

The estimated claims payable reported at June 30, 2023 is based on the requirements of GASB, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settled cases did not exceed insurance coverage during the past three fiscal years. All claims are considered non-current per their estimated settlement dates.

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 10: RISK MANAGEMENT (CONTINUED)

Changes in the estimated claims payable amounts in fiscal years 2021-22 and 2022-23 for the two internal service funds are as follows:

	Claims			
	Beginning Balance	Expense and Changes in Estimates	Claim Payments	Ending Balance
Risk Management Fund:				
2021-22	\$ 3,621,368	\$ 2,949,746	\$ 1,901,288	\$ 4,669,826
2022-23	4,669,826	6,819,188	4,832,299	6,656,715
Workers' Compensation Fund:				
2021-22	10,524,653	5,479,827	3,764,491	12,239,989
2022-23	12,239,989	14,186,202	4,523,773	21,902,418
Total				
2021-22	14,146,021	8,429,573	5,665,779	16,909,815
2022-23	16,909,815	21,005,390	9,356,072	28,559,133

NOTE 11: LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

A. Leases Payable

The city has entered into various lease agreements as lessee for the acquisition and use of buildings and land improvements. The terms of these leasing arrangements range from 8 to 12 years. As of June 30, 2023, the total value of the lease liability was \$238,385. The city is required to make monthly principal and interest payments ranging from \$2,787 to \$3,284. The leases have interest rates ranging from 1.604% to 2.765%. Information on the lease assets as of June 30, 2023 are as follows:

Governmental Activities		
Major Class of Underlying Asset	Amount of Leased Capital Assets	Accumulated Amortization
Buildings	\$ 238,606	\$ 24,855
Land improvements	25,067	4,178
Total	\$ 263,673	\$ 29,033

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 11: LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS
(CONTINUED)

The future principal and interest lease payments as of June 30, 2023, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 27,395	\$ 6,045	\$ 33,440
2025	29,068	5,294	34,362
2026	30,816	4,497	35,313
2027	32,641	3,651	36,292
2028	34,546	2,754	37,300
2029 - 2032	83,919	2,664	86,583
Totals	<u>\$ 238,385</u>	<u>\$ 24,905</u>	<u>\$ 263,290</u>

B. Subscription-Based Information Technology Arrangements

The city implemented GASB Statement No. 96 in the fiscal year ended June 30, 2023. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription based-information technology arrangement (SBITA) activities. This statement establishes a single model for SBITA accounting based on the principle that SBITAs are financings of the right to use an underlying asset. Under this Statement, a subscriber is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

The city has entered into various SBITAs as the subscriber for the use of various software as services. An initial subscription liability was recorded in the amount of \$1,845,563 during the current fiscal year. The terms of these subscriptions range from 13 months to 5 years. As of June 30, 2023, the total value of the subscription liability was \$2,928,584. The city is required to make annual payments ranging from \$2,600 to \$670,888. The subscriptions have interest rates ranging from 1.85% to 3.378%. Information on the subscription assets as of June 30, 2023 are as follows:

Governmental Activities		
Major Class of Underlying Asset	Amount of Leased Capital Assets	Accumulated Amortization
Software as a service	<u>\$ 4,854,577</u>	<u>\$ 1,407,481</u>

The future principal and interest lease payments as of June 30, 2023, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,568,813	\$ 75,104	\$ 1,643,917
2025	1,260,574	39,858	1,300,432
2026	99,197	2,507	101,704
Totals	<u>\$ 2,928,584</u>	<u>\$ 117,469</u>	<u>\$ 3,046,053</u>

NOTE 12: LONG-TERM LIABILITIES

A. Private-Placement Loans

The city entered into private-placement loan agreements with the State Water Resources Control Board to provide funds for the acquisition and construction of major capital facilities. These loans have been issued for the Carlsbad Municipal Water District. These loans are direct obligations and pledge the full faith and credit of the city. These loans pay principal and interest annually. Private-placement loans outstanding at June 30, 2023, are as follows:

	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-End
Business-type activities				
Private-placement loan				
2005 State Water Resources Control Board 4812-550-0	\$ 9,694,504	2.50%	2025	\$ 1,246,772
2006 State Water Resources Control Board 05-721-550-0	20,763,473	2.30%	2027	4,648,182
2014 State Water Resources Control Board 14820-550-0	22,150,000	1.00%	2054	4,897,215
Total private-placement loans				<u>\$ 10,792,169</u>

B. Debt without Government Commitment

In the opinion of city officials, the bonds listed below are not payable from any revenues or assets of the city, and neither the full faith and credit nor the taxing power of the city, the State of California, nor any political subdivision thereof, is obligated to the payment of the principal or interest on the bond. Accordingly, no liability has been recorded in the accompanying financial statements.

1. *Limited Obligation Improvement Bonds*

As of June 30, 2023, the city has two series of assessment district bonds outstanding in the amount of \$17,905,000. These bonds were issued under the provisions of the Improvement Bond Act of 1915 and were used to finance public infrastructure improvement projects. The city collects assessments to pay the bond debt. These monies are accounted for in the assessment districts' custodial funds.

2. *Special Tax Bonds*

As of June 30, 2023, the city has two series Community Facilities District (CFD) bonds outstanding in the amount of \$16,315,000. These bonds were issued under the provisions of the Mello-Roos Community Facilities Act of 1982 and were used to finance public infrastructure improvement projects. The city collects special taxes to pay the bond debt. These monies are accounted for in the CFDs' custodial funds.

3. *Mortgage Revenue Bonds*

Multi-Family Housing Revenue Bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the city which will be partially occupied by persons of low or moderate income. The total amount of mortgage revenue bonds outstanding as of June 30, 2023 is \$1,665,000. The bonds, together with interest thereon, are limited obligations of the city payable solely from bond proceeds, revenues and other amounts derived solely from home mortgage and developer loans secured by first deeds of trust, irrevocable letters of credit, and irrevocable surety bonds.

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 12: LONG-TERM LIABILITIES (CONTINUED)

C. Revenue Rate Covenants

The Carlsbad Municipal Water District (CMWD) loan agreements with the State Water Resources Control Board requires that CMWD set its charges for services and rates for fees each year at rates sufficient to produce net revenues (after paying the operating and maintenance expenses of CMWD, excluding depreciation) of at least one times debt service for that year. All of the water revenues of CMWD are pledged to meet these rate covenants and to secure related debt. All rate covenants requirements were met for the fiscal year ended June 30, 2023.

D. Pledged Revenue

The city has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The purpose for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions of the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so required by the debt agreement) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenues for the remainder of the term of the commitment:

Description of Pledged Revenue	Annual Amount of Pledged Revenue (Net of Expenses)	Annual Debt Service Payments	Pledged Revenue as a Percentage of Debt
Water revenues	\$ 7,435,555	\$ 1,876,482	396%

E. Change in Long-Term Liabilities

Changes in the City's long-term liabilities for the year ended June 30, 2023, are as follows:

	Balance July 1, 2022 As Restated	Additions	Deletions	Balance June 30, 2023	Amount Due Within One Year
Governmental activities					
Leases	\$ 22,377	\$ 238,606	\$ 22,598	\$ 238,385	\$ 27,395
Subscriptions	1,845,563	3,009,014	1,925,993	2,928,584	1,568,813
Claims	16,909,815	21,005,390	9,356,072	28,559,133	13,822,294
Total governmental activities	\$ 18,777,755	\$ 24,253,010	\$ 11,304,663	\$ 31,726,102	\$ 15,418,502
Business-type activities					
Private-placement loans	\$ 12,443,537	\$ 46,778	\$ 1,698,146	\$ 10,792,169	\$ 1,738,405

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 12: LONG-TERM LIABILITIES (CONTINUED)

The debt service requirements for the city's loans are as follows:

<u>Business-Type Activities</u>		
	<u>Private-Placement Loans</u>	
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,738,405	\$ 138,077
2025	1,779,619	96,863
2026	1,313,067	109,023
2027	1,341,472	80,681
2028	140,890	51,704
2029-2033	725,868	238,083
2034-2038	762,894	202,748
2039-2043	801,810	165,611
2044-2048	842,710	126,580
2049-2053	885,697	85,557
2054	459,737	22,271
Totals	<u>\$ 10,792,169</u>	<u>\$ 1,317,198</u>

NOTE 13: FUND BALANCE

A. General Fund Balance Policy

Pursuant to City Council Policy 74, the city is committed to maintaining General Fund reserves at a target of 40% of General Fund annual operating expenditures. The total reserve level is calculated using the prior fiscal years adopted General Fund budgeted expenditures. This reserve is for unforeseen emergencies or catastrophic impacts upon the city. Reserves are evaluated annually in conjunction with the development of the city's annual operating budget process. Staff report to the City Council annually on the status of the reserve levels relative to this policy.

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 13: FUND BALANCE (CONTINUED)

B. Fund Balance Classifications

At June 30, 2023, the governmental funds report the following fund balance classifications:

	General	Community Facilities District No. 1	Infrastructure Replacement	Park Development	Total Nonmajor Funds	Total Governmental Funds
Nonspendable						
Notes and loans receivable	\$ 381,635	\$ -	\$ -	\$ -	\$ -	\$ 381,635
Inventories	12,110	-	-	-	-	12,110
Deposits	200,432	-	-	-	-	200,432
Prepaid costs	36,973	-	-	-	378,021	414,994
Advances to other funds	1,167,725	-	-	-	-	1,167,725
Total nonspendable	1,798,875	-	-	-	378,021	2,176,896
Restricted						
Affordable housing	-	-	-	-	41,800,556	41,800,556
Lighting and landscaping districts	-	-	-	-	9,897,059	9,897,059
Capital projects	-	95,730,668	-	8,928,517	87,970,226	192,629,411
General government	-	-	-	-	701,325	701,325
Public safety	-	-	-	-	602,264	602,264
Community services	-	-	-	-	3,599,267	3,599,267
Total restricted	-	95,730,668	-	8,928,517	144,570,697	249,229,882
Committed						
Community activity grants	1,000,000	-	-	-	-	1,000,000
Total committed	1,000,000	-	-	-	-	1,000,000
Assigned						
General government	1,253,768	-	-	-	-	1,253,768
Public safety	7,911,636	-	-	-	-	7,911,636
Community services	4,563,010	-	-	-	-	4,563,010
Public works	2,753,938	-	-	-	-	2,753,938
Capital projects	-	-	111,257,215	-	47,030,612	158,287,827
Risk management	5,000,000	-	-	-	-	5,000,000
Workers' compensation	1,300,000	-	-	-	-	1,300,000
Safer streets emergency	791,734	-	-	-	-	791,734
Economic uncertainty	9,635,909	-	-	-	-	9,635,909
Pension trust	10,000,000	-	-	-	-	10,000,000
Total assigned	43,209,995	-	111,257,215	-	47,030,612	201,497,822
Unassigned	136,840,376	-	-	-	(14,614)	136,825,762
Total fund balances (deficits)	\$ 182,849,246	\$ 95,730,668	\$ 111,257,215	\$ 8,928,517	\$ 191,964,716	\$ 590,730,362

NOTE 14: INTERFUND ACTIVITIES

A. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2023, is as follows:

1. *Due to/from Other Funds*

Receivable Fund	Payable Fund	Amount
Nonmajor governmental funds	Nonmajor governmental funds	\$ 24,002

The outstanding balances between funds result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The due to/from other funds is between the Affordable Housing Fund and the Tyler Court Apartments Fund, both non-major governmental funds, represents amounts due to the Affordable Housing Fund by the Tyler Court Apartments Fund. The Affordable Housing Fund temporarily provided funds in order to expedite critical improvements at Tyler Court Apartments. Costs were later reimbursed under the federal Community Development Block Grant (CDBG) program and the due to/from was removed.

2. *Advances to/from Other Funds*

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 1,167,725
Community Facilities District #1	Nonmajor governmental funds	901,024
Nonmajor governmental funds	Park Development	5,650,000
	Total	\$ 7,718,749

Advances to and from other funds are primarily long-term advances used to fund capital projects in advance of related revenues.

The advance between the General Fund and the Habitat & Agricultural Management Fund, a non-major governmental fund, is estimated to be repaid from future Habitat Mitigation Fees. Interest on the advance will compound annually at the average interest rate earned by the Treasurer’s Pool during the fiscal year.

The advance between the CFD No. 1 Fund and the Traffic Impact Projects Fund, a non-major governmental fund, is estimated to be repaid over a 10–15-year period as Traffic Impact Fees are collected.

The advance between the non-major Public Facilities Fees Fund and the major Park Development Funds is estimated to be repaid at build-out.

NOTE 14: INTERFUND ACTIVITIES (CONTINUED)

B. Interfund Transfers

Transfers in and out of other funds

Transfers In	Transfers Out	Amount
Infrastructure Replacement Fund	General Fund	\$ 3,956,000
Nonmajor governmental funds	General Fund	9,312,000
Nonmajor governmental funds	Nonmajor governmental funds	160,000
Nonmajor enterprise funds	General Fund	332,000
Internal service funds	General Fund	10,608,252
		<u>\$ 24,368,252</u>

Transfers are used to: (1) move revenues and expenditures to the appropriate funds; (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with Council authorizations; and (3) move excess cash collected for future capital replacement in accordance with Council authorization.

The \$3,956,000 transfer to the Infrastructure Replacement Fund from the General Fund is to fund major construction and replacement of city infrastructure and facilities. This transfer is in line with the requirements set forth in City Council Policy No. 91-Long Term General Fund Capital Funding Policy.

The \$9,312,000 transfer is split to three special revenue funds, all of which are nonmajor governmental funds, from the General Fund. These transfers include, \$3,956,000 to the General Capital Construction Fund to fund major new construction of city infrastructure and facilities, \$3,956,000 to the Technology Investment Capital Fund to fund major technology projects and \$1,400,000 to the Financing Districts Fund to cover annual operating expenditures in excess of annual assessments on the city’s median and street tree assessment districts.

The \$160,000 transfer between the non-major governmental funds represents two transfers, one transfer of \$100,000 from the Affordable Housing Fund to the Housing Choice Voucher Fund to cover cash shortfalls in the Housing Choice Voucher program due to timing and receipt of federal funding and one transfer of \$60,000 from the Affordable Housing Fund to the Tyler Court Apartment Fund in order to cover a month of operating expenses due to revenue shortfalls.

The \$332,000 transfer to the Solid Waste Fund, a non-major enterprise fund, from the General Fund is to reimburse the Solid Waste Fund for the General Fund’s portion of annual storm water expenses.

The \$10,608,252 transfer to internal service funds from the General Fund represents three transfers from the General Fund which include: \$8,208,252 to the Worker’s Compensation Internal Service Fund to increase the estimated claims liability in accordance with recent actuarial reports, \$1,000,000 to the Risk Management Internal Service Fund to bring the fund out of a fund deficit and \$1,400,000 to the Fleet Management Internal Service Fund to establish a healthy minimum fund balance and address recent increases in fuel and parts costs.

NOTE 15: CONTINGENCIES

The city participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the city's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the city anticipates such amounts, if any, will be immaterial.

The city is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the city's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the city.

NOTE 16: PRIOR PERIOD ADJUSTMENTS

A. Changes to or within the Reporting Entity

The Park Development fund was previously reported as a nonmajor governmental fund during the prior fiscal year. Due to a significant increase in liabilities of the fund during the year, it met the requirements of being presented as a major fund, in accordance with GASB Statement No. 34, during the fiscal year ended June 30, 2023. The effects of that change to or within the financial reporting entity are shown in the table below.

The Bridge Thoroughfare Districts (BTD) fund was previously reported as a major governmental fund during the prior fiscal year. Due to a significant decrease in assets and liabilities of the fund during the year, it no longer met the requirements of being presented as a major fund, in accordance with GASB Statement No. 34, during the fiscal year ended June 30, 2023. The effects of that change to or within the financial reporting entity are shown in the table below.

B. Change in Accounting Principle

For the fiscal year ended June 30, 2023, the city adjusted the liability balance of the custodial funds to reclassify the net assets held for the payment of future conduit debt service payments as a liability (due to bondholders). This adjustment was in accordance with new information provided to the city from the GASB during the fiscal year in response to a technical inquiry from the city's auditors. The effect of this change is shown in the table below.

CITY OF CARLSBAD
Notes to the Financial Statements
Year Ended June 30, 2023

NOTE 16: PRIOR PERIOD ADJUSTMENTS (CONTINUED)

C. Adjustments to and Restatements of Beginning Balances

During fiscal year 2023, changes to or within the financial reporting entity and the change in accounting principle resulted in adjustments to and restatements of beginning net position and fund net position, as follows:

	June 30, 2022 As Previously Reported	Changes to or within the Reporting Entity	Error Correction	Changes in Accounting Principle	June 30, 2022 As Restated
Governmental funds					
Major funds					
General Fund	\$ 162,138,611	\$ -	\$ -	\$ -	\$ 162,138,611
Bridge Thoroughfare Districts (BTD)	(885,039)	885,039	-	-	-
Community Facilities District #1	93,823,522	-	-	-	93,823,522
Infrastructure Replacement Fund	113,164,506	-	-	-	113,164,506
Park Development	-	8,433,601	-	-	8,433,601
Nonmajor funds	206,773,483	(9,318,640)	-	-	197,454,843
Total governmental funds	<u>\$ 575,015,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 575,015,083</u>
Fiduciary funds					
Private-purpose trust fund	\$ 3,704,732	\$ -	\$ -	\$ -	\$ 3,704,732
Custodial funds	14,020,514	-	-	(8,549,104)	5,471,410
Total fiduciary funds	<u>\$ 17,725,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,549,104)</u>	<u>\$ 9,176,142</u>

NOTE 17: JOINT VENTURES

A. Encina Water Pollution Control Facilities

The Encina Water Pollution Control Facilities (the facilities) are wastewater facilities owned jointly by the cities of Carlsbad, Vista and Encinitas and the Leucadia Wastewater District, the Buena Vista Sanitation District, and the Vallecitos Water District. The Encina Wastewater Authority (EWA) is a joint powers authority established to operate and administer the facilities. It is responsible for the management, maintenance, and operations of the joint system. Each member agency has a specified percentage of ownership in the various components of the Encina Water Pollution Control Facilities that varies from component to component. Accordingly, each member agency reports its undivided interest in the facilities as a part of that member agency's capital assets.

As of June 30, 2023, the undivided interest of each member agency in the various components of the Encina Water Pollution Control Facilities aggregated as follows:

City of Vista	25%
City of Carlsbad	24%
Vallecitos Water District	23%
Leucadia Wastewater District	17%
Buena Sanitation District	7%
City of Encinitas	4%

EWA does not recognize net income or loss. Net operating expenditures in excess of users' assessments are treated as accounts receivable on EWA's books and charged to users' accounts in the following year. Conversely, users' assessments in excess of net operating expenditures are treated as a liability and credited against users' accounts, also in the following year. Under this basis, net operating loss (before member billings) for EWA totaled \$5,278 in fiscal year 2021-22. The financial statements of EWA can be obtained at www.encinajpa.com.

NOTE 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER DEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the bill”) which provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the city that previously had reported a redevelopment agency within the reporting entity of the city as a blended component unit. The bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the bill as part of City Council Resolution No. 2012-013 and Housing and Redevelopment Commission Resolution No. 519.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations, or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future years, successor agencies will only be allowed revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated. On March 7, 2014, the city received notice from the California Department of Finance that the loans previously made by the city to the former redevelopment agency are enforceable obligations and that they were made for legitimate redevelopment purposes. This approval allowed the city to list repayment of these loans on future Redevelopment Obligation Payment Schedules (ROPS). In accordance with the timeline set forth in the bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012.

A. Long-Term Debt

The following is a summary of changes in the principal balance of long-term debt for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amount Due Within One Year
Bonds payable					
Bonds payable	\$ 1,950,000	\$ -	\$ 950,000	\$ 1,000,000	\$ 1,000,000

The 1993 Carlsbad Housing and Redevelopment Commission Tax Allocation Bonds were issued totaling \$15,495,000. Principal is due in amounts ranging from \$900,000 to \$1,000,000 on September 1 of each year through 2024. Interest is payable on March 1 and September 1 at a rate of 5.30% per annum. The city posted a surety bond in lieu of a cash reserve in the amount of \$1,055,953. Bonds are payable from redevelopment property tax increment revenues and interest income.

The aggregate maturities of long-term debt are as follows:

June 30	Principal	Interest
2024	\$ 1,000,000	\$ 104,675

**NOTE 18: SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER DEVELOPMENT AGENCY
(CONTINUED)**

B. Pledged Revenue

The Successor Agency has a debt issuance outstanding that is collateralized by the pledging of certain revenues. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table presented above. The purpose for which the proceeds of the related debt issuance was utilized is disclosed in the debt description on the previous page. For the current year, debt service payments as a percentage of pledged gross revenue (net of certain expenses where so required by the debt agreement) are indicated in the table below. This percentage also approximates the relationship of debt service to pledged revenues for the remainder of the term of the commitment:

Description of Pledged Revenue	Annual Amount of Pledged Revenue	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Tax increment	\$ 1,061,683	\$ 1,028,175	97%

NOTE 19: SUBSEQUENT EVENTS

The City evaluated subsequent events for recognition and disclosure through March 26, 2024, the date on which these financial statements were available to be issued. Management concluded that the following subsequent events have occurred since June 30, 2023, that required disclosure in these financial statements.

- The City Council approved the establishment of a Public Agencies Post-Employment Benefits Trust (Section 115 Trust) on September 12, 2023. This trust allows the city to stabilize pension cost volatility, maintain local control over the city’s assets and earn a potentially higher rate of return than if the assets were kept within the General Fund. The City Council approved an initial trust contribution of \$10 million on September 26, 2023 as part of an ongoing effort to maintain compliance with City Council Policy Statement No. 86 and the city’s minimum 80% pension funded ratio.
- In January 2024, the city experienced heavy rains and storm events that caused flooding and landslides impacting certain private properties throughout the city. As a result of the disaster, the city incurred an additional \$4,000,000 liability for damage repair. This liability is expected to be liquidated during fiscal year 2023-2024.

Required Supplementary Information



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CITY OF CARLSBAD
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 174,204,000	\$ 174,204,000	\$ 193,235,077	\$ 19,031,077
Licenses and permits	2,313,000	3,614,438	3,710,466	96,028
Intergovernmental	1,154,309	1,322,512	2,456,236	1,133,724
Charges for services	9,210,767	9,210,767	10,833,054	1,622,287
Use of money and property	5,494,500	5,494,500	7,069,605	1,575,105
Fines and forfeitures	180,000	180,000	390,400	210,400
Contributions	38,500	38,500	20,233	(18,267)
Miscellaneous	1,038,211	1,064,567	1,907,690	843,123
Total revenues	193,633,287	195,129,284	219,622,761	24,493,477
EXPENDITURES				
Current:				
General government	28,195,864	27,631,312	22,975,577	4,655,735
Less: interdepartmental charges	(5,236,449)	(5,236,449)	(5,991,590)	755,141
Public safety	90,674,321	90,536,373	85,437,538	5,098,835
Community development	53,633,997	54,917,245	48,705,129	6,212,116
Public works	25,918,939	26,097,037	22,265,076	3,831,961
Capital outlay	6,138,428	6,152,522	1,336,186	4,816,336
Total expenditures	199,325,100	200,098,040	174,727,916	25,370,124
Excess (deficiency) of revenues over (under) expenditures	(5,691,813)	(4,968,756)	44,894,845	49,863,601
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	-	(10,000)
Proceeds from sale of capital asset	-	-	24,042	24,042
Transfers out	(13,603,000)	(24,208,252)	(24,208,252)	-
Total other financing sources (uses)	(13,593,000)	(24,198,252)	(24,184,210)	14,042
Net change in fund balance	\$ (19,284,813)	\$ (29,167,008)	20,710,635	\$ 49,877,643
Fund balance-beginning			162,138,611	
Fund balance-ending			\$ 182,849,246	

CITY OF CARLSBAD
Schedule of Changes in Net Pension Liability and Related Ratios
Miscellaneous Plan
As of June 30, for the Last Ten Fiscal Years ¹

	2023	2022	2021	2020
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019
TOTAL PENSION LIABILITY				
Service cost	\$ 8,937,350	\$ 8,267,207	\$ 7,748,623	\$ 7,393,365
Interest on total pension liability	30,675,372	29,773,920	28,392,127	27,175,110
Changes of assumptions	13,648,298	-	-	-
Difference between expected and actual experience	(1,847,457)	3,459,759	1,167,225	2,338,341
Benefit payments, including refunds of employee contributions	(22,572,119)	(21,477,657)	(19,590,424)	(18,193,803)
Net change in total pension liability	28,841,444	20,023,229	17,717,551	18,713,013
Total pension liability-beginning	439,587,141	419,563,912	401,846,361	383,133,348
Total pension liability-ending (a)	468,428,585	439,587,141	419,563,912	401,846,361
PLAN FIDUCIARY NET POSITION				
Contributions-employer	14,517,690	16,551,765	10,637,969	17,745,975
Contributions-employee	3,756,998	3,436,290	3,338,003	3,040,423
Net investment income	(30,545,136)	74,476,234	15,901,834	19,551,424
Benefit payments, including refunds of employee contributions	(22,572,119)	(21,477,657)	(19,590,424)	(18,193,803)
Net plan to plan resource movement	-	-	-	-
Administrative expense	(252,005)	(331,533)	(454,014)	(214,173)
Other miscellaneous income/(expense)	-	-	-	670
Net change in fiduciary net position	(35,094,572)	72,655,099	9,833,368	21,930,516
Plan fiduciary net position-beginning	404,540,402	331,885,303	322,051,935	300,121,419
Plan fiduciary net position-ending (b)	369,445,830	404,540,402	331,885,303	322,051,935
Net pension liability/(asset) (a) - (b)	\$ 98,982,755	\$ 35,046,739	\$ 87,678,609	\$ 79,794,426
Plan fiduciary net position as a percentage of the total pension liability	78.9%	92.0%	79.1%	80.1%
Covered payroll	\$ 44,068,269	\$ 43,884,424	\$ 42,138,677	\$ 39,130,545
Plan net pension liability/(asset) as a percentage of covered payroll	224.6%	79.9%	208.1%	203.9%

Notes to Schedule of Changes in the Net Pension Liability and Related Ratios:

Benefit Changes: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the measurement date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: Effective for 2023, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2018 through 2022, 7.65% for measurement dates 2016 through 2017, and 7.50% for 2015.

¹ Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore only nine years are shown.

2019	2018	2017	2016	2015
<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
\$ 7,642,062	\$ 7,836,970	\$ 6,836,445	\$ 6,674,982	\$ 6,908,307
25,874,546	25,085,808	24,192,948	23,142,961	21,793,340
(2,662,243)	20,988,178	-	(5,737,798)	-
(3,023,977)	(3,079,012)	(2,605,228)	1,300,520	-
<u>(16,887,970)</u>	<u>(15,327,609)</u>	<u>(14,344,528)</u>	<u>(12,791,734)</u>	<u>(11,614,664)</u>
10,942,418	35,504,335	14,079,637	12,588,931	17,086,983
372,190,930	336,686,595	322,606,958	310,018,027	292,931,044
383,133,348	372,190,930	336,686,595	322,606,958	310,018,027
22,114,923	14,677,334	9,562,926	8,434,882	8,004,157
3,005,761	2,820,046	2,833,466	2,703,715	3,039,951
22,720,698	26,893,994	1,330,196	5,362,753	35,526,156
(16,887,970)	(15,327,609)	(14,344,528)	(12,791,734)	(11,614,664)
3,388	(2,793)	-	(298,989)	-
(421,336)	(356,827)	(147,759)	(273,288)	-
(800,124)	-	-	-	-
29,735,340	28,704,145	(765,699)	3,137,339	34,955,600
270,386,079	241,681,934	242,447,633	239,310,294	204,354,694
300,121,419	270,386,079	241,681,934	242,447,633	239,310,294
\$ 83,011,929	\$ 101,804,851	\$ 95,004,661	\$ 80,159,325	\$ 70,707,733
78.3%	72.6%	71.8%	75.2%	77.2%
\$ 36,214,870	\$ 35,845,774	\$ 35,141,036	\$ 33,609,704	\$ 32,960,515
229.2%	284.0%	270.4%	238.5%	214.5%

CITY OF CARLSBAD
Schedule of Changes in Net Pension Liability and Related Ratios
Safety Plan
As of June 30, for the Last Ten Fiscal Years ¹

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019
TOTAL PENSION LIABILITY				
Service cost	\$ 8,397,439	\$ 7,535,523	\$ 6,578,451	\$ 6,317,755
Interest on total pension liability	24,991,969	23,741,151	22,410,699	21,269,278
Changes of assumptions	13,165,149	-	-	-
Difference between expected and actual experience	3,204,494	5,936,553	4,071,899	2,425,561
Benefit payments, including refunds of employee contributions	<u>(18,607,148)</u>	<u>(17,230,615)</u>	<u>(16,362,437)</u>	<u>(15,288,250)</u>
Net change in total pension liability	31,151,903	19,982,612	16,698,612	14,724,344
Total pension liability-beginning	<u>350,937,662</u>	<u>330,955,050</u>	<u>314,256,438</u>	<u>299,532,094</u>
Total pension liability-ending (a)	<u>382,089,565</u>	<u>350,937,662</u>	<u>330,955,050</u>	<u>314,256,438</u>
PLAN FIDUCIARY NET POSITION				
Contributions-employer	13,322,734	14,253,531	10,321,371	23,119,896
Contributions-employee	3,020,571	2,861,027	2,581,027	2,380,740
Net investment income	(23,360,492)	56,569,028	12,053,297	14,331,677
Benefit payments, including refunds of employee contributions	(18,607,148)	(17,230,615)	(16,362,437)	(15,288,250)
Net plan to plan resource movement	-	-	-	-
Administrative expense	(192,091)	(251,893)	(343,854)	(156,656)
Other miscellaneous income/(expense)	-	-	-	508
Net change in fiduciary net position	(25,816,426)	56,201,078	8,249,404	24,387,915
Plan fiduciary net position-beginning	<u>308,361,275</u>	<u>252,160,197</u>	<u>243,910,793</u>	<u>219,522,878</u>
Plan fiduciary net position-ending (b)	<u>282,544,849</u>	<u>308,361,275</u>	<u>252,160,197</u>	<u>243,910,793</u>
Net pension liability/(asset) (a) - (b)	<u>\$ 99,544,716</u>	<u>\$ 42,576,387</u>	<u>\$ 78,794,853</u>	<u>\$ 70,345,645</u>
Plan fiduciary net position as a percentage of the total pension liability	73.9%	87.9%	76.2%	77.6%
Covered payroll	\$ 25,604,904	\$ 26,392,461	\$ 24,695,745	\$ 22,328,023
Plan net pension liability/(asset) as a percentage of covered payroll	388.8%	161.3%	319.1%	315.1%

Notes to Schedule of Changes in the Net Pension Liability and Related Ratios:

Benefit Changes: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the measurement date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: Effective for 2023, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2018 through 2022, 7.65% for measurement dates 2016 through 2017, and 7.50% for 2015.

¹ Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore only nine years are shown.

2019	2018	2017	2016	2015
<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
\$ 5,985,155	\$ 5,825,080	\$ 5,209,900	\$ 5,048,529	\$ 5,425,425
20,248,091	19,305,098	18,557,781	17,775,039	16,876,220
(1,332,336)	16,661,943	-	(4,517,683)	-
2,726,755	(705,417)	(941,378)	638,786	-
<u>(13,797,333)</u>	<u>(13,034,483)</u>	<u>(12,197,119)</u>	<u>(11,264,768)</u>	<u>(10,529,479)</u>
13,830,332	28,052,221	10,629,184	7,679,903	11,772,166
285,701,762	257,649,541	247,020,357	239,340,454	227,568,288
299,532,094	285,701,762	257,649,541	247,020,357	239,340,454
8,675,370	12,379,181	6,836,098	6,491,856	6,141,746
2,169,504	1,922,500	1,933,363	1,726,785	1,853,365
17,250,148	20,385,351	990,545	4,107,305	27,905,516
(13,797,333)	(13,034,483)	(12,197,119)	(11,264,768)	(10,529,479)
(4,566)	2,793	-	-	-
(321,256)	(272,813)	(114,168)	(210,908)	-
<u>(610,070)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
13,361,797	21,382,529	(2,551,281)	850,270	25,371,148
206,161,081	184,778,552	187,329,833	186,479,563	161,108,415
219,522,878	206,161,081	184,778,552	187,329,833	186,479,563
\$ 80,009,216	\$ 79,540,681	\$ 72,870,989	\$ 59,690,524	\$ 52,860,891
73.3%	72.2%	71.7%	75.8%	77.9%
\$ 20,768,094	\$ 18,965,085	\$ 18,514,525	\$ 18,378,393	\$ 18,013,144
385.3%	419.4%	393.6%	324.8%	293.5%

CITY OF CARLSBAD
Schedule of Changes in Net OPEB Liability and Related Ratios
As of June 30, for the Last Ten Fiscal Years ¹

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019
TOTAL OPEB LIABILITY				
Service cost	757,499	669,651	657,941	536,124
Interest on total OPEB liability	1,248,183	1,347,382	1,301,716	1,167,930
Changes of assumptions	-	625,021	(281,685)	1,232,232
Difference between expected and actual experience	-	(922,167)	-	(203,116)
Benefit payments, including refunds of employee contributions	(1,095,532)	(1,074,741)	(999,866)	(887,656)
Net change in total OPEB liability	910,150	645,146	678,106	1,845,514
Total OPEB liability-beginning	19,761,187	19,116,041	18,437,935	16,592,421
Total OPEB liability-ending (a)	20,671,337	19,761,187	19,116,041	18,437,935
PLAN FIDUCIARY NET POSITION				
Contributions-employer	1,102,669	1,180,559	1,085,866	978,302
Net investment income	(2,735,878)	4,387,820	541,912	887,132
Benefit payments, including refunds of employee contributions	(1,095,532)	(1,074,741)	(999,866)	(887,656)
Administrative expense	(12,314)	(11,858)	(7,493)	(3,078)
Net change in fiduciary net position	(2,741,055)	4,481,780	620,419	974,700
Plan fiduciary net position-beginning	20,443,852	15,962,072	15,341,653	14,366,953
Plan fiduciary net position-ending (b)	17,702,797	20,443,852	15,962,072	15,341,653
Net OPEB liability/(asset) (a) - (b)	2,968,540	(682,665)	3,153,969	3,096,282
Plan fiduciary net position as a percentage of the total OPEB liability	85.6%	103.5%	83.5%	83.2%
Covered-employee payroll	\$ 90,161,596	\$ 70,276,885	\$ 66,834,422	\$ 61,458,568
Plan net OPEB liability/(asset) as a percentage of covered-employee payroll	3.3%	-1.0%	4.7%	5.0%

Notes to Schedule of Changes in the Net OPEB Liability and Related Ratios:

Benefit Changes: None

Changes of Assumptions: None

¹ Fiscal year 2018 was the first year of GASB Statement No. 75 implementation; therefore only six years are shown.

2019	2018
6/30/2018	6/30/2017
520,509	505,348
1,113,646	1,064,137
-	-
-	-
(860,894)	(893,899)
773,261	675,586
15,819,160	15,143,574
16,592,421	15,819,160
860,894	747,772
1,064,150	1,281,487
(860,894)	(893,899)
(24,735)	-
1,039,415	1,135,360
13,327,538	12,192,178
14,366,953	13,327,538
2,225,468	2,491,622
86.6%	84.2%
\$ 56,982,964	\$ 54,810,859
3.9%	4.5%

CITY OF CARLSBAD
Schedules of Plan Contributions
As of June 30, for the Last Ten Fiscal Years ¹

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Covered/ Covered- Employee Payroll	Contribution as a % of Covered/ Covered Employee Payroll
<u>Miscellaneous Agent, Multiple-Employer Pension Plan</u>					
2023	\$ 12,680,481	\$ 12,800,872	\$ (120,391)	\$ 49,894,207	25.7%
2022	11,286,334	14,518,210	(3,231,876)	44,068,269	32.9%
2021	11,098,619	16,501,759	(5,403,140)	43,884,424	37.6%
2020	10,633,467	10,633,467	-	42,138,677	25.2%
2019	11,966,625	17,745,975	(5,779,350)	39,130,545	45.4%
2018	10,456,115	22,114,923	(11,658,808)	36,214,870	61.1%
2017	10,338,549	14,677,334	(4,338,785)	35,845,774	40.9%
2016	9,562,926	9,562,926	-	35,141,036	27.2%
2015	8,434,882	8,434,882	-	33,609,704	25.1%
2014	8,004,157	8,004,157	-	32,960,515	24.3%
<u>Safety Agent, Multiple-Employer Pension Plan</u>					
2023	\$ 11,231,619	\$ 11,354,715	\$ (123,096)	\$ 29,505,416	38.5%
2022	10,144,367	13,344,367	(3,200,000)	25,604,904	52.1%
2021	9,656,334	14,253,194	(4,596,860)	26,392,461	54.0%
2020	10,323,721	10,323,721	-	24,695,745	41.8%
2019	8,899,136	23,119,790	(14,220,654)	22,328,023	103.5%
2018	8,658,116	8,658,116	-	20,768,094	41.7%
2017	7,695,135	12,379,181	(4,684,046)	18,965,085	65.3%
2016	6,836,098	6,836,098	-	18,514,525	36.9%
2015	6,491,856	6,491,856	-	18,378,393	35.3%
2014	6,141,746	6,141,746	-	18,013,144	34.1%
<u>Agent, Multiple Employer OPEB Plan</u>					
2023	\$ 791,699	\$ 1,153,114	\$ (361,415)	\$ 86,120,975	1.3%
2022	768,612	1,102,669	(334,057)	90,161,596	1.2%
2021	962,244	1,180,557	(218,313)	70,276,885	1.7%
2020	941,129	1,085,864	(144,735)	66,834,422	1.6%
2019	788,383	978,302	(189,919)	61,458,568	1.6%
2018	770,693	860,894	(90,201)	56,982,964	1.5%

¹ Fiscal year 2018 was the first year of GASB Statement No. 75 implementation; therefore only six years are shown.

NOTE 1: NOTES TO SCHEDULE OF PLAN CONTRIBUTIONS

A. Pension Plans

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2022-23 were derived from the June 30, 2020 funding valuation reports, available at CalPERS' website <https://www.calpers.ca.gov/>.

Actuarial cost method:	Entry age normal
Amortization method/period:	For details, see June 30, 2020 Funding Valuation Report
Asset valuation method:	Market value of assets. For details, see June 30, 2020 Funding Valuation Report
Inflation:	2.50%
Salary increases:	Varies by entry age and service
Payroll growth:	2.75%
Investment rate of return:	7.00% net of investment and administrative expenses
Retirement age:	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997-2015.
Mortality:	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997-2015. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvements using Scale BB published by the Society of Actuaries

B. Other Postemployment Benefits Plan

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2022-23 were derived from the June 30, 2021 actuarial valuation report.

Actuarial cost method:	Entry age normal, level percentage of pay
Amortization method/period:	Level dollar; 25-year fixed period for 2022-23
Asset valuation method:	Market value of assets
Inflation:	2.50%
Salary increases:	Varies by entry age and service
Payroll growth:	2.75%
Investment rate of return:	6.25%
Medical trend:	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076. Medicare (non-Kaiser) - 5.65% in 2023, decreasing to an ultimate rate of 3.75% in 2076. Medicare (Kaiser) - 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076.
Mortality:	CalPERS 2000-2019 Experience Study, projected fully generational with Scale MP-2021.

NOTE 2: BUDGETARY INFORMATION

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- During May or June, the City Manager submits a proposed operating, strategic digital transformation investment program and capital improvement program budgets for the fiscal year commencing the following July 1 to the City Council. The budget includes estimated revenues and proposed expenditures on a departmental and/or project basis.
- In June, a public hearing is conducted at a City Council meeting to obtain citizens' comments.
- Prior to July 1, the budget is enacted legally through passage of an appropriation resolution.
- For purposes of budgetary presentation, actual revenues have been adjusted to exclude unrealized gains and losses pursuant to GASB. Actual expenditures have been adjusted to include encumbrances outstanding. Annual budgets are adopted for the General Fund, special revenue funds and capital project funds.

The City of Carlsbad does not distinguish between Basis of Budgeting and Basis of Accounting. The principles set forth as the Basis of Accounting are strictly observed in the budgeting process. A fund's Basis of Budgeting and Basis of Accounting determines when a transaction or event is recognized; refer to *Note 1 Summary of Significant Accounting Policies* in the Notes to the Basic Financial Statements for more information. Only revenues and expenditures anticipated during the fiscal year are included in the budget. All appropriations lapse at fiscal-year end unless the City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year, or, if the appropriation is less than \$100,000, the City Manager may approve to continue the appropriation into the following fiscal year.

Budgetary control, the level at which expenditures cannot legally exceed the appropriated amount, is at the fund level. Council and Administrative policies provide guidelines on budget transfers and the authorization necessary to implement transfers. Generally, there are two types of budget transfers:

- *Budget adjustment:* This is a transfer which does not change the total appropriated amount within a fund and does not require Council action. Approval is granted at the City Manager level.
- *Budget amendment:* This is an adjustment to the total appropriated amount within a fund or business unit which was not included in the original budget. Revisions that alter the total appropriations of any fund must be approved by a simple majority of the City Council via a resolution with the exception of budget increases that involve offsetting revenues and expenditures. The City Manager is authorized to increase an appropriation for a specific purpose where the appropriation is offset by unbudgeted revenue, which is designated for said specific purpose.

Combining and Individual Fund Statements and Schedules



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CITY OF CARLSBAD
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
ASSETS				
Cash and investments	\$ 14,275,480	\$ 256,200	\$ 2,848,684	\$ 10,255,703
Receivables (net of allowance for uncollectible):				
Accounts	-	-	-	8,307
Accrued interest	3,744,241	62,957	12,321	44,354
Due from other governments	-	-	-	-
Notes and loans	27,331,797	-	-	-
Leases	-	3,023,200	-	-
Other	-	-	-	12,897
Due from other funds	24,002	-	-	-
Inventories	-	-	3,814	-
Prepaid costs	-	-	-	-
Land held for resale	-	442,800	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 45,375,520	\$ 3,785,157	\$ 2,864,819	\$ 10,321,261
LIABILITIES				
Accrued liabilities	\$ 970	\$ 40,764	\$ 17,197	\$ 424,202
Due to other governments	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	970	40,764	17,197	424,202
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	3,682,496	-	-	-
Lease-related	-	2,992,748	-	-
Total deferred inflows of resources	3,682,496	2,992,748	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	41,692,054	751,645	2,847,622	9,897,059
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	41,692,054	751,645	2,847,622	9,897,059
Total liabilities, deferred inflows of resources, and fund balances	\$ 45,375,520	\$ 3,785,157	\$ 2,864,819	\$ 10,321,261

CITY OF CARLSBAD
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds			
	Habitat and Agricultural Management	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance
ASSETS				
Cash and investments	\$ 1,162,751	\$ 650,228	\$ 575,494	\$ 24,358
Receivables (net of allowance for uncollectible):				
Accounts	-	-	-	-
Accrued interest	5,029	2,812	2,922	-
Due from other governments	-	-	125,187	218,666
Notes and loans	-	-	-	-
Leases	-	-	-	-
Other	-	72,234	-	-
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Prepaid costs	-	-	-	-
Land held for resale	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 1,167,780	\$ 725,274	\$ 703,603	\$ 243,024
LIABILITIES				
Accrued liabilities	\$ 4,795	\$ 23,949	\$ 30,540	\$ 13,598
Due to other governments	-	-	-	116,266
Deposits payable	-	-	-	42,334
Due to other funds	-	-	-	-
Advances from other funds	1,167,725	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	1,172,520	23,949	30,540	172,198
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	-	-	70,799	-
Lease-related	-	-	-	-
Total deferred inflows of resources	-	-	70,799	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	701,325	602,264	70,826
Assigned	-	-	-	-
Unassigned	(4,740)	-	-	-
Total fund balances	(4,740)	701,325	602,264	70,826
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,167,780	\$ 725,274	\$ 703,603	\$ 243,024

CITY OF CARLSBAD
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

(Continued)

	Special Revenue Funds		Capital Projects Funds	
	Tyler Court Apartments	California Opioid Settlement	Assessment and Other Districts	Bridge Thoroughfare Districts (BTD)
ASSETS				
Cash and investments	\$ 103,172	\$ 227,985	\$ 2,381,200	\$ 1,855,456
Receivables (net of allowance for uncollectible):				
Accounts	-	-	-	-
Accrued interest	-	987	10,300	8,025
Due from other governments	-	106,062	-	-
Notes and loans	-	-	-	-
Leases	-	-	-	-
Other	11,064	-	-	-
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Prepaid costs	2,054	-	-	-
Land held for resale	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 116,290	\$ 335,034	\$ 2,391,500	\$ 1,863,481
LIABILITIES				
Accrued liabilities	\$ 15,512	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Deposits payable	37,046	-	426,179	-
Due to other funds	24,002	-	-	-
Advances from other funds	-	-	-	-
Unearned revenues	-	344,908	-	-
Total liabilities	76,560	344,908	426,179	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	-	-	-	-
Lease-related	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Nonspendable	2,054	-	-	-
Restricted	37,676	-	1,965,321	1,863,481
Assigned	-	-	-	-
Unassigned	-	(9,874)	-	-
Total fund balances	39,730	(9,874)	1,965,321	1,863,481
Total liabilities, deferred inflows of resources, and fund balances	\$ 116,290	\$ 335,034	\$ 2,391,500	\$ 1,863,481

CITY OF CARLSBAD
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Capital Projects Funds			
	Gas Tax	General Capital Construction	Grants and Other Capital Project Funds	Planned Local Drainage Facilities
ASSETS				
Cash and investments	\$ 17,576,053	\$ 38,080,310	\$ 1,656,335	\$ 4,754,657
Receivables (net of allowance for uncollectible):				
Accounts	-	-	-	-
Accrued interest	75,943	164,709	7,479	20,566
Due from other governments	709,914	-	189,128	-
Notes and loans	-	-	-	-
Leases	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Prepaid costs	-	-	-	-
Land held for resale	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 18,361,910	\$ 38,245,019	\$ 1,852,942	\$ 4,775,223
LIABILITIES				
Accrued liabilities	\$ 393,316	\$ 1,751,148	\$ 91,344	\$ 26,525
Due to other governments	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Unearned revenues	-	-	-	-
Total liabilities	393,316	1,751,148	91,344	26,525
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	-	-	127,418	-
Lease-related	-	-	-	-
Total deferred inflows of resources	-	-	127,418	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	17,968,594	-	1,634,180	4,748,698
Assigned	-	36,493,871	-	-
Unassigned	-	-	-	-
Total fund balances	17,968,594	36,493,871	1,634,180	4,748,698
Total liabilities, deferred inflows of resources, and fund balances	\$ 18,361,910	\$ 38,245,019	\$ 1,852,942	\$ 4,775,223

	Capital Projects Funds			
	Public Facilities Construction	Sales Tax/TransNet	Traffic Impact Projects	Technology Investment Capital
ASSETS				
Cash and investments	\$ 28,004,362	\$ 7,396,371	\$ 19,992,845	\$ 10,573,157
Receivables (net of allowance for uncollectible):				
Accounts	-	-	-	-
Accrued interest	121,127	31,857	86,475	45,732
Due from other governments	-	134,610	-	-
Notes and loans	-	-	-	-
Leases	-	-	-	-
Other	-	83,325	-	-
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Prepaid costs	-	-	-	375,967
Land held for resale	-	-	-	-
Advances to other funds	5,650,000	-	-	-
Total assets	\$ 33,775,489	\$ 7,646,163	\$ 20,079,320	\$ 10,994,856
LIABILITIES				
Accrued liabilities	\$ 20,766	\$ 205,734	\$ 448,886	\$ 82,148
Due to other governments	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	901,024	-
Unearned revenues	-	-	-	-
Total liabilities	20,766	205,734	1,349,910	82,148
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	-	134,610	-	-
Lease-related	-	-	-	-
Total deferred inflows of resources	-	134,610	-	-
FUND BALANCES				
Nonspendable	-	-	-	375,967
Restricted	33,754,723	7,305,819	18,729,410	-
Assigned	-	-	-	10,536,741
Unassigned	-	-	-	-
Total fund balances	33,754,723	7,305,819	18,729,410	10,912,708
Total liabilities, deferred inflows of resources, and fund balances	\$ 33,775,489	\$ 7,646,163	\$ 20,079,320	\$ 10,994,856

CITY OF CARLSBAD
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Total Nonmajor Funds
ASSETS	
Cash and investments	\$ 162,650,801
Receivables (net of allowance for uncollectible):	
Accounts	8,307
Accrued interest	4,447,836
Due from other governments	1,483,567
Notes and loans	27,331,797
Leases	3,023,200
Other	179,520
Due from other funds	24,002
Inventories	3,814
Prepaid costs	378,021
Land held for resale	442,800
Advances to other funds	5,650,000
Total assets	<u><u>\$ 205,623,665</u></u>
LIABILITIES	
Accrued liabilities	\$ 3,591,394
Due to other governments	116,266
Deposits payable	505,559
Due to other funds	24,002
Advances from other funds	2,068,749
Unearned revenues	344,908
Total liabilities	<u><u>6,650,878</u></u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	4,015,323
Lease-related	2,992,748
Total deferred inflows of resources	<u><u>7,008,071</u></u>
FUND BALANCES	
Nonspendable	378,021
Restricted	144,570,697
Assigned	47,030,612
Unassigned	(14,614)
Total fund balances	<u><u>191,964,716</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 205,623,665</u></u>

CITY OF CARLSBAD
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	508,874	-	-
Contribution from property owners	248,039	-	-	-
Charges for services	25,427	-	11,352	2,535,209
Use of money and property	787,264	275,514	35,284	46,883
Contributions	-	-	293,624	-
Miscellaneous	-	-	13,915	1,440
Total revenues	1,060,730	784,388	354,175	2,583,532
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community services	357,704	2,298,679	399,979	2,318,800
Public works	-	-	-	1,403,122
Capital outlay	-	-	-	-
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	357,704	2,298,679	399,979	3,721,922
Excess (deficiency) of revenues over (under) expenditures	703,026	(1,514,291)	(45,804)	(1,138,390)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1,400,000
Transfers out	(160,000)	-	-	-
Proceeds from sale of capital asset	-	355,302	-	-
Total other financing sources (uses)	(160,000)	355,302	-	1,400,000
Net change in fund balances	543,026	(1,158,989)	(45,804)	261,610
Fund balances-beginning, restated	41,149,028	1,910,634	2,893,426	9,635,449
Fund balances-ending	\$ 41,692,054	\$ 751,645	\$ 2,847,622	\$ 9,897,059

CITY OF CARLSBAD
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Funds			
	Habitat and Agricultural Management	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	475,881	10,617,494
Contribution from property owners	57,082	284,652	-	-
Charges for services	-	-	-	-
Use of money and property	15,330	12,653	5,014	5,920
Contributions	-	-	-	-
Miscellaneous	-	-	-	5,240
Total revenues	72,412	297,305	480,895	10,628,654
EXPENDITURES				
Current:				
General government	-	402,241	-	-
Public safety	-	-	402,883	-
Community services	38,220	-	-	10,854,742
Public works	-	-	-	-
Capital outlay	-	-	122,291	-
Debt service:				
Interest and fiscal charges	22,365	-	-	-
Total expenditures	60,585	402,241	525,174	10,854,742
Excess (deficiency) of revenues over (under) expenditures	11,827	(104,936)	(44,279)	(226,088)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	100,000
Transfers out	-	-	-	-
Proceeds from sale of capital asset	-	-	-	-
Total other financing sources (uses)	-	-	-	100,000
Net change in fund balances	11,827	(104,936)	(44,279)	(126,088)
Fund balances-beginning, restated	(16,567)	806,261	646,543	196,914
Fund balances-ending	\$ (4,740)	\$ 701,325	\$ 602,264	\$ 70,826

CITY OF CARLSBAD
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

(Continued)

	Special Revenue Funds		Capital Projects Funds	
	Tyler Court Apartments	California Opioid Settlement	Assessment and Other Districts	Bridge Thoroughfare Districts (BTD)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	2,174,230
Contribution from property owners	-	-	-	-
Charges for services	802,680	-	-	-
Use of money and property	2,186	(9,874)	37,011	631,331
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	804,866	(9,874)	37,011	2,805,561
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community services	529,497	-	-	-
Public works	-	-	1,015,672	-
Capital outlay	363,864	-	-	57,041
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	893,361	-	1,015,672	57,041
Excess (deficiency) of revenues over (under) expenditures	(88,495)	(9,874)	(978,661)	2,748,520
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	-	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital asset	-	-	-	-
Total other financing sources (uses)	60,000	-	-	-
Net change in fund balances	(28,495)	(9,874)	(978,661)	2,748,520
Fund balances-beginning, restated	68,225	-	2,943,982	(885,039)
Fund balances-ending	\$ 39,730	\$ (9,874)	\$ 1,965,321	\$ 1,863,481

CITY OF CARLSBAD
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Capital Projects Funds			
	Gas Tax	General Capital Construction	Grants and Other Capital Project Funds	Planned Local Drainage Facilities
REVENUES				
Taxes	\$ 5,520,836	\$ -	\$ -	\$ -
Intergovernmental	-	-	61,709	-
Contribution from property owners	-	-	-	185,869
Charges for services	-	-	-	-
Use of money and property	271,555	(1,701,774)	21,450	45,029
Contributions	-	-	-	-
Miscellaneous	-	2,013,865	-	-
Total revenues	5,792,391	312,091	83,159	230,898
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community services	-	-	-	-
Public works	600,000	-	53,000	-
Capital outlay	6,429,728	10,306,345	167,146	61,972
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	7,029,728	10,306,345	220,146	61,972
Excess (deficiency) of revenues over (under) expenditures	(1,237,337)	(9,994,254)	(136,987)	168,926
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,956,000	-	-
Transfers out	-	-	-	-
Proceeds from sale of capital asset	-	-	-	-
Total other financing sources (uses)	-	3,956,000	-	-
Net change in fund balances	(1,237,337)	(6,038,254)	(136,987)	168,926
Fund balances-beginning, restated	19,205,931	42,532,125	1,771,167	4,579,772
Fund balances-ending	\$ 17,968,594	\$ 36,493,871	\$ 1,634,180	\$ 4,748,698

CITY OF CARLSBAD
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

(Continued)

	Capital Projects Funds			
	Public Facilities Construction	Sales Tax/TransNet	Traffic Impact Projects	Technology Investment Capital
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	429,466	-	-
Contribution from property owners	1,196,210	-	1,654,082	-
Charges for services	-	954,794	-	-
Use of money and property	385,758	172,004	253,549	21,059
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	1,581,968	1,556,264	1,907,631	21,059
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community services	-	-	-	-
Public works	-	-	-	-
Capital outlay	1,304,479	3,256,940	1,903,324	1,872,511
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	1,304,479	3,256,940	1,903,324	1,872,511
Excess (deficiency) of revenues over (under) expenditures	277,489	(1,700,676)	4,307	(1,851,452)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	3,956,000
Transfers out	-	-	-	-
Proceeds from sale of capital asset	-	-	-	-
Total other financing sources (uses)	-	-	-	3,956,000
Net change in fund balances	277,489	(1,700,676)	4,307	2,104,548
Fund balances-beginning, restated	33,477,234	9,006,495	18,725,103	8,808,160
Fund balances-ending	\$ 33,754,723	\$ 7,305,819	\$ 18,729,410	\$ 10,912,708

CITY OF CARLSBAD
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Total Nonmajor Funds
REVENUES	
Taxes	\$ 5,520,836
Intergovernmental	14,267,654
Contribution from property owners	3,625,934
Charges for services	4,329,462
Use of money and property	1,313,146
Contributions	293,624
Miscellaneous	2,034,460
Total revenues	<u>31,385,116</u>
EXPENDITURES	
Current:	
General government	402,241
Public safety	402,883
Community services	16,797,621
Public works	3,071,794
Capital outlay	25,845,641
Debt service:	
Interest and fiscal charges	22,365
Total expenditures	<u>46,542,545</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,157,429)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	9,472,000
Transfers out	(160,000)
Proceeds from sale of capital asset	355,302
Total other financing sources (uses)	<u>9,667,302</u>
Net change in fund balances	(5,490,127)
Fund balances-beginning, restated	197,454,843
Fund balances-ending	<u>\$ 191,964,716</u>

CITY OF CARLSBAD
Affordable Housing
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contribution from property owners	\$ 120,000	\$ 120,000	\$ 248,039	\$ 128,039
Charges for services	30,000	30,000	25,427	(4,573)
Use of money and property	345,000	345,000	787,264	442,264
Total revenues	495,000	495,000	1,060,730	565,730
EXPENDITURES				
Current:				
Community services	293,695	444,695	357,704	86,991
Total expenditures	293,695	444,695	357,704	86,991
Excess (deficiency) of revenues over (under) expenditures	201,305	50,305	703,026	652,721
OTHER FINANCING SOURCES (USES)				
Transfers out	(100,000)	(410,000)	(160,000)	(250,000)
Total other financing sources (uses)	(100,000)	(410,000)	(160,000)	(250,000)
Net change in fund balance	\$ 101,305	\$ (359,695)	543,026	\$ 402,721
Fund balance-beginning			41,149,028	
Fund balance-ending			\$ 41,692,054	

CITY OF CARLSBAD
Community Development Block Grant
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 527,154	\$ 2,314,329	\$ 508,874	\$ (1,805,455)
Use of money and property	-	-	275,514	275,514
Total revenues	527,154	2,314,329	784,388	(1,529,941)
EXPENDITURES				
Current:				
Community services	739,241	3,147,606	2,298,679	848,927
Total expenditures	739,241	3,147,606	2,298,679	848,927
Excess (deficiency) of revenues over (under) expenditures	(212,087)	(833,277)	(1,514,291)	(681,014)
OTHER FINANCING SOURCES (USES)				
Sales of general capital assets	-	-	355,302	355,302
Total other financing sources (uses)	-	-	355,302	355,302
Net change in fund balance	\$ (212,087)	\$ (833,277)	(1,158,989)	\$ (325,712)
Fund balance-beginning			1,910,634	
Fund balance-ending			\$ 751,645	

CITY OF CARLSBAD
Donations
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 8,000	\$ 8,000	\$ 11,352	\$ 3,352
Use of money and property	17,139	17,139	35,284	18,145
Contributions	300,800	300,800	293,624	(7,176)
Miscellaneous	12,000	12,000	13,915	1,915
Total revenues	337,939	337,939	354,175	16,236
EXPENDITURES				
Current:				
Community services	737,728	737,728	399,979	337,749
Total expenditures	737,728	737,728	399,979	337,749
Net change in fund balance	\$ (399,789)	\$ (399,789)	(45,804)	\$ 353,985
Fund balance-beginning			2,893,426	
Fund balance-ending			\$ 2,847,622	

CITY OF CARLSBAD
Financing Districts
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 2,505,000	\$ 2,505,000	\$ 2,535,209	\$ 30,209
Use of money and property	96,000	96,000	46,883	(49,117)
Miscellaneous	-	-	1,440	1,440
Total revenues	2,601,000	2,601,000	2,583,532	(17,468)
EXPENDITURES				
Current:				
Community services	2,210,135	2,556,294	2,318,800	237,494
Public works	1,598,708	1,648,284	1,403,122	245,162
Total expenditures	3,808,843	4,204,578	3,721,922	482,656
Excess (deficiency) of revenues over (under) expenditures	(1,207,843)	(1,603,578)	(1,138,390)	465,188
OTHER FINANCING SOURCES (USES)				
Transfers in	1,400,000	1,400,000	1,400,000	-
Total other financing sources (uses)	1,400,000	1,400,000	1,400,000	-
Net change in fund balance	\$ 192,157	\$ (203,578)	261,610	\$ 465,188
Fund balance-beginning			9,635,449	
Fund balance-ending			\$ 9,897,059	

CITY OF CARLSBAD
Habitat and Agricultural Management
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contribution from property owners	\$ -	\$ -	\$ 57,082	\$ 57,082
Use of money and property	15,000	15,000	15,330	330
Total revenues	15,000	15,000	72,412	57,412
EXPENDITURES				
Current:				
Community services	-	504,182	38,220	465,962
Debt service:				
Interest	-	22,365	22,365	-
Total expenditures	-	526,547	60,585	465,962
Net change in fund balance	\$ 15,000	\$ (511,547)	11,827	\$ 523,374
Fund balance-beginning			(16,567)	
Fund balance-ending			\$ (4,740)	

CITY OF CARLSBAD
Other Special Revenue Funds
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contribution from property owners	\$ 260,000	\$ 260,000	\$ 284,652	\$ 24,652
Use of money and property	-	-	12,653	12,653
Total revenues	260,000	260,000	297,305	37,305
EXPENDITURES				
Current:				
General government	463,551	482,501	402,241	80,260
Total expenditures	463,551	482,501	402,241	80,260
Net change in fund balance	\$ (203,551)	\$ (222,501)	(104,936)	\$ 117,565
Fund balance-beginning			806,261	
Fund balance-ending			\$ 701,325	

CITY OF CARLSBAD
Police Grants and Asset Forfeiture
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 200,000	\$ 616,689	\$ 475,881	\$ (140,808)
Use of money and property	1,000	1,000	5,014	4,014
Total revenues	201,000	617,689	480,895	(136,794)
EXPENDITURES				
Current:				
Public safety	390,705	886,527	402,883	483,644
Capital outlay	148,309	148,309	122,291	26,018
Total expenditures	539,014	1,034,836	525,174	509,662
Net change in fund balance	\$ (338,014)	\$ (417,147)	(44,279)	\$ 372,868
Fund balance-beginning			646,543	
Fund balance-ending			\$ 602,264	

CITY OF CARLSBAD
Section 8 Rental Assistance
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 11,297,680	\$ 11,813,576	\$ 10,617,494	\$ (1,196,082)
Use of money and property	-	-	5,920	5,920
Miscellaneous	5,500	5,500	5,240	(260)
Total revenues	11,303,180	11,819,076	10,628,654	(1,190,422)
EXPENDITURES				
Current:				
Community services	10,382,941	10,932,237	10,854,742	77,495
Total expenditures	10,382,941	10,932,237	10,854,742	77,495
Excess (deficiency) of revenues over (under) expenditures	920,239	886,839	(226,088)	(1,112,927)
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	100,000	-
Total other financing sources (uses)	100,000	100,000	100,000	-
Net change in fund balance	\$ 1,020,239	\$ 986,839	(126,088)	\$ (1,112,927)
Fund balance-beginning			196,914	
Fund balance-ending			\$ 70,826	

CITY OF CARLSBAD
Tyler Court Apartments
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 646,672	\$ 772,670	\$ 802,680	\$ 30,010
Use of money and property	1,965	1,965	2,186	221
Total revenues	648,637	774,635	804,866	30,231
EXPENDITURES				
Current:				
Community services	537,816	537,816	529,497	8,319
Capital outlay	2,900	378,898	363,864	15,034
Total expenditures	540,716	916,714	893,361	23,353
Excess (deficiency) of revenues over (under) expenditures	107,921	(142,079)	(88,495)	53,584
OTHER FINANCING SOURCES (USES)				
Transfers in	-	310,000	60,000	(250,000)
Total other financing sources (uses)	-	310,000	60,000	(250,000)
Net change in fund balance	\$ 107,921	\$ 167,921	(28,495)	\$ (196,416)
Fund balance-beginning			68,225	
Fund balance-ending			\$ 39,730	

CITY OF CARLSBAD
California Opioid Settlement
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ (9,874)	\$ (9,874)
Miscellaneous	-	238,846	-	(238,846)
Total revenues	-	238,846	(9,874)	(248,720)
EXPENDITURES				
Current:				
Public safety	-	238,846	-	238,846
Total expenditures	-	238,846	-	238,846
Excess (deficiency) of revenues over (under) expenditures	-	-	(9,874)	(9,874)
Net change in fund balance	\$ -	\$ -	(9,874)	\$ (9,874)
Fund balance-beginning			-	
Fund balance-ending			\$ (9,874)	

CITY OF CARLSBAD
Assessment and Other Districts
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 37,011	\$ 37,011
Total revenues	-	-	37,011	37,011
EXPENDITURES				
Current:				
Public works	-	1,015,672	1,015,672	-
Capital outlay	1,283,136	1,283,136	-	1,283,136
Total expenditures	1,283,136	2,298,808	1,015,672	1,283,136
Net change in fund balance	\$ (1,283,136)	\$ (2,298,808)	(978,661)	\$ 1,320,147
Fund balance-beginning			2,943,982	
Fund balance-ending			\$ 1,965,321	

CITY OF CARLSBAD
Bridge Thoroughfare Districts (BTD)
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 2,174,230	\$ 2,174,230
Use of money and property	-	-	631,331	631,331
Total revenues	-	-	2,805,561	2,805,561
EXPENDITURES				
Capital outlay	440,076	440,076	57,041	383,035
Total expenditures	440,076	440,076	57,041	383,035
Net change in fund balance	\$ (440,076)	\$ (440,076)	2,748,520	\$ 3,188,596
Fund balance-beginning			(885,039)	
Fund balance-ending			\$ 1,863,481	

CITY OF CARLSBAD
Community Facilities District #1
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 890,000	\$ 890,000	\$ 986,129	\$ 96,129
Contribution from property owners	689,407	689,407	740,042	50,635
Use of money and property	1,273,810	1,273,810	1,143,702	(130,108)
Total revenues	2,853,217	2,853,217	2,869,873	16,656
EXPENDITURES				
Current:				
General government	160,643	160,643	50,005	110,638
Capital outlay	34,320,567	34,320,567	912,722	33,407,845
Total expenditures	34,481,210	34,481,210	962,727	33,518,483
Net change in fund balance	\$ (31,627,993)	\$ (31,627,993)	1,907,146	\$ 33,535,139
Fund balance-beginning			93,823,522	
Fund balance-ending			\$ 95,730,668	

CITY OF CARLSBAD
Gas Tax
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,010,555	\$ 6,010,555	\$ 5,520,836	\$ (489,719)
Use of money and property	-	-	271,555	271,555
Total revenues	6,010,555	6,010,555	5,792,391	(218,164)
EXPENDITURES				
Current:				
Public works	600,000	600,000	600,000	-
Capital outlay	25,996,000	26,829,788	6,429,728	20,400,060
Total expenditures	26,596,000	27,429,788	7,029,728	20,400,060
Net change in fund balance	<u>\$ (20,585,445)</u>	<u>\$ (21,419,233)</u>	<u>(1,237,337)</u>	<u>\$ 20,181,896</u>
Fund balance-beginning			<u>19,205,931</u>	
Fund balance-ending			<u>\$ 17,968,594</u>	

CITY OF CARLSBAD
General Capital Construction
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ (1,701,774)	\$ (1,701,774)
Miscellaneous	-	1,923,192	2,013,865	90,673
Total revenues	-	1,923,192	312,091	(1,611,101)
EXPENDITURES				
Capital outlay	34,711,619	36,634,811	10,306,345	26,328,466
Total expenditures	34,711,619	36,634,811	10,306,345	26,328,466
Excess (deficiency) of revenues over (under) expenditures	(34,711,619)	(34,711,619)	(9,994,254)	24,717,365
OTHER FINANCING SOURCES (USES)				
Transfers in	4,051,000	3,956,000	3,956,000	-
Total other financing sources (uses)	4,051,000	3,956,000	3,956,000	-
Net change in fund balance	\$ (30,660,619)	\$ (30,755,619)	(6,038,254)	\$ 24,717,365
Fund balance-beginning			42,532,125	
Fund balance-ending			\$ 36,493,871	

CITY OF CARLSBAD
Grants and Other Capital Project Funds
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,373,295	\$ 2,373,295	\$ 61,709	\$ (2,311,586)
Use of money and property	15,000	15,000	21,450	6,450
Total revenues	2,388,295	2,388,295	83,159	(2,305,136)
EXPENDITURES				
Current:				
Public works	53,000	53,000	53,000	-
Capital outlay	3,478,936	3,478,936	167,146	3,311,790
Total expenditures	3,531,936	3,531,936	220,146	3,311,790
Net change in fund balance	\$ (1,143,641)	\$ (1,143,641)	(136,987)	\$ 1,006,654
Fund balance-beginning			1,771,167	
Fund balance-ending			\$ 1,634,180	

CITY OF CARLSBAD
Infrastructure Replacement Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 1,403,303	\$ 1,403,303
Miscellaneous	-	-	27,177	27,177
Total revenues	-	-	1,430,480	1,430,480
EXPENDITURES				
Capital outlay	43,398,795	43,528,087	7,293,771	36,234,316
Total expenditures	43,398,795	43,528,087	7,293,771	36,234,316
Excess (deficiency) of revenues over (under) expenditures	(43,398,795)	(43,528,087)	(5,863,291)	37,664,796
OTHER FINANCING SOURCES (USES)				
Transfers in	3,977,000	3,956,000	3,956,000	-
Total other financing sources (uses)	3,977,000	3,956,000	3,956,000	-
Net change in fund balance	\$ (39,421,795)	\$ (39,572,087)	(1,907,291)	\$ 37,664,796
Fund balance-beginning			113,164,506	
Fund balance-ending			\$ 111,257,215	

CITY OF CARLSBAD
 Park Development
 Schedule of Revenues, Expenditures, and Changes in
 Fund Balance - Budget and Actual
 For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contribution from property owners	\$ 2,520,262	\$ 2,520,262	\$ 549,031	\$ (1,971,231)
Use of money and property	-	-	135,814	135,814
Total revenues	2,520,262	2,520,262	684,845	(1,835,417)
EXPENDITURES				
Capital outlay	3,619,923	3,619,923	189,929	3,429,994
Total expenditures	3,619,923	3,619,923	189,929	3,429,994
Net change in fund balance	\$ (1,099,661)	\$ (1,099,661)	494,916	\$ 1,594,577
Fund balance-beginning			8,433,601	
Fund balance-ending			\$ 8,928,517	

CITY OF CARLSBAD
Planned Local Drainage Facilities
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contribution from property owners	\$ 417,819	\$ 417,819	\$ 185,869	\$ (231,950)
Use of money and property	-	-	45,029	45,029
Total revenues	417,819	417,819	230,898	(186,921)
EXPENDITURES				
Capital outlay	297,738	297,738	61,972	235,766
Total expenditures	297,738	297,738	61,972	235,766
Net change in fund balance	\$ 120,081	\$ 120,081	168,926	\$ 48,845
Fund balance-beginning			4,579,772	
Fund balance-ending			\$ 4,748,698	

CITY OF CARLSBAD
Public Facilities Construction
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contribution from property owners	\$ 1,798,689	\$ 1,798,689	\$ 1,196,210	\$ (602,479)
Use of money and property	67,872	67,872	385,758	317,886
Total revenues	1,866,561	1,866,561	1,581,968	(284,593)
EXPENDITURES				
Capital outlay	5,530,615	5,730,615	1,304,479	4,426,136
Total expenditures	5,530,615	5,730,615	1,304,479	4,426,136
Net change in fund balance	\$ (3,664,054)	\$ (3,864,054)	277,489	\$ 4,141,543
Fund balance-beginning			33,477,234	
Fund balance-ending			\$ 33,754,723	

CITY OF CARLSBAD
Sales Tax/TransNet
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 4,387,000	\$ 4,387,000	\$ 429,466	\$ (3,957,534)
Charges for services	960,000	960,000	954,794	(5,206)
Use of money and property	-	-	172,004	172,004
Total revenues	5,347,000	5,347,000	1,556,264	(3,790,736)
EXPENDITURES				
Capital outlay	31,947,980	31,947,980	3,256,940	28,691,040
Total expenditures	31,947,980	31,947,980	3,256,940	28,691,040
Net change in fund balance	\$ (26,600,980)	\$ (26,600,980)	(1,700,676)	\$ 24,900,304
Fund balance-beginning			9,006,495	
Fund balance-ending			\$ 7,305,819	

CITY OF CARLSBAD
Traffic Impact Projects
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contribution from property owners	\$ 1,535,630	\$ 1,535,630	\$ 1,654,082	\$ 118,452
Use of money and property	-	-	253,549	253,549
Total revenues	1,535,630	1,535,630	1,907,631	372,001
EXPENDITURES				
Capital outlay	21,282,855	21,282,855	1,903,324	19,379,531
Total expenditures	21,282,855	21,282,855	1,903,324	19,379,531
Net change in fund balance	\$ (19,747,225)	\$ (19,747,225)	4,307	\$ 19,751,532
Fund balance-beginning			18,725,103	
Fund balance-ending			\$ 18,729,410	

CITY OF CARLSBAD
Technology Investment Capital
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 21,059	\$ 21,059
Total revenues	-	-	21,059	21,059
EXPENDITURES				
Capital outlay	9,176,551	9,176,551	1,872,511	7,304,040
Total expenditures	9,176,551	9,176,551	1,872,511	7,304,040
Excess (deficiency) of revenues over (under) expenditures	(9,176,551)	(9,176,551)	(1,851,452)	7,325,099
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,956,000	3,956,000
Total other financing sources (uses)	-	-	3,956,000	3,956,000
Net change in fund balance	\$ (9,176,551)	\$ (9,176,551)	2,104,548	\$ 11,281,099
Fund balance-beginning			8,808,160	
Fund balance-ending			\$ 10,912,708	

CITY OF CARLSBAD
Combining Statement of Net Position
Non-Major Proprietary Funds
June 30, 2023

	Business-Type Activities - Enterprise Funds		
	Golf Course	Solid Waste	Totals
ASSETS			
Current:			
Cash and investments	\$ 6,449,248	\$ 10,378,473	\$ 16,827,721
Receivables:			
Accounts, net of allowances	6,067	-	6,067
Accrued interest	25,187	44,872	70,059
Lease	58,461	-	58,461
Other	12,496	525,000	537,496
Prepaid costs	93,070	-	93,070
Inventories	199,986	-	199,986
Total current assets	<u>6,844,515</u>	<u>10,948,345</u>	<u>17,792,860</u>
Noncurrent:			
Lease receivable	1,242,219	-	1,242,219
Capital assets, net	21,330,065	-	21,330,065
Total noncurrent assets	<u>22,572,284</u>	<u>-</u>	<u>22,572,284</u>
Total assets	<u>29,416,799</u>	<u>10,948,345</u>	<u>40,365,144</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related	-	834,391	834,391
OPEB-related	-	85,700	85,700
Total deferred outflows of resources	<u>-</u>	<u>920,091</u>	<u>920,091</u>
LIABILITIES			
Current:			
Accrued liabilities	441,151	399,662	840,813
Unearned revenues	109,711	30,265	139,976
Deposits payable	871,798	-	871,798
Total current liabilities	<u>1,422,660</u>	<u>429,927</u>	<u>1,852,587</u>
Noncurrent:			
Net pension liability	-	1,920,265	1,920,265
Net OPEB liability	-	73,871	73,871
Total Noncurrent Liabilities	<u>-</u>	<u>1,994,136</u>	<u>1,994,136</u>
Total liabilities	<u>1,422,660</u>	<u>2,424,063</u>	<u>3,846,723</u>
DEFERRED INFLOWS OF RESOURCES			
Pension-related	-	24,979	24,979
OPEB-related	-	15,146	15,146
Lease-related	1,257,742	-	1,257,742
Total deferred inflows of resources	<u>1,257,742</u>	<u>40,125</u>	<u>1,297,867</u>
NET POSITION			
Invested in capital assets	21,330,065	-	21,330,065
Unrestricted	5,406,332	9,404,248	14,810,580
Total net position	<u>\$ 26,736,397</u>	<u>\$ 9,404,248</u>	<u>\$ 36,140,645</u>

CITY OF CARLSBAD
Combining Statement of Revenues, Expenses, and
Changes in Net Position
Non-Major Proprietary Funds
Year Ended June 30, 2023

Business-Type Activities - Enterprise Funds

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Totals</u>
OPERATING REVENUES			
Golf course operations	\$ 10,966,531	\$ -	\$ 10,966,531
Other charges for services	-	2,245,025	2,245,025
Miscellaneous	30,066	551,488	581,554
Total operating revenues	10,996,597	2,796,513	13,793,110
OPERATING EXPENSES			
Administration and general	34,725	5,628,606	5,663,331
Depreciation	3,405,438	-	3,405,438
Golf course operations	8,744,007	-	8,744,007
Total operating expenses	12,184,170	5,628,606	17,812,776
Operating income (loss)	(1,187,573)	(2,832,093)	(4,019,666)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	209,448	209,448
Investment income (loss)	38,259	226,378	264,637
Gain (loss) on disposal of capital assets	(13,851)	-	(13,851)
Total nonoperating revenues (expenses)	24,408	435,826	460,234
Income (loss) before transfers	(1,163,165)	(2,396,267)	(3,559,432)
Transfers in	-	332,000	332,000
Change in net position	(1,163,165)	(2,064,267)	(3,227,432)
Net position-beginning	27,899,562	11,468,515	39,368,077
Net position-ending	\$ 26,736,397	\$ 9,404,248	\$ 36,140,645

CITY OF CARLSBAD
Combining Statement of Cash Flows
Non-Major Proprietary Funds
Year Ended June 30, 2023

Business-Type Activities - Enterprise Funds

	Golf Course	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 10,975,596	\$ 3,179,677	\$ 14,155,273
Cash paid to suppliers for goods and services	(4,771,466)	(808,381)	(5,579,847)
Cash paid to employees for services	(3,916,917)	(5,564,208)	(9,481,125)
Cash received from (payments to) others	30,066	551,488	581,554
Net cash provided by (used for) operating activities	2,317,279	(2,641,424)	(324,145)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash transfers in	-	332,000	332,000
Grants	-	-	-
Net cash provided by (used for) noncapital financing activities	-	332,000	332,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sales of capital assets	20,482	-	20,482
Acquisition and construction of capital assets	(1,054,158)	-	(1,054,158)
Net cash provided by (used for) capital and related financing activities	(1,033,676)	209,448	(824,228)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from leasing activities	81,583	-	81,583
Investment earnings	43,933	202,443	246,376
Net cash provided by (used for) investing activities	125,516	202,443	327,959
Net increase (decrease) in cash and cash equivalents	1,409,119	(1,897,533)	(488,414)
Cash and cash equivalents-beginning	5,173,626	12,250,227	17,423,853
Adjustment: unrealized gain (loss) on investments	(133,497)	25,779	(107,718)
Cash and cash equivalents-ending	\$ 6,449,248	\$ 10,378,473	\$ 16,827,721

CITY OF CARLSBAD
Combining Statement of Cash Flows
Non-Major Proprietary Funds
Year Ended June 30, 2023

Business-Type Activities - Enterprise Funds

**RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED BY (USED FOR)
OPERATING ACTIVITIES**

	<u>Golf Course</u>	<u>Solid Waste</u>	<u>Totals</u>
Operating income (loss)	\$ (1,187,573)	\$ (2,832,093)	\$ (4,019,666)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	3,405,438	-	3,405,438
(Increase) decrease in accounts receivable	9,065	1,115,057	1,124,122
(Increase) decrease in inventories	(23,867)	-	(23,867)
(Increase) decrease in prepaid expense	(9,569)	-	(9,569)
Increase (decrease) in accrued liabilities	(129,183)	(808,381)	(937,564)
Increase (decrease) in deposits payable	144,410	-	144,410
Increase (decrease) in unearned revenue	109,711	(180,405)	(70,694)
Increase (decrease) in OPEB liability	-	(498,707)	(498,707)
Increase (decrease) in pension liability	(1,153)	563,105	561,952
Total adjustments	<u>3,504,852</u>	<u>190,669</u>	<u>3,695,521</u>
Net cash provided by (used for) operating activities	<u>\$ 2,317,279</u>	<u>\$ (2,641,424)</u>	<u>\$ (324,145)</u>

SCHEDULE OF NON-CASH ACTIVITIES

Unrealized gain (loss) on investments	\$ (133,497)	\$ 25,779	\$ (107,718)
Amortization of deferred inflows related to leases	(77,243)	-	(77,243)

CITY OF CARLSBAD
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

**Governmental Activities -
Internal Service Funds**

	Fleet Management	Self Insured Benefits	Information Technology
ASSETS			
Current:			
Cash and investments	\$ 21,978,344	\$ 6,383,285	\$ 9,210,581
Receivables:			
Accounts, net of allowances	4,412	-	-
Accrued interest	95,054	-	39,783
Prepaid costs	-	-	1,620,028
Inventories	235,857	-	-
Total current assets	<u>22,313,667</u>	<u>6,383,285</u>	<u>10,870,392</u>
Noncurrent:			
Capital assets, net	15,705,271	-	8,590,818
Total noncurrent assets	<u>15,705,271</u>	<u>-</u>	<u>8,590,818</u>
Total assets	<u>38,018,938</u>	<u>6,383,285</u>	<u>19,461,210</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related	632,244	-	2,425,754
OPEB-related	53,719	-	169,828
Total deferred outflows of resources	<u>685,963</u>	<u>-</u>	<u>2,595,582</u>
LIABILITIES			
Current:			
Accrued liabilities	316,171	6,383,285	1,493,173
Accrued interest	-	-	34,513
Deposits payable	-	-	-
Subscriptions	-	-	1,568,813
Claims and judgments	-	-	-
Total current liabilities	<u>316,171</u>	<u>6,383,285</u>	<u>3,096,499</u>
Noncurrent:			
Claims and judgments, due in more than one year	-	-	-
Subscriptions	-	-	1,359,771
Net pension liability	1,455,045	-	5,582,627
Net OPEB liability	46,587	-	160,808
Total Noncurrent Liabilities	<u>1,501,632</u>	<u>-</u>	<u>7,103,206</u>
Total liabilities	<u>1,817,803</u>	<u>6,383,285</u>	<u>10,199,705</u>
DEFERRED INFLOWS OF RESOURCES			
Pension-related	18,927	-	72,619
OPEB-related	11,023	-	22,441
Total deferred inflows of resources	<u>29,950</u>	<u>-</u>	<u>95,060</u>
NET POSITION			
Net investment in capital assets	15,705,271	-	5,662,234
Unrestricted	21,151,877	-	6,099,793
Total net position	<u>\$ 36,857,148</u>	<u>\$ -</u>	<u>\$ 11,762,027</u>

CITY OF CARLSBAD
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

**Governmental Activities -
Internal Service Funds**

	Risk Management	Workers' Compensation	Totals
ASSETS			
Current:			
Cash and investments	\$ 3,388,646	\$ 22,034,452	\$ 62,995,308
Receivables:			
Accounts, net of allowances	-	-	4,412
Accrued interest	14,654	95,305	244,796
Prepaid costs	-	-	1,620,028
Inventories	-	-	235,857
Total current assets	<u>3,403,300</u>	<u>22,129,757</u>	<u>65,100,401</u>
Noncurrent:			
Capital assets, net	-	-	24,296,089
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>24,296,089</u>
Total assets	<u>3,403,300</u>	<u>22,129,757</u>	<u>89,396,490</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related	176,340	107,522	3,341,860
OPEB-related	10,043	4,619	238,209
Total deferred outflows of resources	<u>186,383</u>	<u>112,141</u>	<u>3,580,069</u>
LIABILITIES			
Current:			
Accrued liabilities	593,863	17,701	8,804,193
Accrued interest	-	-	34,513
Deposits payable	1,000	-	1,000
Subscriptions	-	-	1,568,813
Claims and judgments	3,410,134	10,412,160	13,822,294
Total current liabilities	<u>4,004,997</u>	<u>10,429,861</u>	<u>24,230,813</u>
Noncurrent:			
Claims and judgments, due in more than or	3,246,581	11,490,258	14,736,839
Subscriptions	-	-	1,359,771
Net pension liability	405,829	247,457	7,690,958
Net OPEB liability	8,214	4,786	220,395
Total Noncurrent Liabilities	<u>3,660,624</u>	<u>11,742,501</u>	<u>24,007,963</u>
Total liabilities	<u>7,665,621</u>	<u>22,172,362</u>	<u>48,238,776</u>
DEFERRED INFLOWS OF RESOURCES			
Pension-related	5,279	3,219	100,044
OPEB-related	2,606	229	36,299
Total deferred inflows of resources	<u>7,885</u>	<u>3,448</u>	<u>136,343</u>
NET POSITION			
Net investment in capital assets	-	-	21,367,505
Unrestricted	(4,083,823)	66,088	23,233,935
Total net position	<u>\$ (4,083,823)</u>	<u>\$ 66,088</u>	<u>\$ 44,601,440</u>

CITY OF CARLSBAD
Combining Statement of Revenues,
Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2023

Governmental Activities -
Internal Service Funds

	Fleet Management	Self Insured Benefits	Information Technology
OPERATING REVENUES			
Other charges for services	\$ 6,802,710	\$ -	\$ 16,413,922
Miscellaneous	42,228	-	46,434
Total operating revenues	6,844,938	-	16,460,356
OPERATING EXPENSES			
Administration and general	2,076,179	-	13,905,165
Claims and premiums	-	-	-
Depreciation/amortization	2,494,011	-	2,536,449
Fuel and supplies	1,839,305	-	-
Small equipment purchases	4,752	-	540,076
Total operating expenses	6,414,247	-	16,981,690
Operating income (loss)	430,691	-	(521,334)
NONOPERATING REVENUES (EXPENSES)			
Interest expense	-	-	(77,521)
Investment income (loss)	90,588	-	26,897
Gain (loss) on disposal of capital assets	51,645	-	-
Total nonoperating revenues (expenses)	142,233	-	(50,624)
Income (loss) before transfers and capital contributions	572,924	-	(571,958)
Transfers in	1,400,000	-	-
Capital contributions	343,194	-	1,000,863
Change in net position	2,316,118	-	428,905
Net position-beginning	34,541,030	-	11,333,122
Net position-ending	\$ 36,857,148	\$ -	\$ 11,762,027

CITY OF CARLSBAD
Combining Statement of Revenues,
Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2023

**Governmental Activities -
Internal Service Funds**

	Risk Management	Workers' Compensation	Totals
OPERATING REVENUES			
Other charges for services	\$ 3,889,896	\$ 5,173,980	\$ 32,280,508
Miscellaneous	57,020	435,983	581,665
Total operating revenues	3,946,916	5,609,963	32,862,173
OPERATING EXPENSES			
Administration and general	509,768	149,395	16,640,507
Claims and premiums	8,201,800	14,363,854	22,565,654
Depreciation/amortization	-	-	5,030,460
Fuel and supplies	-	-	1,839,305
Small equipment purchases	-	-	544,828
Total operating expenses	8,711,568	14,513,249	46,620,754
Operating income (loss)	(4,764,652)	(8,903,286)	(13,758,581)
NONOPERATING REVENUES (EXPENSES)			
Interest expense	-	-	(77,521)
Investment income (loss)	103,181	(187,709)	32,957
Gain (loss) on disposal of capital assets	-	-	51,645
Total nonoperating revenues (expenses)	103,181	(187,709)	7,081
Income (loss) before transfers and capital contributions	(4,661,471)	(9,090,995)	(13,751,500)
Transfers in	1,000,000	8,208,252	10,608,252
Capital contributions	-	-	1,344,057
Change in net position	(3,661,471)	(882,743)	(1,799,191)
Net position-beginning	(422,352)	948,831	46,400,631
Net position-ending	\$ (4,083,823)	\$ 66,088	\$ 44,601,440

CITY OF CARLSBAD
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2023

**Governmental Activities -
Internal Service Funds**

	Fleet Management	Self Insured Benefits	Information Technology
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund service provided	\$ 6,811,104	\$ 512,874	\$ 16,413,922
Cash paid to suppliers for goods and services	(1,738,593)	-	(251,817)
Cash paid to employees for services	(2,027,351)	-	(12,852,734)
Claims and premiums paid	-	-	-
Cash received from (payments to) others	42,228	-	46,434
Net cash provided by (used for) operating activities	3,087,388	512,874	3,355,805
CASH FLOWS FOM NONCAPITAL FINANCING ACTIVITIES			
Cash transfers in	1,400,000	-	-
Net cash provided by (used for) noncapital financing activities	1,400,000	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,639,601)	-	(232,524)
Principal paid on capital debt	-	-	(1,925,993)
Interest paid on capital debt	-	-	(43,008)
Proceeds from sales of capital assets	51,645	-	-
Net cash provided by (used for) capital and related financing activities	(1,587,956)	-	(2,201,525)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	339,084	-	126,804
Net cash provided by (used for) investing activities	339,084	-	126,804
Net increase (decrease) in cash and cash equivalents	3,238,516	512,874	1,281,084
Cash and cash equivalents-beginning	19,010,881	5,870,411	8,038,530
Adjustment: unrealized gain (loss) on investments	(271,053)	-	(109,033)
Cash and cash equivalents-ending	\$ 21,978,344	\$ 6,383,285	\$ 9,210,581

CITY OF CARLSBAD
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2023

**Governmental Activities -
Internal Service Funds**

	Fleet Management	Self Insured Benefits	Information Technology
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	\$ 430,691	\$ -	\$ (521,334)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization	2,494,011	-	2,536,449
(Increase) decrease in accounts receivable	8,394	-	-
(Increase) decrease in inventories	21,401	-	-
(Increase) decrease in prepaid expense	-	-	783,215
Increase (decrease) in accrued liabilities	84,063	512,874	370,663
Increase (decrease) in deposits payable	-	-	-
Increase (decrease) in OPEB liability	853	-	2,747
Increase (decrease) in pension liability	47,975	-	184,065
Increase (decrease) in claims and judgments	-	-	-
Total adjustments	<u>2,656,697</u>	<u>512,874</u>	<u>3,877,139</u>
Net cash provided by (used for) operating activities	<u>\$ 3,087,388</u>	<u>\$ 512,874</u>	<u>\$ 3,355,805</u>
SCHEDULE OF NON-CASH ACTIVITIES			
Donated capital assets	\$ 343,194	\$ -	\$ 1,000,863
Capital assets purchased on account	-	-	690
Unrealized gain (loss) on investments	(271,053)	-	(109,033)

CITY OF CARLSBAD
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2023

**Governmental Activities -
Internal Service Funds**

	Risk Management	Workers' Compensation	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund service provided	\$ 3,889,896	\$ 5,173,980	\$ 32,801,776
Cash paid to suppliers for goods and services	-	-	(1,990,410)
Cash paid to employees for services	(161,307)	(130,194)	(15,171,586)
Claims and premiums paid	(6,214,911)	(4,701,425)	(10,916,336)
Cash received from (payments to) others	57,020	435,983	581,665
Net cash provided by (used for) operating activ	(2,429,302)	778,344	5,305,109
CASH FLOWS FOM NONCAPITAL FINANCING ACTIVITIES			
Cash transfers in	1,000,000	8,208,252	10,608,252
Net cash provided by (used for) noncapital financing activities	1,000,000	8,208,252	10,608,252
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	-	(1,872,125)
Principal paid on capital debt	-	-	(1,925,993)
Interest paid on capital debt	-	-	(43,008)
Proceeds from sales of capital assets	-	-	51,645
Net cash provided by (used for) capital and related financing activities	-	-	(3,789,481)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	64,715	310,612	841,215
Net cash provided by (used for) investing activ	64,715	310,612	841,215
Net increase (decrease) in cash and cash equiv	(1,364,587)	9,297,208	12,965,095
Cash and cash equivalents-beginning	4,711,454	13,280,227	50,911,503
Adjustment: unrealized gain (loss) on investments	41,779	(542,983)	(881,290)
Cash and cash equivalents-ending	\$ 3,388,646	\$ 22,034,452	\$ 62,995,308

CITY OF CARLSBAD
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2023

**Governmental Activities -
Internal Service Funds**

	Risk Management	Workers' Compensation	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating income (loss)	\$ (4,764,652)	\$ (8,903,286)	\$ (13,758,581)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization	-	-	5,030,460
(Increase) decrease in accounts receivable	-	-	8,394
(Increase) decrease in inventories	-	-	21,401
(Increase) decrease in prepaid expense	-	-	783,215
Increase (decrease) in accrued liabilities	334,931	10,961	1,313,492
Increase (decrease) in deposits payable	-	-	-
Increase (decrease) in OPEB liability	(107,165)	(64,614)	(168,179)
Increase (decrease) in pension liability	120,695	72,854	425,589
Increase (decrease) in claims and judgments	1,986,889	9,662,429	11,649,318
Total adjustments	2,335,350	9,681,630	19,063,690
Net cash provided by (used for) operating activities	\$ (2,429,302)	\$ 778,344	\$ 5,305,109
SCHEDULE OF NON-CASH ACTIVITIES			
Donated capital assets	\$ -	\$ -	\$ 1,344,057
Capital assets purchased on account	-	-	690
Unrealized gain (loss) on investments	41,779	(542,983)	(881,290)

CITY OF CARLSBAD
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2023

	Assessment Districts	Business Improvement Districts	Total Custodial Funds
ASSETS			
Cash and cash equivalents	\$ 3,991,895	\$ 7,087,470	\$ 11,079,365
Restricted assets:			
Cash and investments	2,370,330	-	2,370,330
Receivables:			
Assessments	17,544	6,838	24,382
Accrued interest	17,267	30,655	47,922
Taxes	595	-	595
Total assets	6,397,631	7,124,963	13,522,594
LIABILITIES			
Accrued liabilities	26,746	107,994	134,740
Due to bondholders	6,370,885	-	6,370,885
Total liabilities	6,397,631	107,994	6,505,625
NET POSITION			
Restricted for:			
Individuals, organizations and other governments	-	7,016,969	7,016,969
Total net position	\$ -	\$ 7,016,969	\$ 7,016,969

CITY OF CARLSBAD
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2023

	Assessment Districts	Business Improvement Districts	Total Custodial Funds
ADDITIONS			
Assessment district collections	\$ 6,242,998	\$ 7,763,752	\$ 14,006,750
Proceeds from debt issuance	16,240,000	-	16,240,000
Income (loss) from property and investments	171,184	(1,219)	169,965
Taxes	1,308,000	-	1,308,000
Miscellaneous	4,418,368	-	4,418,368
Total additions	28,380,550	7,762,533	36,143,083
DEDUCTIONS			
Distributions to beneficiaries	-	6,054,378	6,054,378
Administrative expenses	-	162,596	162,596
Debt refunding	22,236,632	-	22,236,632
Bond interest expense and fees	1,544,538	-	1,544,538
Principal expense	2,365,000	-	2,365,000
Other deductions	2,234,380	-	2,234,380
Total deductions	28,380,550	6,216,974	34,597,524
Net increase (decrease) in fiduciary net position	-	1,545,559	1,545,559
Net position-beginning, restated	-	5,471,410	5,471,410
Net position-ending	\$ -	\$ 7,016,969	\$ 7,016,969



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Statistical Section

This section of the City of Carlsbad’s Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city’s overall financial health.

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These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.

Revenue Capacity

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These schedules contain information to help the reader assess the city’s water and wastewater revenue sources as well as the city’s most significant local revenue source, property taxes.

Debt Capacity

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These schedules present information to help the reader assess the affordability of the city’s current levels of outstanding debt, and the city’s ability to issue additional debt in the future.

Demographic and Economic Information

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These schedules offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.

Operating Information

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These schedules contain service and infrastructure data to help the reader understand how the information in the city’s financial report relates to the services the city provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.



Net Position by Component
Last Ten Fiscal Years
(dollars in thousands)

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Governmental activities				
Net investment in capital assets	\$ 784,210	\$ 783,298	\$ 788,035	\$ 788,078
Restricted for:				
Capital projects	175,468	178,228	176,279	183,245
Lighting and landscaping districts	4,703	5,263	5,921	6,527
Affordable housing	39,317	39,544	40,390	40,528
Habitat and agricultural mitigation management	1,713	1,708	1,758	1,805
Other purposes	3,774	3,059	2,948	2,818
Unrestricted	<u>328,602</u>	<u>223,522</u>	<u>245,078</u>	<u>249,816</u>
Total governmental activities net position	<u>\$ 1,337,787</u>	<u>\$ 1,234,622</u> ¹	<u>\$ 1,260,409</u>	<u>\$ 1,272,817</u>
Business-type activities				
Net investment in capital assets	\$ 305,681	\$ 307,122	\$ 317,927	\$ 344,836
Restricted for:				
Capital projects	46,632	47,315	45,950	40,098
Unrestricted	<u>66,083</u>	<u>69,922</u>	<u>73,285</u>	<u>85,153</u>
Total business-type activities net position	<u>\$ 418,396</u>	<u>\$ 424,359</u> ¹	<u>\$ 437,162</u>	<u>\$ 470,087</u>
Total government				
Net investment in capital assets	\$ 1,089,891	\$ 1,090,420	\$ 1,105,962	\$ 1,132,914
Restricted for:				
Capital projects	222,100	225,543	222,229	223,343
Lighting and landscaping districts	4,703	5,263	5,921	6,527
Affordable housing	39,317	39,544	40,390	40,528
Habitat and agricultural mitigation management	1,713	1,708	1,758	1,805
Other purposes	3,774	3,059	2,948	2,818
Unrestricted	<u>394,685</u>	<u>293,444</u>	<u>318,363</u>	<u>334,969</u>
Total net position	<u>\$ 1,756,183</u>	<u>\$ 1,658,981</u>	<u>\$ 1,697,571</u>	<u>\$ 1,742,904</u>

Source: City of Carlsbad Annual Comprehensive Financial Reports

¹ Net position for the prior year was restated in FY 2014-15, to reflect the application of GASB 68, Accounting & Financial Reporting for Pensions.

² Habitat and agricultural mitigation management was combined with other purposes in FY 2019-20 due to immateriality.

³ In FY 2020-21 a transfer of \$47 million was made from the General Fund to the Golf Course Fund. The recorded advance from the General Fund to the Golf Course Fund was removed as it was determined that repayment of the advance is not projected in the near or foreseeable future.

<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
\$ 793,090	\$ 786,965	\$ 791,124	\$ 789,335	\$ 808,515	\$ 809,083
182,811	194,434	206,067	212,636	191,967	192,629
7,307	8,025	8,967	9,225	9,635	9,897
41,500	43,588	44,885	40,988	41,413	41,801
1,640	1,524	- ²	-	-	-
2,800	4,329	5,444	6,251	6,254	4,903
<u>262,023</u>	<u>289,000</u>	<u>286,386</u>	<u>249,699</u> ³	<u>263,633</u>	<u>266,786</u>
<u>\$ 1,291,171</u>	<u>\$ 1,327,865</u>	<u>\$ 1,342,873</u>	<u>\$ 1,308,134</u>	<u>\$ 1,321,417</u>	<u>\$ 1,325,099</u>
\$ 349,548	\$ 346,628	\$ 351,153	\$ 361,477	\$ 355,487	\$ 352,494
39,522	38,540	41,244	41,462	38,949	38,437
<u>88,576</u>	<u>97,509</u>	<u>94,140</u>	<u>149,954</u> ³	<u>151,766</u>	<u>157,191</u>
<u>\$ 477,646</u>	<u>\$ 482,677</u>	<u>\$ 486,537</u>	<u>\$ 552,893</u>	<u>\$ 546,202</u>	<u>\$ 548,122</u>
\$ 1,142,638	\$ 1,133,593	\$ 1,142,277	\$ 1,150,812	\$ 1,164,002	\$ 1,161,577
222,333	232,974	247,311	254,098	230,916	231,066
7,307	8,025	8,967	9,225	9,635	9,897
41,500	43,588	44,885	40,988	41,413	41,801
1,640	1,524	- ²	-	-	-
2,800	4,329	5,444	6,251	6,254	4,903
<u>350,599</u>	<u>386,509</u>	<u>380,526</u>	<u>399,653</u>	<u>415,399</u>	<u>423,977</u>
<u>\$ 1,768,817</u>	<u>\$ 1,810,542</u>	<u>\$ 1,829,410</u>	<u>\$ 1,861,027</u>	<u>\$ 1,867,619</u>	<u>\$ 1,873,221</u>



Changes in Net Position
Last Ten Fiscal Years
(dollars in thousands)

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Expenses				
Governmental activities				
General government	\$ 20,187	\$ 16,108	\$ 16,147	\$ 18,374
Public safety	48,942	48,856	50,463	55,994
Community services	45,341	48,630	51,191	54,212
Public works	30,314	36,273	37,464	34,317
Interest and fiscal charges on long-term debt	<u>1</u>	<u>-</u>	<u>1</u>	<u>3</u>
Total governmental activities	<u>144,785</u>	<u>149,867</u>	<u>155,266</u>	<u>162,900</u>
Business-type activities				
Carlsbad Municipal Water District	43,547	40,897	39,458	45,219
Golf course	11,032	10,538	10,545	10,211
Wastewater	12,488	12,629	12,613	12,626
Solid waste	<u>2,856</u>	<u>2,973</u>	<u>2,997</u>	<u>3,272</u>
Total business-type activities	<u>69,923</u>	<u>67,037</u>	<u>65,613</u>	<u>71,328</u>
Total government	<u>\$ 214,708</u>	<u>\$ 216,904</u>	<u>\$ 220,879</u>	<u>\$ 234,228</u>
Program Revenues				
Governmental activities				
Charges for services:				
General government	\$ 289	\$ 1,382	\$ 296	\$ 327
Public safety	3,950	4,220	3,980	4,647
Community services	8,732	10,534	10,711	12,154
Public works	3,720	4,014	4,152	3,952
Operating contributions and grants	11,919	12,242	11,912	12,630
Capital contributions and grants	<u>16,129</u>	<u>19,105</u>	<u>12,042</u> ²	<u>22,789</u>
Total governmental activities	<u>44,739</u>	<u>51,497</u>	<u>43,093</u>	<u>56,499</u>
Business-type activities				
Charges for services:				
Carlsbad Municipal Water District	46,750	47,461	39,854 ³	44,817
Golf course	6,635	6,709	6,988	7,119
Wastewater	12,896	12,875	12,963	13,467
Solid waste	3,320	3,245	3,206	3,302
Operating contributions and grants	90	59	5,646	2,471
Capital contributions and grants	<u>3,198</u>	<u>5,879</u>	<u>2,011</u>	<u>13,322</u>
Total business-type activities	<u>72,889</u>	<u>76,228</u>	<u>70,668</u>	<u>84,498</u>
Total government	<u>\$ 117,628</u>	<u>\$ 127,725</u>	<u>\$ 113,761</u>	<u>\$ 140,997</u>
Net (Expense)/Revenue:				
Governmental activities	\$ (100,046)	\$ (98,370)	\$ (112,173)	\$ (106,401)
Business-type activities	<u>2,966</u>	<u>9,191</u>	<u>5,055</u>	<u>13,170</u>
Total government net expense	<u>\$ (97,080)</u>	<u>\$ (89,179)</u>	<u>\$ (107,118)</u>	<u>\$ (93,231)</u>

<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
\$ 25,192 ⁵	\$ 22,234	\$ 24,267	\$ 20,003	\$ 14,806	\$ 22,768
62,630 ⁵	67,968	75,249	80,295	81,130	99,484
51,897	57,978	60,771	57,654	58,954	76,374
36,875	36,897	41,419	35,481	39,204	54,124
<u>2</u>	<u>4</u>	<u>2</u>	<u>-</u>	<u>14</u>	<u>21</u>
<u>176,596</u>	<u>185,081</u>	<u>201,708</u>	<u>193,433</u>	<u>194,108</u>	<u>252,771</u>
51,658	51,638	51,198	56,319	53,598	54,178
10,560	11,035	10,252	10,280	11,708	12,198
13,495	15,238	16,931	9,063	17,905	20,194
<u>3,089</u>	<u>3,840</u>	<u>4,382</u>	<u>5,086</u>	<u>4,738</u>	<u>5,405</u>
<u>78,802</u>	<u>81,751</u>	<u>82,763</u>	<u>80,748</u>	<u>87,949</u>	<u>91,975</u>
<u>\$ 255,398</u>	<u>\$ 266,832</u>	<u>\$ 284,471</u>	<u>\$ 274,181</u>	<u>\$ 282,057</u>	<u>\$ 344,746</u>
\$ 816	\$ 1,679	\$ 1,030	\$ 1,260	\$ 627	\$ 634
4,805	4,784	4,711	5,020	5,899	6,505
11,588	10,755	9,324	8,080	8,671	9,423
3,768	4,574	4,142	5,662	4,247	3,505
13,054	17,307	18,437	26,459	20,382	14,060
<u>22,993</u>	<u>13,842</u>	<u>16,802</u>	<u>9,565</u>	<u>9,922</u>	<u>12,967</u>
<u>57,024</u>	<u>52,941</u>	<u>54,446</u>	<u>56,046</u>	<u>49,748</u>	<u>47,094</u>
50,095	46,431	46,332	49,668	49,194	46,102
7,973	7,979	6,637	8,108	10,424	10,967
13,885	14,099	13,849	14,027	16,282	19,616
3,427	3,440	3,563	3,387	3,684	2,245
1,611	1,260	399	3,484	183	209
<u>5,484</u>	<u>4,864</u>	<u>6,327</u>	<u>7,601</u>	<u>858</u>	<u>5,189</u>
<u>82,475</u>	<u>78,073</u>	<u>77,107</u>	<u>86,275</u>	<u>80,625</u>	<u>84,328</u>
<u>\$ 139,499</u>	<u>\$ 131,014</u>	<u>\$ 131,553</u>	<u>\$ 142,321</u>	<u>\$ 130,373</u>	<u>\$ 131,422</u>
\$ (119,572)	\$ (132,140)	\$ (147,262)	\$ (137,387)	\$ (144,360)	\$ (205,677)
<u>3,673</u>	<u>(3,678)</u>	<u>(5,656)</u>	<u>5,527</u>	<u>(7,324)</u>	<u>(7,647)</u>
<u>\$ (115,899)</u>	<u>\$ (135,818)</u>	<u>\$ (152,918)</u>	<u>\$ (131,860)</u>	<u>\$ (151,684)</u>	<u>\$ (213,324)</u>

(continued)



Changes in Net Position (continued)

Last Ten Fiscal Years

(dollars in thousands)

	2013-14	2014-15	2015-16	2016-17
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes:				
Property taxes	\$ 52,608	\$ 55,992	\$ 58,945	\$ 63,988
Sales and use taxes	30,520	32,146	34,843	33,999
Transient occupancy taxes	17,472	19,713	20,943	22,267
Franchise taxes	4,907	5,427	5,632	5,475
Business license taxes	4,177	4,548	4,895	4,328
Real property transfer taxes	1,080	1,406	1,546	1,393
Use of money and property	6,917	4,564	11,910 ⁴	1,975
Other general revenues	429	609	486	451
Extraordinary gain/(loss)	(10,289) ¹	-	-	-
Special items-Golf Course debt	-	-	-	-
Transfers	(1,188)	(1,264)	(1,240)	(15,067)
Total governmental activities	106,633	123,141	137,960	118,809
Business type activities				
Property taxes	2,897	3,133	3,306	3,569
Income from property and investments	2,498	1,870	3,163	749
Other general revenues	99	623	39	370
Transfers	1,188	1,264	1,240	15,067
Special items-Golf Course debt	-	-	-	-
Total business-type activities	6,682	6,890	7,748	19,755
Total government	\$ 113,315	\$ 130,031	\$ 145,708	\$ 138,564
Change in Net Position				
Governmental activities	\$ 6,587	\$ 24,771	\$ 25,787	\$ 12,408
Business-type activities	9,648	16,081	12,803	32,925
Total government	\$ 16,235	\$ 40,852	\$ 38,590	\$ 45,333

Source: City of Carlsbad Annual Comprehensive Financial Reports

¹ The extraordinary loss in FY 2013-14 resulted from the restatement of accrued interest on prior year advances made by the city to the Successor Housing Agency per California state mandate.

² The decrease in FY 2015-16 was a result of one-time funds received from the federal government in the previous fiscal year for the 2014 Poinsettia Fire, as well as the receipt of retroactive mandated cost reimbursements.

³ The decrease in FY 2015-16 was a result of a decrease in water sales during the fiscal year from drought conservation measures.

⁴ The increase in FY 2015-16 is a result of higher cash balances that generate interest, an increase in investment earnings, and interest received from the California Department of Finance earned on unpaid mandated costs.

⁵ The increase in FY 2017-18 is mainly due to changes in the city's pension discount rate.

⁶ The decrease in FY 2020-21 in income from property and investments was caused by unrealized losses created by adjusting the city's investments to fair market value at June 30, 2021 and a decrease in the average yield on the treasurer's portfolio for the year.

⁷ In FY 2020-21 a transfer of \$47 million was made from the General Fund to the Golf Course Fund. The recorded advance from the General Fund to the Golf Course Fund was removed as it was determined that repayment of the advance is not projected in the near or foreseeable future.

⁸ Decrease in investment income for FY 2021-22 is due to the required fair value adjustment at fiscal year end (per GASB 31).

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
\$	66,524	\$ 69,952	\$ 73,885	\$ 78,239	\$ 81,012	\$ 88,196
	33,674	38,510	36,491	42,579	51,175	56,187
	24,233	26,320	18,898	15,584	32,403	34,280
	5,812	6,100	5,864	5,774	6,371	7,834
	5,026	5,322	5,414	5,705	6,619	6,357
	1,463	1,715	1,247	1,786	2,179	1,367
	2,551	20,695	20,239	5,036 ⁶	(22,063) ⁸	10,988
	519	439	559	516	1,262	4,483
	-	-	-	-	-	-
	-	-	-	(8,427) ⁷	-	-
	(136)	(219)	(303)	(47,273) ⁷	(1,316)	(332)
	<u>139,666</u>	<u>168,834</u>	<u>162,294</u>	<u>99,519</u>	<u>157,642</u>	<u>209,360</u>
	3,743	4,002	4,226	4,491	4,715	5,130
	986	7,784	4,963	639 ⁶	(7,656) ⁸	2,579
	3	113	-	-	2,258	1,526
	136	219	303	47,273 ⁷	1,316	332
	-	-	-	8,427 ⁷	-	-
	<u>4,868</u>	<u>12,118</u>	<u>9,492</u>	<u>60,830</u>	<u>633</u>	<u>9,567</u>
\$	<u>144,534</u>	<u>\$ 180,952</u>	<u>\$ 171,786</u>	<u>\$ 160,349</u>	<u>\$ 158,275</u>	<u>\$ 218,927</u>
\$	20,094	\$ 36,694	\$ 15,032	\$ (37,868)	\$ 13,282	\$ 3,683
	8,541	8,440	3,836	66,357	(6,691)	1,920
\$	<u>28,635</u>	<u>\$ 45,134</u>	<u>\$ 18,868</u>	<u>\$ 28,489</u>	<u>\$ 6,591</u>	<u>\$ 5,603</u>



Fund Balances of Governmental Funds
Last Ten Fiscal Years
(dollars in thousands)

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
General Fund					
Nonspendable	\$ 56,707	\$ 56,381	\$ 55,324	\$ 53,751	\$ 51,628
Committed	1,000	1,000	1,000	1,000	1,000
Assigned	27,838	40,865	42,692	38,439	43,855
Unassigned	75,615	80,274	94,404	78,191	82,570
Total General Fund	<u>\$ 161,160</u>	<u>\$ 178,520</u>	<u>\$ 193,420</u>	<u>\$ 171,381</u>	<u>\$ 179,053</u>
All Other Governmental Funds					
Nonspendable					
Special revenue funds	\$ 430	\$ 3	\$ 4	\$ 1	\$ 1
Capital project funds	-	-	-	-	-
Restricted					
Special revenue funds	66,833	66,300	51,013 ¹	51,677	53,246
Capital project funds	157,712	161,499	176,280 ¹	183,245	182,812
Assigned					
Capital project funds	131,627	136,237	131,939	146,994	151,306
Unassigned					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 356,602</u>	<u>\$ 364,039</u>	<u>\$ 359,236</u>	<u>\$ 381,917</u>	<u>\$ 387,365</u>

Source: City of Carlsbad Annual Comprehensive Financial Reports

¹ Beginning in FY 2015-16, the Gas Tax fund balance was reclassified from a Special Revenue fund to a Capital Project fund.

² In FY 2019-20, the General Fund advanced money to the Habitat Mitigation Fund, a Special Revenue fund, to be repaid to the General Fund once funds are available.

³ In FY 2020-21 a transfer of \$47 million was made from the General Fund to the Golf Course Fund. The recorded advance from the General Fund to the Golf Course Fund was removed as it was determined that repayment of the advance is not projected in the near or foreseeable future.

<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
\$ 49,608	\$ 49,008	\$ 3,446 ³	\$ 2,211	\$ 1,799
1,000	1,000	1,000	1,000	1,000
33,367	30,733	56,115	48,982	43,210
101,701	110,122	99,260	109,946	136,840
<u>\$ 185,676</u>	<u>\$ 190,863</u>	<u>\$ 159,821</u>	<u>\$ 162,139</u>	<u>\$ 182,849</u>
\$ 1	\$ 1	\$ 1	\$ 3	\$ -
-	-	-	157	376
57,465	59,295	56,465	57,302	56,603
194,434	206,067	212,635	191,967	192,629
162,139	165,267	166,206	164,349	158,288
-	(234) ²	(228)	(17)	(15)
-	-	-	(885)	-
<u>\$ 414,039</u>	<u>\$ 430,396</u>	<u>\$ 435,079</u>	<u>\$ 412,876</u>	<u>\$ 407,881</u>



Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(dollars in thousands)

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Revenues:				
Taxes	\$ 114,996	\$ 123,411 ²	\$ 129,617	\$ 134,165
Intergovernmental	10,602	10,359	11,290	11,963
Licenses and permits	2,184	2,369	2,467	3,034
Charges for services	11,278	13,181	12,913	14,309
Fines and forfeitures	876	837	854	740
Use of money and property	7,604	6,442	9,970	3,845
Contributions from property owners	9,042	10,688	8,009	13,330
Contributions	210	440	417	349
Miscellaneous	1,219	2,550	1,503	1,467
Total revenues	<u>158,011</u>	<u>170,277</u>	<u>177,040</u>	<u>183,202</u>
Expenditures:				
Current:				
General government	21,471	17,903	17,221	27,925
Less: Interdepartmental charges	(3,566)	(3,807)	(3,471)	(3,345)
Public safety	47,333	48,915	52,015	57,329
Community services	41,505	44,501	46,298	48,930
Public works	15,442	16,350	17,465	17,349
Capital outlay	18,702	20,050	34,669	17,603
Debt service:				
Principal retirement	159	-	-	-
Interest and fiscal charges	5	5	6	5
Total expenditures	<u>141,051</u>	<u>143,917</u>	<u>164,203</u>	<u>165,796</u>
Excess (deficiency) of revenues over (under) expenditures	16,960	26,360	12,837	17,406
Other financing sources (uses):				
Transfers in	11,477	14,857	9,970	20,849
Transfers out	(16,415)	(16,420)	(12,710)	(37,613) ³
Proceeds from sale of capital asset	-	-	-	-
Proceeds from leases	-	-	-	-
Total other financing sources (uses)	<u>(4,938)</u>	<u>(1,563)</u>	<u>(2,740)</u>	<u>(16,764)</u>
Net change in fund balances	<u>\$ 12,022</u>	<u>\$ 24,797</u>	<u>\$ 10,097</u>	<u>\$ 642</u>
Debt service as percentage of noncapital expenditures ¹	0.13%	0.00%	0.00%	0.00%

Source: City of Carlsbad Annual Comprehensive Financial Reports

¹ Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the Government-wide Statement of Net Position) and expenditures for capitalized assets included within the functional expenditure categories.

² Increase in taxes in FY 2014-15 due to growth in property and TOT taxes.

³ Includes a transfer out to the Golf Course Fund in the amount of \$14.8 million for the defeasance of the golf course construction bonds during FY 2016-17.

⁴ Increase in investment income for FY 2018-19 is due to an increase in the average yield on the investment portfolio for the year as well as an increase due to the required fair value adjustment done on investments at fiscal year end (per GASB 31).

⁵ Increase in public safety expenditures in FY 2018-19 is due to a voluntary \$14.2 million additional payment to CalPERS to reduce the city's unfunded pension liability in the safety plan.

⁶ Decrease in tax revenue for sales and transient occupancy taxes for FY 2020-21 is due to the effects of the COVID-19 pandemic and resulting stay at home orders on sales and transient occupancy taxes.

⁷ Decrease in investment income for FY 2021-22 is due to the required fair value adjustment done on investments at fiscal year end (per GASB 31).

	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
\$	141,118	\$ 154,673	\$ 147,535	⁶ \$ 155,462	\$ 184,832	\$ 199,742
	11,608	14,647	15,505	23,653	20,933	16,724
	2,999	2,668	2,739	2,399	3,233	3,710
	14,145	13,221	11,525	11,615	14,959	15,163
	679	581	760	429	346	390
	4,622	23,275	⁴ 24,989	7,018	(20,118)	⁷ 11,066
	12,898	10,301	6,623	5,850	3,200	4,915
	332	1,385	426	321	381	314
	1,991	3,316	2,641	1,786	1,262	3,969
	<u>190,392</u>	<u>224,067</u>	<u>212,743</u>	<u>208,533</u>	<u>209,028</u>	<u>255,993</u>
	26,625	24,033	25,762	22,450	22,433	23,428
	(3,160)	(4,581)	(5,052)	(5,146)	(5,315)	(5,991)
	58,568	77,550	⁵ 70,997	78,731	82,225	85,829
	49,039	52,951	56,931	53,267	59,491	65,514
	17,220	18,380	19,995	19,991	22,056	25,337
	26,885	20,703	22,171	21,390	47,015	35,578
	10	10	11	8	3	-
	7	5	12	17	15	22
	<u>175,194</u>	<u>189,051</u>	<u>190,827</u>	<u>190,708</u>	<u>227,923</u>	<u>229,717</u>
	15,198	35,016	21,916	17,825	(18,895)	26,276
	11,513	11,881	11,183	9,760	25,974	13,428
	(13,590)	(13,600)	(11,486)	(57,073)	(27,189)	(24,368)
	-	-	-	-	200	379
	-	-	-	-	25	-
	<u>(2,077)</u>	<u>(1,719)</u>	<u>(303)</u>	<u>(47,313)</u>	<u>(990)</u>	<u>(10,561)</u>
\$	<u>13,121</u>	<u>\$ 33,297</u>	<u>\$ 21,613</u>	<u>\$ (29,488)</u>	<u>\$ (19,885)</u>	<u>\$ 15,715</u>
	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%



General Governmental Tax Revenues by Source

Last Ten Fiscal Years

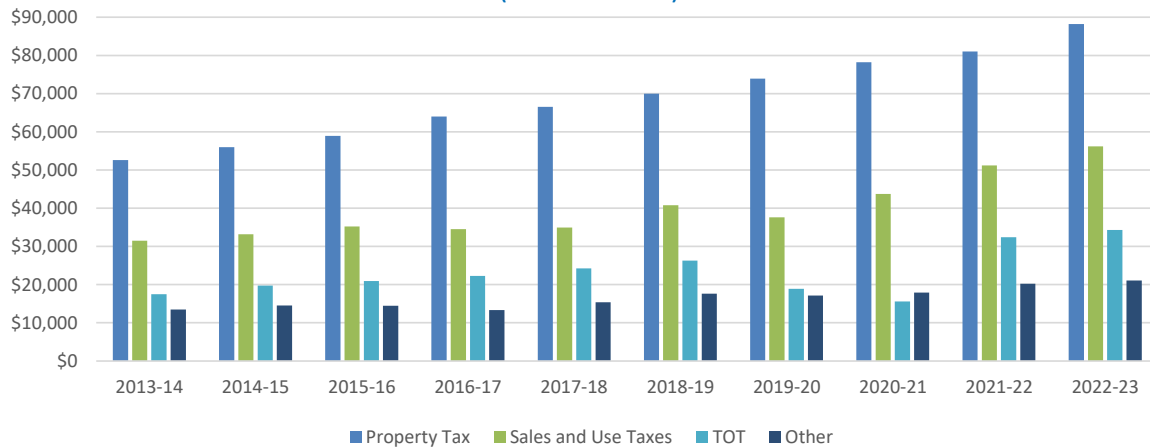
(dollars in thousands)

Fiscal Year	Property Tax *	Sales and Use Taxes	Transient Occupancy Taxes	Franchise Taxes	Business License Taxes	Real Property Transfer Taxes	Gas Tax	Total Tax Revenue
2013-14	\$ 52,607	\$ 31,464	\$ 17,472	\$ 4,907	\$ 4,178	\$ 1,080	\$ 3,288	\$ 114,996
2014-15	55,992 ¹	33,202	19,713 ²	5,427	4,548	1,406	3,123	123,411
2015-16	58,946	35,232	20,943	5,632	4,895	1,545	2,424	129,617
2016-17	63,988 ¹	34,543	22,267 ³	5,475	4,328	1,393	2,171	134,165
2017-18	66,523	34,972	24,234 ⁴	5,812	5,026 ⁵	1,463	3,088 ⁶	141,118
2018-19	69,952	40,795 ⁷	26,320	6,100	5,322	1,715	4,469	154,673
2019-20	73,889	37,585 ⁸	18,898 ⁸	5,864	5,414	1,247	4,638	147,535
2020-21	78,247	43,726	15,584 ⁸	5,774	5,705	1,786	4,640	155,462
2021-22	81,012	51,175	32,403	6,371	6,619	2,179	5,073	184,832
2022-23	88,196	56,187	34,280	7,834	6,357	1,367	5,521	199,742

Percentage change from FY 2013-14 to FY 2022-23:

68%	79%	96%	60%	52%	27%	68%	74%
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Total General Governmental Tax Revenues - Last Ten Fiscal Years
(in thousands)



Source: City of Carlsbad Annual Comprehensive Financial Reports

* Property Tax category also includes Vehicle License Fees (VLF) in lieu, property tax increment and CFD No. 1 special taxes.

¹ Reflects improvement in the housing market and new construction.

² The increase in TOT in FY 2014-15 is due to the openings of several new hotels and higher occupancy and room rates throughout the city.

³ The increase in TOT in FY 2016-17 is due to higher room rates throughout most of the city's hotels and an increase in available rooms.

⁴ The increase in TOT in FY 2017-18 is due to higher room rates throughout most of the city's hotels and an opening of a new hotel.

⁵ The increase in Business License Taxes in FY 2017-18 is due to a significant number of delinquent payments being collected.

⁶ The increase in Gas Taxes in FY 2017-18 is due to new ongoing allocations received from the state's Road Maintenance and Rehabilitation Account.

⁷ The increase in Sales and Use Taxes in FY 2018-19 is due to overall growth and the ending of the state's sales and use tax "triple flip" in FY 2017-18.

⁸ The decreases in tax revenue for sales tax for FY 2019-20 and transient occupancy taxes for FY 2019-20 and FY 2020-21 is due to the effects of the COVID-19 pandemic and resulting stay at home orders on sales and transient occupancy taxes.



Water and Wastewater Rates
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water</u>		<u>Wastewater</u>
	<u>Monthly Delivery Charge</u>	<u>Base Price Per Unit¹</u>	<u>Monthly Base Rate</u>
2013-14	\$20.07	\$3.19	\$25.52
2014-15	21.08	3.35	26.03
2015-16	22.19	3.53	27.81
2016-17	24.11	3.84	27.81
2017-18	24.72	3.94	27.81
2018-19	24.72	3.94	27.81
2019-20	25.02	4.04	28.66
2020-21	25.52	4.13	29.52
2021-22	27.81	3.84	35.93
2022-23	28.37	3.92	43.11

Source: City of Carlsbad

Note: Rates shown are for a 5/8" meter, which is the standard household meter size.

¹ One unit of water equals 748 gallons. The base price shown is for tier 1, which applies to the first 12 units of usage per month at a single family residence.



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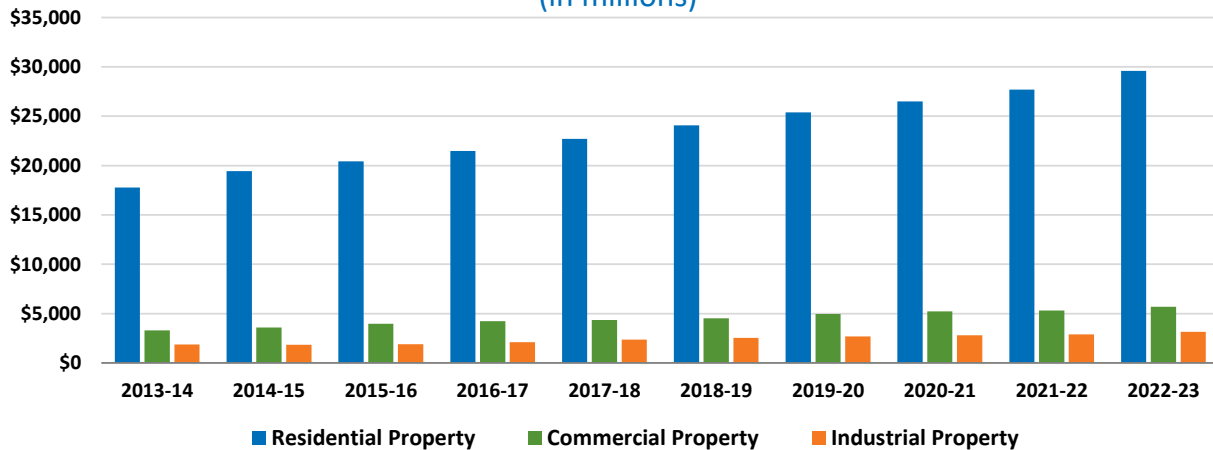


Assessed Value of Taxable Property

Last Ten Fiscal Years
(dollars in millions)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Exemptions and Other Taxable Property ¹	Net Assessed Valuation	Change From Prior Year	Estimated Property Tax Revenue ²	Total Direct Tax Rate ³
2013-14	\$ 17,774	\$ 3,298	\$ 1,871	\$ 580	\$ 23,523	2.47%	0	0.1927%
2014-15	19,450	3,603	1,847	589	25,489	8.36	49	0.1927
2015-16	20,431	3,973	1,909	612	26,925	5.63	52	0.1927
2016-17	21,472	4,238	2,092	622	28,424	5.57	55	0.1927
2017-18	22,707	4,355	2,378	555	29,995	5.53	58	0.1927
2018-19	24,077	4,528	2,541	490	31,636	5.47	61	0.1927
2019-20	25,379	4,964	2,673	640	33,656	6.39	65	0.1927
2020-21	26,507	5,224	2,809	677	35,217	4.64	68	0.1927
2021-22	27,697	5,325	2,883	457	36,362	3.25	70	0.1927
2022-23	29,579	5,698	3,141	748	39,166	7.71	75	0.1927

Taxable Assessed Property Value Last Ten Fiscal Years (in millions)



Source: County of San Diego, California Auditor and Controller's Office

Notes: Information about estimated actual value of property is not available; the assessed value is based on the most recent sales value and includes secured property only.

¹ Other property includes farm, rural, institutional, recreational, state secured property, unsecured property, personal property and fixtures.

² Estimated property tax revenues do not include special assessments, redevelopment tax increment or community facilities district revenues.

³ The total direct tax rate is the city's proportionate share of Proposition 13 property taxes collected within the tax rate area.



Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per \$100 of assessed value)

Allocation of 1% Ad Valorem Property Taxes

Overlapping Rates for Tax Rate Area 09000¹

Fiscal Year	City of Carlsbad Total Direct Rate ²	Carlsbad Unified School District	San Diego County	Educational Revenue Augmentation Fund	Mira Costa Community College	Tri City Hospital District	All Other Rates	Total Prop 13 Rate ³	Voter Approved Debt ⁴	Total Tax Rate ⁵
2012-13	0.1927%	0.3412%	0.1576%	0.1497%	0.0937%	0.0198%	0.0453%	1.0000%	0.0768%	1.0768%
2013-14	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0743	1.0743
2014-15	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0710	1.0710
2015-16	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0681	1.0681
2016-17	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0563	1.0563
2017-18	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0791	1.0791
2018-19	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0758	1.0758
2019-20	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.1015	1.1015
2020-21	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0999	1.0999
2021-22	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0961	1.0961
2022-23	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0827	1.0827

Source: County of San Diego, California Auditor and Controller's Office

¹ The tax rate history above is for Tax Rate Area 09000, which has the highest total assessed value of the all the tax rate areas in the city. Tax Rate Area 09000 was chosen as the most representative for the city.

² The city has no general obligation bonds; therefore the Basic Tax Rate is the same as the Total Direct Tax Rate.

³ In 1978, California voters passed Proposition 13 which limited property taxes to a total maximum rate of 1.00% based on the assessed value of each property being taxed. This 1.00% is shared by all taxing agencies within a tax rate area.

Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the purchase price of the property becomes the new assessed value.

⁴ The majority of voter approved debt is related to various school district and hospital bonds.

⁵ The Total Tax Rate is the 1.00% Proposition 13 rate plus the Voter Approved Debt rate.



Direct and Overlapping Property Tax Rates (continued)

Last Ten Fiscal Years

(rate per \$100 of assessed value)

Fiscal Year 2022-23 Voter Approved Debt Tax Rates for all Rate Areas

Total Tax Rates ¹	County Tax Rate Areas ²	Carlsbad Unified Schools	Oceanside Unified Schools	San Marcos Unified Schools	Vista Unified Schools	Encinitas Union Schools	Mira Costa Comm. College	Palomar Comm. College	Palomar Health District	MWD / SDCWA ³	Total Voter Approved Rates ⁴
1.0509%	1	0.0000%	0.0000%	0.0000%	0.0000%	0.0374%	0.0136%	0.0000%	0.0000%	0.0000%	0.0509%
1.0544	35	-	-	-	-	0.0374	0.0136	-	-	0.0035	0.0544
1.0599	3	-	-	-	-	0.0374	-	0.0191	-	0.0035	0.0599
1.0697	1	-	-	0.0527	-	-	0.0136	-	-	0.0035	0.0697
1.0752	24	-	-	0.0527	-	-	-	0.0191	-	0.0035	0.0752
1.0792	3	0.0657	-	-	-	-	0.0136	-	-	-	0.0792
1.0827	54	0.0657	-	-	-	-	0.0136	-	-	0.0035	0.0827
1.0882	3	0.0657	-	-	-	-	-	0.0191	-	0.0035	0.0882
1.1005	5	-	-	-	0.0780	-	-	0.0191	-	0.0035	0.1005
1.1067	1	-	-	0.0527	-	-	0.0136	-	0.0370	0.0035	0.1067
1.1105	1	-	0.0934	-	-	-	0.0136	-	-	0.0035	0.1105
1.1122	11	-	-	0.0527	-	-	-	0.0191	0.0370	0.0035	0.1122
1.1197	1	0.0657	-	-	-	-	0.0136	-	0.0370	0.0035	0.1197

Source: County of San Diego, California Auditor and Controller's Office

¹ The Total Tax Rate is the 1.00% Proposition 13 rate plus the Voter Approved Debt rate.

² Tax rate areas are determined by the County of San Diego. There are currently thirteen tax rates distributed among the 143 tax rate areas of the city. The table above shows the number of tax rate areas affected by each of the rates.

³ MWD is the Metropolitan Water District and SDCWA is the San Diego County Water Authority.

⁴ The majority of voter approved debt is related to various school district and hospital bonds.



**Principal Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value
Poseidon Water Desalination Plant	\$ 409,666,576	1	1.05%	\$ -		0.00%
Legoland California, LLC	327,820,135	2	0.84	154,474,945	4	0.66
La Costa Glen Retirement Community	292,107,310	3	0.75	237,951,989	1	1.01
La Costa Resort & Spa	266,638,245	4	0.68	154,564,293	3	0.66
Levine Investments Limited Partnership	188,270,008	5	0.48			
The Forum Shopping Center	185,000,000	6	0.47	183,294,000	2	0.78
The Shoppes at Carlsbad	184,003,800	7	0.47			
Grand Pacific Carlsbad	178,539,906	8	0.46			
La Costa Town Center, LLC	167,627,497	9	0.43			
Carlsbad Premium Outlets	136,151,236	10	0.35	119,247,590	6	0.51
Pacific View Apartments				121,068,995	5	0.51
Park Hyatt Aviara Resort				109,000,000	7	0.46
Westfield Plaza Camino Real				106,242,991	8	0.45
HG Fenton Company				82,289,360	9	0.35
Eaves by Avalon Apartment Homes				81,151,200	10	0.34
Total	\$ 2,335,824,713		5.96%	\$ 1,349,285,363		5.74%
Net assessed valuation	\$ 39,165,587,905			\$ 23,522,746,301		

Source: County of San Diego, California Assessor's Office

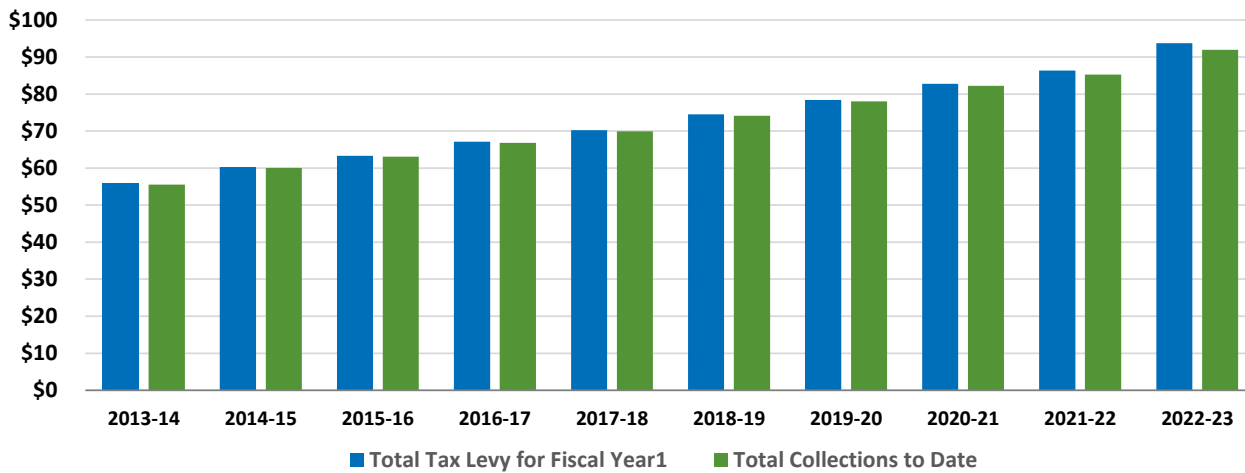


Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year ¹	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount ²	Percentage of Levy		Amount	Percentage of Levy
2013-14	\$55,883,499	\$55,042,944	98.50%	\$527,889	\$55,570,833	99.44%
2014-15	60,266,230	59,509,285	98.74	553,135	60,062,420	99.66
2015-16	63,363,527	62,595,504	98.79	499,058	63,094,562	99.58
2016-17	67,116,590	66,233,111	98.68	582,089	66,815,200	99.55
2017-18	70,221,876	69,383,391	98.81	570,803	69,954,194	99.62
2018-19	74,560,530	73,518,065	98.60	617,798	74,135,863	99.43
2019-20	78,446,259	77,076,471	98.25	969,436	78,045,907	99.49
2020-21	82,787,902	81,504,185	98.45	732,233	82,236,418	99.33
2021-22	86,318,392	84,678,789	98.10	596,589	85,275,378	98.79
2022-23	93,757,415	91,921,624	98.04	N/A	91,921,624	98.04

Property Tax Levies & Collections Last Ten Fiscal Years (in millions)



Source: County of San Diego, California Auditor and Controller's Office

¹ Includes real property transfer taxes, homeowner exemptions and Proposition 172 public safety sales taxes.

² Total collections include secured, unsecured, homeowners' exception and supplementary amounts distributed by the county.



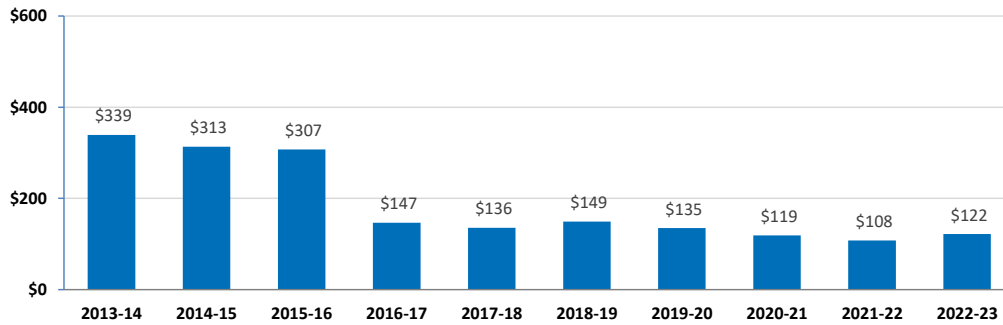
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Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
 (dollars in thousands except per capita)

Fiscal Year	Governmental Activities		Business-Type Activities			Total	Percentage of Personal Income	Per Capita
	Leases	Subscription Based Information Technology Arrangements	Bonds/Special Debt ¹	Installment Purchase Agreements	Loan Payable ²			
2013-14	\$ -	\$ -	\$ 16,645	\$ 905	\$ 19,837	\$ 37,387	0.77%	\$ 339.36
2014-15	-	-	16,260	-	18,429	34,689	0.71	313.49
2015-16	970	-	16,058	-	17,670	34,698	0.60	307.25
2016-17	784	-	- ⁴	-	15,901	16,685	0.28	146.71
2017-18	588	-	-	-	14,944	15,532	0.24	135.51
2018-19	378	-	-	-	16,827	17,205	0.25	149.30
2019-20	156	-	-	-	15,327	15,483	0.25	135.27
2020-21	-	-	-	-	13,750	13,750	0.18	119.05
2021-22	22	-	-	-	12,444	12,466	0.14	107.85
2022-23	238	2,929	-	-	10,792	13,959	0.14	121.86

Outstanding Debt per Capita
 Last Ten Fiscal Years
 (in dollars)



Sources: MuniServices, LLC, California Department of Finance and US Census Data

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

¹ Bond/Special Debt is net of amortized premiums.

² The State Water Resources Control Board issued low interest loans for the Carlsbad Water Recycling Facility in 2005, 2006 and 2014. Varying amounts of principal and interest are due annually. Payments are funded from recycled water user fees.

³ During FY 2006-07, Carlsbad Municipal Golf Course Revenue Bonds were issued for \$18.5 million.

⁴ The Carlsbad Municipal Golf Course Revenue Bonds were defeased during FY 2016-17.



**Schedule of Direct and Overlapping Bonded Debt
Current Fiscal Year**

Fiscal Year 2022-23 Assessed Valuation:	\$40,962,813,358
Redevelopment Incremental Valuation:	<u>1,797,225,453</u>
Adjusted Assessed Valuation:	<u><u>\$39,165,587,905</u></u>

<u>Overlapping Tax and Assessment Debt:</u>	Total Debt 06/30/23	Percent Applicable¹	City's Share of Debt 6/30/23
Metropolitan Water District	\$19,215,000	1.13%	\$217,130
Mira Costa Community College District	376,155,000	27.62	103,890,249
Palomar Community College District	641,965,146	2.68	17,172,568
Carlsbad Unified School District	281,046,297	98.23	276,066,157
Carlsbad Unified School District Community Facilities District No. 1	980,000	100.00	980,000
Oceanside Unified School District	290,311,210	0.00	11,612
Vista Unified School District	232,339,882	0.82	1,909,834
Encinitas Union School District	42,125,407	29.33	12,353,697
San Marcos Unified School District	268,478,476	17.64	47,354,234
San Marcos Unified School District Community Facilities District No. 4	12,590,000	32.76	4,123,855
San Marcos Unified School District Community Facilities District No. 5	10,705,000	100.00	10,705,000
San Dieguito Union High School District	416,410,000	8.66	36,052,778
San Dieguito Union High School District Community Facilities District No. 94-2	22,110,000	98.34	21,743,637
San Dieguito Union High School District Community Facilities District No. 95-2	5,400,000	8.81	475,902
Palomar Health District	400,167,282	1.63	6,534,732
Olivenhain Municipal Water District, Assessment District No. 96-1	4,605,000	23.53	1,083,649
City of Carlsbad Community Facilities District No. 3, I.A. No. 1 & No. 2	16,315,000	100.00	16,315,000
City of Carlsbad 1915 Act Bonds	<u>17,905,000</u>	100.00	<u>17,905,000</u>
Total Overlapping Tax and Assessment Debt	<u><u>\$3,058,823,700</u></u>		<u><u>\$574,895,034</u></u>

Source: MuniServices, LLC and County of San Diego, California Auditor and Controller's Office

¹ Percentage of overlapping agency's assessed valuation located within boundaries of the city.



Schedule of Direct and Overlapping Bonded Debt (CONTINUED)

Current Fiscal Year

	Total Debt 06/30/23	Percent Applicable ¹	City's Share of Debt 6/30/23
<u>Overlapping General Fund Obligation Debt:</u>			
San Diego County General Fund Obligations	\$229,680,000	6.26%	\$14,380,265
San Diego County Pension Obligation Bonds	277,990,000	6.26	17,404,954
San Diego County Superintendent of Schools General Fund Obligations	6,935,000	6.26	434,200
Palomar Community College District General Fund Obligations	1,310,000	2.68	35,043
Carlsbad Unified School District General Fund Obligations	58,370,000	98.23	57,335,684
San Marcos Unified School District General Fund Obligations	67,817,862	17.64	11,961,714
Vista Unified School District Certificates of Participation	36,615,000	0.82	300,975
San Dieguito Union High School District General Fund Obligations	<u>12,730,000</u>	8.66	<u>1,102,163</u>
Total Overlapping General Fund Obligation Debt	\$691,447,862		\$102,954,998
<u>Overlapping Tax Increment Debt (Successor Agency):</u>	1,000,000	100.00	1,000,000 ²
Total Overlapping Debt:	\$ 3,751,271,562		\$ 678,850,032
<u>City of Carlsbad Direct Debt:</u>			
City of Carlsbad Governmental Activities Obligations	<u>\$ 3,166,970</u>	100.00	<u>\$ 3,166,970</u>
Total City of Carlsbad Direct Debt	\$ 3,166,970		\$ 3,166,970
Combined Total Debt	<u>\$ 3,754,438,532</u>		<u>\$ 682,017,002</u> ³

Source: MuniServices, LLC and County of San Diego, California Auditor and Controller's Office

¹ Percentage of overlapping agency's assessed valuation located within boundaries of the city.

² Created by the dissolution of the Redevelopment Agency in FY 2011-12.

³ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds.

Ratios to FY 2022-23 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.47%

Ratios to FY 2022-23 Adjusted Assessed Valuation:

Governmental Activities Direct Debt 0.0081%

Combined Total Debt 1.74%



Direct and Overlapping Debt

Last Ten Fiscal Years

(rate per \$1,000 of assessed value)

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
<u>Overlapping Tax and Assessment Debt:</u>			
Metropolitan Water District	\$ 0.062	\$ 0.049	\$ 0.039
Mira Costa Community College District	-	-	-
Palomar Community College District	0.361	0.562	0.520
Carlsbad Unified School District	7.921	7.073	6.370
Carlsbad Unified School District CFD No. 1	0.052	-	-
Oceanside Unified School District	-	-	-
Vista Unified School District	0.028	0.025	0.022
Encinitas Union School District	0.426	0.385	0.515
San Marcos Unified School District	2.248	2.087	1.922
San Marcos Unified School District Facility Improvement District	0.057	0.035	0.027
San Marcos Unified School District CFD No. 4	0.292	0.254	0.232
San Marcos Unified School District CFD No. 5	0.864	0.690	0.626
San Dieguito Union High School District	0.607	0.967	0.906
San Dieguito Union HS District CFD No. 94-1	0.004	0.003	0.003
San Dieguito Union HS District CFD No. 94-2	1.032	0.928	0.855
San Dieguito Union HS District CFD No. 95-2	0.023	0.021	0.019
Palomar Health District	0.336	0.308	0.285
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	0.139	0.031	0.102
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	1.000	0.903	0.836
City of Carlsbad 1915 Act Bonds	2.018	1.727	1.564
Total Overlapping Tax and Assessment Debt	<u>\$ 17.470</u>	<u>\$ 16.048</u>	<u>\$ 14.843</u>
<u>Overlapping General Fund Obligation Debt:</u>			
San Diego County General Fund Obligations	\$ 0.983	\$ 0.857	\$ 0.709
San Diego County Pension Obligation Bonds	1.865	1.664	1.497
San Diego City Superintendent of Schools General Fund Obligations	0.042	0.036	0.031
Mira Costa Community College District Certificates of Participation	0.023	0.018	0.014
Palomar Community College District General Fund Obligations	0.006	0.005	0.004
Carlsbad Unified School District General Fund Obligations	2.086	1.846	1.692
San Marcos Unified School District General Fund Obligations	0.441	0.407	0.376
Vista Unified School District Certificates of Participation	0.001	0.001	0.001
San Dieguito Union High School District General Fund Obligations	0.049	0.047	0.044
Total Overlapping General Fund Obligation Debt	<u>\$ 5.496</u>	<u>\$ 4.881</u>	<u>\$ 4.368</u>
<u>Overlapping Tax Increment Debt (Successor Agency):</u>	<u>\$ 0.341</u>	<u>\$ 0.290</u>	<u>\$ 0.250</u>
Total Overlapping Debt:	23.307	21.219	19.461
<u>City of Carlsbad Direct Debt:</u>			
City of Carlsbad Governmental Activities Obligations	-	-	0.036
Total City of Carlsbad Direct Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.036</u>
Combined Total Debt	<u>\$ 23.307</u>	<u>\$ 21.219</u>	<u>\$ 19.497</u>

Source: MuniServices, LLC and County of San Diego, California Auditor and Controller's Office

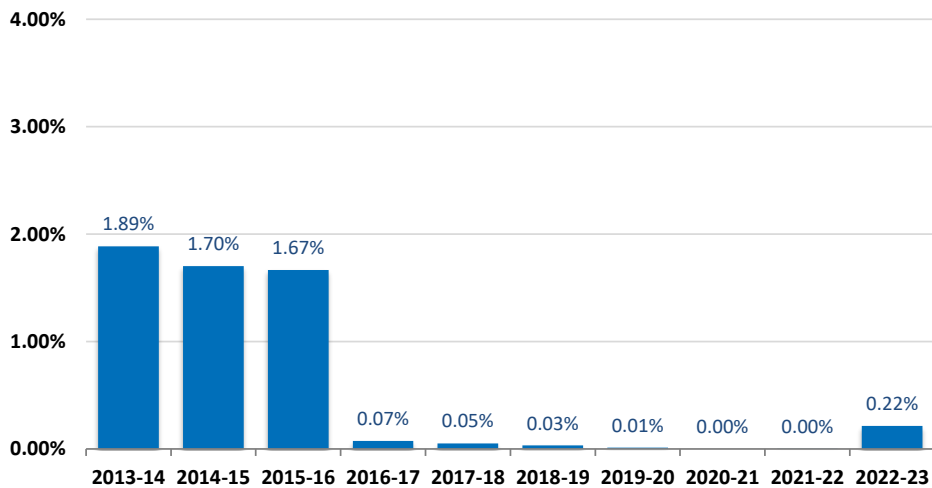
	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
\$	0.030	\$ 0.023	\$ 0.017	\$ 0.013	\$ 0.009	\$ 0.006	\$ 0.006
	-	0.918	0.750	0.590	2.414	2.210	2.653
	0.619	0.571	0.530	0.493	0.498	0.485	0.438
	5.816	5.298	7.474	6.944	8.861	7.916	7.049
	-	0.051	0.045	0.039	0.035	0.030	0.025
	-	-	-	-	-	-	-
	0.024	0.018	0.028	0.027	0.027	0.052	0.049
	0.551	0.506	0.461	0.421	0.389	0.364	0.315
	1.797	1.706	1.571	1.521	1.414	1.343	1.209
	0.020	0.014	0.009	0.004	-	-	-
	0.199	0.132	0.164	0.146	0.132	0.121	0.105
	0.566	0.360	0.456	0.404	0.360	0.322	0.273
	1.031	1.087	0.956	0.925	1.087	1.030	0.921
	0.003	-	-	-	-	-	-
	0.983	0.678	0.800	0.736	0.678	0.631	0.555
	0.017	0.015	0.018	0.017	0.015	0.014	0.012
	0.258	0.196	0.228	0.212	0.196	0.187	0.167
	0.091	0.079	0.069	0.058	0.040	0.035	0.028
	0.750	0.684	0.623	0.561	0.513	0.473	0.417
	1.379	1.240	1.024	0.892	0.786	0.686	0.457
\$	<u>14.134</u>	\$ <u>13.576</u>	\$ <u>15.223</u>	\$ <u>14.003</u>	\$ <u>17.454</u>	\$ <u>15.905</u>	\$ <u>14.679</u>
\$	0.648	\$ 0.572	\$ 0.510	\$ 0.436	\$ 0.379	\$ 0.424	\$ 0.367
	1.347	1.168	1.016	0.860	0.716	0.590	0.444
	0.025	0.023	0.020	0.018	0.015	0.013	0.011
	0.119	0.005	0.001	-	-	-	-
	0.003	0.002	0.002	0.001	0.001	0.001	0.001
	1.598	1.447	1.313	1.176	1.065	1.663	1.464
	0.378	0.459	0.421	0.401	0.368	0.346	0.305
	0.001	-	-	-	-	0.008	0.008
	0.041	0.039	0.036	0.034	0.032	0.031	0.028
\$	<u>4.160</u>	\$ <u>3.715</u>	\$ <u>3.319</u>	\$ <u>2.926</u>	\$ <u>2.576</u>	\$ <u>3.076</u>	\$ <u>2.628</u>
\$	0.212	\$ 0.177	\$ 0.143	\$ 0.110	\$ 0.090	\$ 0.058	\$ 0.030
	18.506	17.468	18.685	17.039	20.120	19.039	17.337
	0.028	0.020	0.012	0.005	-	0.001	0.081
\$	<u>0.028</u>	\$ <u>0.020</u>	\$ <u>0.012</u>	\$ <u>0.005</u>	\$ <u>-</u>	\$ <u>0.001</u>	\$ <u>0.081</u>
\$	<u><u>18.534</u></u>	\$ <u><u>17.488</u></u>	\$ <u><u>18.697</u></u>	\$ <u><u>17.044</u></u>	\$ <u><u>20.120</u></u>	\$ <u><u>19.040</u></u>	\$ <u><u>17.418</u></u>



Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Net assessed valuation	\$ 23,522,746	\$ 25,489,468	\$ 26,924,891	\$ 28,423,782
Debt limit (25% x 15%)	882,103	955,855	1,009,683	1,065,892
Less amount of debt applicable to limit:				
Bonded debt	16,645	16,260	15,855	-
Loan payable	-	-	-	-
Lease obligations	-	-	970	785
Subscription based information technology arrangements	-	-	-	-
Total net debt applicable to limit	<u>16,645</u>	<u>16,260</u>	<u>16,825</u>	<u>785</u>
Legal debt margin	<u>\$ 865,458</u>	<u>\$ 939,595</u>	<u>\$ 992,858</u>	<u>\$ 1,065,107</u>
Total net debt applicable to the limit as a percentage of debt limit	1.89%	1.70%	1.67%	0.07%

Percent of Debt Applicable to the Legal Debt Limit
Last Ten Fiscal Years



Source: City of Carlsbad Annual Comprehensive Financial Reports

Note: Under state finance law, the city's outstanding general obligation debt should not exceed 15% (as adjusted by 25% per the law) of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

¹ The golf course bonds were defeased during FY 2016-17.

<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
\$ 29,994,964	\$ 31,635,528	\$ 33,655,907	\$ 35,217,379	\$ 36,362,069	\$ 39,165,588
1,124,811	1,186,332	1,262,097	1,320,652	1,363,578	1,468,710
-	-	-	-	-	-
-	-	-	-	-	-
588	378	156	-	22	238
-	-	-	-	-	2,929
<u>588</u>	<u>378</u>	<u>156</u>	<u>-</u>	<u>22</u>	<u>3,167</u>
<u>\$ 1,124,223</u>	<u>\$ 1,185,954</u>	<u>\$ 1,261,941</u>	<u>\$ 1,320,652</u>	<u>\$ 1,363,556</u>	<u>\$ 1,465,543</u>
0.05%	0.03%	0.01%	0.00%	0.00%	0.22%



**Pledged-Revenue Coverage
Last Ten Fiscal Years**

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Wastewater Revenue Bonds				
Gross revenues ^{1,5}	\$ 13,699,286	\$ 13,723,835	\$ 13,723,835	\$ -
Less expenses ^{2,5}	<u>6,989,194</u>	<u>7,249,798</u>	<u>7,249,798</u>	<u>-</u>
Net available revenue	<u><u>\$ 6,710,092</u></u>	<u><u>\$ 6,474,037</u></u>	<u><u>\$ 6,474,037</u></u>	<u><u>\$ -</u></u>
Debt service				
Principal ⁵	\$ 860,000	\$ 905,000	\$ 905,000	\$ -
Interest ⁵	<u>68,419</u>	<u>23,191</u>	<u>-</u>	<u>-</u>
Total debt service	<u><u>\$ 928,419</u></u>	<u><u>\$ 928,191</u></u>	<u><u>\$ 905,000</u></u>	<u><u>\$ -</u></u>
Coverage	7.23	6.97	7.15	n/a
Recycled Water Loans				
Gross revenues ³	\$ 9,392,061	\$ 9,210,258	\$ 8,216,362	\$ 8,371,467
Less expenses ⁴	<u>3,640,786</u>	<u>3,826,699</u>	<u>4,679,706</u>	<u>4,863,054</u>
Net available revenue	<u><u>\$ 5,751,275</u></u>	<u><u>\$ 5,383,559</u></u>	<u><u>\$ 3,536,656</u></u>	<u><u>\$ 3,508,413</u></u>
Debt service				
Principal	\$ 1,375,337	\$ 1,407,932	\$ 1,441,301	\$ 1,475,461
Interest	<u>501,144</u>	<u>468,550</u>	<u>435,182</u>	<u>401,021</u>
Total debt service	<u><u>\$ 1,876,481</u></u>	<u><u>\$ 1,876,482</u></u>	<u><u>\$ 1,876,483</u></u>	<u><u>\$ 1,876,482</u></u>
Coverage	3.06	2.87	1.88	1.87
Golf Course Revenue Bonds				
Gross revenues ^{1,6}	\$ 7,747,116	\$ 8,428,375	\$ 8,196,853	\$ -
Less expenses ^{2,6}	<u>6,125,159</u>	<u>6,302,019</u>	<u>6,273,320</u>	<u>-</u>
Net available revenue	<u><u>\$ 1,621,957</u></u>	<u><u>\$ 2,126,356</u></u>	<u><u>\$ 1,923,533</u></u>	<u><u>\$ -</u></u>
Debt service				
Principal ⁶	\$ 360,000	\$ 385,000	\$ 405,000	\$ -
Interest ⁶	<u>755,850</u>	<u>739,088</u>	<u>721,313</u>	<u>-</u>
Total debt service	<u><u>\$ 1,115,850</u></u>	<u><u>\$ 1,124,088</u></u>	<u><u>\$ 1,126,313</u></u>	<u><u>\$ -</u></u>
Coverage	1.45	1.89	1.71	n/a

Source: City of Carlsbad Annual Comprehensive Financial Reports

¹ Includes operating and non-operating revenues and transfers in from the General Fund.

² Includes operating and non-operating expenses, excluding interest expense and depreciation.

³ Includes water (potable and recycled) operating and non-operating revenues and fees. In FY 2020-21 the State Water Resources Board confirmed the pledged revenue includes potable, which was excluded in prior years.

⁴ Includes water (potable and recycled) operating and non-operating expenses, excluding interest expense and depreciation. In FY 2020-21 the State Water Resources Board confirmed the pledged revenue includes potable, which was excluded in prior years.

⁵ Debt service on the wastewater revenue bonds was completed during FY 2015-16.

⁶ The golf course bonds were defeased during FY 2016-17.

<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
n/a	n/a	n/a	n/a	n/a	n/a
\$ 9,869,958	\$ 8,198,882	\$ 7,557,893	\$ 56,446,838 ^{3,4}	\$ 56,363,973	\$ 55,494,378
5,559,509	6,472,817	5,926,215	50,079,801 ^{3,4}	53,308,298	48,058,823
<u>\$ 4,310,449</u>	<u>\$ 1,726,065</u>	<u>\$ 1,631,678</u>	<u>\$ 6,367,037</u>	<u>\$ 3,055,675</u>	<u>\$ 7,435,555</u>
\$ 1,510,433	\$ 1,546,234	\$ 1,582,886	\$ 1,620,408	\$ 1,658,821	\$ 1,738,405
366,049	330,248	293,596	256,074	217,661	138,077
<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>
<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>
2.30	0.92	0.87	3.39	1.63	3.96
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
n/a	n/a	n/a	n/a	n/a	n/a



Demographic and Economic Statistics

Last Ten Fiscal Years

Year	Total Population	% of S.D. County Population	% Change from Previous Year	Educational Attainment		Median Age
				% High School Graduate	% Bachelor's Degree or Higher	
2013-14	110,169	3.45%	1.78%	95.6%	51.3%	40.3
2014-15	110,653	3.43	0.44	96.0	51.9	41.1
2015-16	112,930	3.43	2.06	95.6	54.8	42.1
2016-17	113,725	3.43	0.70	95.8	54.2	41.9
2017-18	114,622	3.43	0.79	95.7	55.0	42.3
2018-19	115,241	3.44	0.54	95.7	58.1	42.6
2019-20	114,463	3.42	-0.68	95.0	59.5	44.4
2020-21	115,501	3.48	0.91	95.2	59.5	42.9
2021-22	115,585	3.52	0.07	97.1	60.4	41.8
2022-23	114,549	3.50	-0.90	100.0	62.6	40.5

Sources: MuniServices, LLC/Avenu Insights & Analytics, U.S. Census Bureau
 Population projections are from the California Department of Finance
 Household and demographic characteristics estimates are from the United States Census Data Sets Tables.
 Unemployment rate estimates are from the California Employment Development Department, Bureau of Labor Statistics.

¹ Personal income is the estimated total aggregate income for the total population.

² Unemployment increase in FY 2019-20 is due to the COVID-19 pandemic.

Average Household Size	Personal Income (millions) ¹	Per Capita Personal Income	City Unemployment Rate
2.53	\$ 4,862	\$ 44,134	6.3%
2.30	4,907	44,345	4.30
2.68	5,741	50,838	5.20
2.58	6,060	53,285	4.20
2.60	6,496	56,675	3.00
2.60	6,889	59,780	2.60
2.60	6,101	53,300	13.50 ²
2.38	7,751	67,111	8.11
2.39	8,910	77,085	2.40
2.50	10,299	89,912	3.50



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Principal Employers
Current Fiscal Year and Nine Years Ago

<u>Employer</u>	<u>Industry</u>	<u>Fiscal Year 2022-23</u>			<u>Fiscal Year 2013-14</u>		
		<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>
ViaSat, Inc.	Information Technology	4,010	1	5.28%	1,700	1	1.89%
Thermo Fisher Scientific	Life Sciences	2,332	2	3.07%			
Legoland California	Hospitality/Tourism	2,300	3	3.03%	1,422	4	1.58%
Carlsbad Unified School District	Education	1,097	4	1.44%	975	5	1.08%
Omni La Costa Resort & Spa	Hospitality/Tourism	900	5	1.18%	932	6	1.04%
City of Carlsbad	Government	807	6	1.06%	670	10	0.74%
Ionis Pharmaceuticals	Life Sciences	785	7	1.03%			
Gemological Institute of America	Research/Education	766	8	1.01%	723	9	0.80%
Park Hyatt Aviara	Hospitality/Tourism	566	9	0.74%			
Zodiac Pool Systems LLC	Manufacturing	535	10	0.70%			
Callaway Golf Company	Action Sports				1,637	2	1.82%
Thermo Fisher Scientific	Life Sciences				1,454	3	1.62%
TaylorMade Golf Company	Action Sports				868	7	0.96%
OptumRx, Inc.	Pharmaceutical				785	8	0.87%
Subtotal Employees		14,098		18.55%	11,166		12.41%
Total Employees Citywide (estimate)		76,000			90,000		

Source: City of Carlsbad Business License Data



**Authorized Full-Time and 3/4-Time City Government Employees by Program Area
Last Ten Fiscal Years**

<u>Program Area</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Policy and Leadership Group				
City Attorney	7.00	7.00	7.00	6.00
City Clerk Services	5.00	5.00	5.00	5.00
City Council	1.00	1.00	1.00	1.00
City Manager	7.00	7.00	7.00	8.00
City Treasurer	0.75	0.75	0.75	0.75
Communications & Engagement	2.75	4.75 ¹	5.00	5.00
Administrative Services				
Administration	-	-	-	-
Finance	31.50	31.50	32.50	33.00
Human Resources	9.00	11.00	11.00	11.00
Information Technology	22.50	22.50	19.50	20.00
Innovation & Economic Development	-	-	-	-
Public Safety				
Police	161.00	162.00	168.00	168.00
Fire	88.00	89.00	89.00	90.00
Community Services				
Community Services Administration	-	-	-	-
Community Development	44.00	44.00	44.00	44.00
Housing & Homeless Services	10.00	12.00	13.00	13.00
Library & Cultural Arts	51.25	50.25 ¹	50.50	50.50
Parks & Recreation	67.60	61.60 ¹	58.15	57.15
Public Works				
Construction Management & Inspection	-	-	-	-
Environmental Management	-	-	8.50 ²	9.50 ²
Fleet & Facilities	-	-	-	-
General Services	40.60	39.90	28.10 ²	51.30 ²
Public Works Administration	-	-	8.05 ²	9.85 ²
Transportation	53.40	55.90	57.35 ²	33.00 ²
Utilities	65.40	64.60	60.85 ²	60.20 ²
Limited Term Personnel (Full-Time)	2.00	-	3.75	6.75
Total Full Time Authorized Employees	669.75	669.75	678.00	683.00
Net Increase/(decrease) over prior year	(4.75)	-	8.25	5.00

Source: City of Carlsbad Operating Budget

Notes: Table Includes both full-time and 3/4 time employees

A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick-leave).

A 3/4 time employee is scheduled to work 1,560 hours per year (including vacation and sick-leave).

¹ During FY 2014-15, the Policy and Leadership and Community Services divisions were reorganized.

² During FY 2015-16, FY 2016-17, FY 2019-20 and FY 2020-21, the Public Works division restructured divisions.

³ During FY 2018-19, Police IT was consolidated with city IT, resulting in the transfer of 5.0 FTEs.

⁴ During FY 2018-19, Housing & Neighborhood Services was combined with Community Development.

⁵ During FY 2020-21, employees were moved from City Manager and Community Development to create a new office of Innovation & Economic Development and Community Services Administration.

⁶ During FY 2021-22, Housing & Homeless Services was established.

⁷ During FY 2022-23, all Business Systems Specialists were transferred from several separate departments to the Information Technology Department. Separately, all employees in the Geographic Information Systems division in the Information Technology Department were transferred to the Innovation & Economic Development Department.

⁸ During FY 2022-23, one 5-year Limited Term Park Planner position was added to the Parks & Recreation Department and one 5-year Limited Term Senior Engineer position was added to the Fleet & Facilities Department.

<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
7.00	7.00	8.00	8.00	8.00	8.00
6.00	6.00	7.00	7.00	7.00	7.00
1.00	1.00	2.00	2.00	2.00	2.00
8.00	9.00	12.00	7.00 ⁵	7.00 ⁵	7.00
0.75	0.75	1.00	1.00	1.00	1.00
5.00	5.00	7.00	7.00	9.00	9.00
-	-	-	-	3.00	3.00
32.00	32.00	31.00	31.00	28.00	26.00
11.00	11.00	17.00	17.00	17.00	18.00
27.00	32.00 ³	35.00	37.00	37.00	43.00 ⁷
-	-	2.00	4.00 ⁵	4.00 ⁵	9.00 ⁷
168.00	169.00 ³	184.00	184.00	186.00	187.00
90.00	90.00	97.75	97.75	112.00	123.00
-	-	-	3.00 ⁵	3.00 ⁵	3.00
44.00	58.00 ⁴	63.00	61.75 ⁵	53.00 ⁵	52.00
13.00	- ⁴	-	-	14.00	16.00
50.50	50.50	52.50	52.50	53.00	51.00
57.00	55.00	55.00	55.00	55.00	58.00
-	-	-	15.20 ²	15.20 ²	16.20
9.70	9.60	11.05	11.95	17.95	17.60
-	-	-	34.05 ²	37.05 ²	33.95
52.00	53.00	47.85 ²	-	-	-
12.30	7.65	7.60	7.85	7.85	5.90
32.00	35.00	44.15 ²	41.75	41.75	43.60
59.00	61.75	62.10	61.95	63.95	64.50
7.75	4.75	0.75	-	-	2.00 ⁸
693.00	698.00	747.75	747.75	782.75	806.75
10.00	5.00	49.75	-	35.00	24.00



**Operating Indicators by Function/Program
Last Ten Fiscal Years**

	2013-14	2014-15	2015-16	2016-17
General Government				
Number of applications processed (full and part-time)	9,527	8,551	8,037	9,544
Number of external new hires (full and part-time)	284	299	260	292
Number of internal promotions / transfers (full-time only)	47	41	31	58
Business licenses processed	10,327	10,735	11,449	8,142 ³
Number of outgoing payments processed	39,310	40,663	41,398	41,304
Public Safety				
Police				
Calls for service	87,976	91,314	92,061	84,858
Average priority one response (minutes)	5.8	6.5	6.1	5.9
Cases	8,296	8,349	9,253	8,884
Fire				
Incidents	9,925	9,830	11,455	12,183
Response time: arrivals on scene within goal standard	63%	63%	64%	78%
Turnout time: time from request to first unit in-route within standard	-	-	-	-
Community Development				
Affordable housing units completed	-	-	-	-
Financial assistance to affordable housing projects	\$ -	\$ 2,646,000	\$ -	\$ 1,280,000
Building permits issued	1,400	1,600	3,000	4,500
Building inspections conducted	19,000	21,000	23,000	27,000
Final inspections (residential dwelling units)	190	200	200	600
Final inspections (commercial square feet)	45,000	60,000	60,000	95,000
Code Enforcement Actions (activities)	4,794	5,389	10,994	n/a ⁴
Community Services				
Library - total material circulation	1,369,369	1,293,282	1,103,090	1,243,228
Library - patron visits	791,533	804,003	609,679 ²	720,205
Cultural Arts - number of events	62	80	88	79
Arts - attendance of events	75,000	87,000	85,000	79,067
Recreation - youth sports participants	2,292	1,000	1,000	968
Recreation - adult sports participants	5,600	6,150	5,600	4,500
Recreation - enrichment class enrollees	10,350	19,030 ¹	19,632	17,402
Recreation - special events participants	13,600	17,841 ¹	19,474	12,150
Recreation - aquatics classes conducted	1,018	1,224	684	733
Trees trimmed	1,920	2,018	1,965	1,971
Public Works				
Streets				
Centerline road miles resurfaced with overlay or slurry seal	18.1	14.8	18.1	20.0
Carlsbad Municipal Water District				
Average consumption (millions of gallons per day)	15.9	14.6	12.1	13.1
Annual water deliveries (acre feet)	17,801	16,368	13,578	14,616 ⁵
Water connections	29,045	29,190	29,190	29,782
Wastewater				
Sewage pumped (millions of gallons per day)	6.53	5.90	6.17	5.82
Annual flow (millions of gallons)	2,384	2,152	2,252	2,125
Wastewater connections	23,282	23,431	23,431	23,747

Source: City of Carlsbad

¹ Increases in the number of enrichment class and special events participants are the results of overall higher attendance and including reclassified classes previously not classified or included as enrichment classes or special events in prior years.

² The decrease in patron visits is due to the temporary closures of library facilities for remodeling during FY 2015-16.

³ The decrease is due to the time involved with the implementation of a new licensing system during FY 2016-17.

⁴ Reporting of information is not available for FY 2016-17 due to the implementation of a new permitting system.

⁵ Beginning in FY 2016-17, 2,500 acre feet of contracted desalinated water is included in the water purchase totals.

⁶ FY 2019-20 and FY 2020-21 had decreases in some public facing programs and services due to the impacts of the COVID-19 pandemic.

⁷ Beginning in FY 2022-23, the Fire Department began reporting turnout time instead of response time as a performance measure.

<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
9,455	8,495	8,012	5,469	6,578	5,524
311	345	248	198	376	354
44	66	66	24	79	84
11,267	9,546	10,180	10,164	9,736	9,652
41,869	43,520	44,128	41,164	41,315	41,746
90,760	99,562	112,323	110,448	107,156	103,192
5.8	5.7	5.5	5.2	5.2	5.1
8,643	8,705	8,774	8,222	8,704	8,348
12,520	12,833	13,331	12,345	13,837	15,298
76%	76%	75%	75%	70%	- ⁷
-	-	-	-	-	93.7% ⁷
-	-	157	119	48	-
\$ -	\$ -	\$ -	\$ 8,300,000	\$ 5,250,000	\$ 2,265,000
4,392	4,884	4,464	4,645	4,562	5,633
22,671	21,527	21,209	17,044	14,664	16,693
289	215	268	309	323	365
155,292	2,350,975	365,644	403,397	141,285	567,745
9,538	8,154	7,360	6,443	8,065	9,732
1,169,247	1,185,390	975,024 ⁶	536,078 ⁶	1,033,006	1,118,282
685,188	668,973	483,233 ⁶	20,214 ⁶	372,671	426,470
82	96	51 ⁶	135 ⁶	159	202
65,817	61,531	37,913 ⁶	9,724 ⁶	20,844	14,758
1,003	1,260	993 ⁶	- ⁶	1,428	3,763
4,800	4,800	2,400 ⁶	- ⁶	1,714	890
12,996	17,900	9,641 ⁶	3,270 ⁶	16,540	23,687
11,645	9,600	3,705 ⁶	300 ⁶	8,575	8,675
778	830	770 ⁶	715 ⁶	1,061	754
1,954	4,340	4,678	4,500	3,025	4,179
23.8	25.8	8.3	14.9	-	24.5
14.3	13.0	12.7	13.5	13.2	12.0
16,032	14,563	14,249	14,731	14,787	13,451
30,054	30,131	30,265	30,439	29,446	29,426
6.32	6.03	6.31	6.27	5.75	6.22
2,306	2,200	2,305	2,288	2,097	2,270
23,863	23,959	24,040	24,103	24,096	24,079



Capital Asset Statistics

Last Ten Fiscal Years

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Community Services				
Number of parks and community fields	33	33	33	33
Acres of developed parks and community fields	281	319	319	319
Acres of open space and community fields	728	728	728	728
Miles of open space trails	47	47	47	47
Number of pools	3	3	3	3
Number of community centers	4	4	4	4
Number of libraries	3	3	3	3
Number of Materials in Library Collections	581,865	574,775	563,581	491,956
Public Safety				
Fire Protection				
Number of stations	6	6	6	6
Number of fire trucks	13	12	12	12
Number of ambulances	8	7	6	5
Number of other fire vehicles	16	15	18	20
Police Protection				
Number of patrol and other vehicles	114	114	106	106
Number of motorcycles	13	14	15	12
Public Works				
Carlsbad Municipal Water District				
Miles of pipeline	534	534	559	559
Wastewater				
Miles of sewers	288	288	288	288
Streets				
Miles of streets	346	347	348	349
Number of street lights	7,236	7,262	7,265	7,334
Number of traffic signals	174	177	177	177

Source: City of Carlsbad

¹ During FY 2018-19, the number of vehicles was updated to include both active and reserve vehicles.

² In FY 2019-20, a change in the reporting methodology was implemented to include all first responder vehicles.

³ In FY 2019-20, only active lines were counted. Prior years included abandoned and future lines.

<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
33	33	33	33	34	34
319	319	319	322	339	339
728	787	802	817	963	963
47	52	52	67	51	52
3	3	3	3	3	3
5	5	5	5	5	5
3	3	3	3	3	3
477,149	473,154	477,042	497,407	478,825	316,962
6	6 ¹	6	6	6	7
13	14 ¹	13 ²	13	15	14
5	5 ¹	6 ²	6	10	12
20	25 ¹	25 ²	27	27	26
96	119 ¹	119	119	134	164
13	13 ¹	15	15	15	14
559	559	535 ³	535	549	554
288	288	272	265	265	273
349	349	349	349	349	349
7,337	7,388	7,520	7,527	8,838	8,841
178	179	181	181	194	198



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