

**AGENDA**  
**REGULAR MEETING OF THE**  
**CITY OF KING CITY COUNCIL**  
**AND**  
**Sitting as SUCCESSOR AGENCY OF**  
**THE RDA FOR THE CITY OF KING**

**TUESDAY JANUARY 10, 2017**  
**6:00 P.M.**

**CITY HALL**  
**212 S. VANDERHURST AVENUE**  
**KING CITY, CALIFORNIA 93930**

*\*Spanish interpretation services will be available at meeting*

*In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a City meeting, Please contact the City Clerk's Office (831-386-5925) at least 48 hours prior to the Meeting to ensure that reasonable arrangements can be made to provide accessibility to the meeting.*

*\* Please submit all correspondence for City Council PRIOR to the meeting with a copy to the City Clerk.*

1. **CALL TO ORDER**
2. **ROLL CALL:** Council Members Darlene Acosta, Robert Cullen, Carlos DeLeon, Mayor Pro Tem Carlos Victoria, and Mayor Mike LeBarre

3. **FLAG SALUTE**

4. **CLOSED SESSION ANNOUNCEMENTS**

5. **SPECIAL PRESENTATIONS**

Denis Vermette & Kelly Foley, Pilot Power Group, Inc.– Community Power

6. **PUBLIC COMMENT**

Any member of the public may address the Council for a period not to exceed *three minutes'* total on any item of interest within the jurisdiction of this Council that is not on the agenda. The Council will listen to all communications; however, in compliance with the Brown Act, the Council cannot act on items not on the agenda. Comments should be directed to the Council as a whole and not to any individual Council Member. Slanderous, profane or personal remarks against any Council Member, staff member or member of the audience is not permitted.

7. **COUNCIL COMMUNICATIONS & COMMITTEE REPORTS**

Individual Council Members may comment on Council business, his or her Council activities, City operations, projects or other items of community interest. Council Members may also request staff to report back at a subsequent meeting on any matter or take action to direct staff to prepare a staff report for a future agenda.

8. **STAFF COMMUNICATIONS**

Comments presented by the City Manager, City Attorney or other staff on City business and/or announcements.

## **9. CONSENT AGENDA**

The following items listed below are scheduled for consideration as a group. The recommendations for each item are noted. Members of the audience may speak on any item(s) listed on the Consent Agenda. Any Council Member, the City Manager, or the City Attorney may request that an item be withdrawn from the Consent Agenda to allow for full discussion. The Council may approve the remainder of the Consent Agenda on one motion. Items withdrawn from the Consent Agenda may be considered by separate motions at the conclusion of the discussion of each item.

- A. Meeting Minutes of December 13, 2016 Council Meeting  
Recommendation: approve and file.
- B. City Check Register  
Recommendation: approve and file.
- C. Successor Agency Check Register  
Recommendation: approve and file.
- D. Consideration: Airport T-Hangar Settlement Agreement and Mutual Release  
Recommendation: approve a Settlement Agreement and Mutual Release with Jim Chapman and Mark Dart regarding Mesa Del Rey Airport T-Hanger rental fees.
- E. Consideration: Establishment of Police Department Advisory Board  
Recommendation: approve the establishment of, and criteria for, an advisory board for the Police Department.
- F. Consideration: Changes to Signature Authority Related to City Municipal Accounts and Investment Accounts  
Recommendation: 1) adopt a Resolution authorizing the establishment and maintenance of bank accounts for municipal funds and repealing resolutions in conflict herewith, and 2) adopt a Resolution authorizing investment of monies in the Local Agency Investment Fund and designating officers authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund (LAIF).
- G. Consideration: Changes to Signature Authority Related to the Successor Agency Municipal Account  
Recommendation: 1) adopt a Resolution authorizing the establishment and maintenance of bank accounts for municipal funds and repealing resolutions in conflict herewith.
- H. Consideration: Sale of APN 245-111-035 and A Portion of APN 245-111-036 (Adjacent to the Wastewater Treatment Plant) to Mission Holdings TIC for \$2,325,000  
Recommendation: adopt a resolution authorizing the sale of approximately 93.21 acres of farmable land and 77.30 acres of river bottom land, APN 245-111-035 and a portion of 245-111-036.
- I. Consideration: Minor Building, Electrical and Plumbing Permit Fee  
Recommendation: adopt a Resolution approving the Master Fee Schedule with a Minor Building, Electrical and Plumbing Permit fee.

- J. Consideration: Notice of Completion – Mesa Del Rey Airport, Visual Aid Improvements – FAA AIP Project No. 3-06-0113-011-2014  
Recommendation: 1) approve a Resolution of the City Council of the City of King accepting completion of the Mesa Del Rey Airport – Visual Aid Improvements AIP No. 3-06-0113-011-2014, and 2) authorize City Manager to execute and file a Notice of Completion with the Monterey County Recorder’s Office, and submit the closeout packet to the FAA.

**10. PUBLIC HEARINGS**

- A. Consideration: Ordinance Establishing 20-Minute Restricted Parking at 416 Lynn Street  
Recommendation: introduce and conduct the first reading by title only, an Ordinance establishing 20-minute restricted parking at 416 Lynn St.

**11. REGULAR BUSINESS**

- A. Consideration: Downtown Streetscape Conceptual Plan  
Recommendation: approve the proposed Downtown Streetscape Conceptual Plan with Bulb-Out Option 1A.
- B. Consideration: Acceptance of the City and CDA Successor Agency’s Audited Financial Statements for the Fiscal Year 2015-2016  
Recommendation: City Council and the Board of Directors of the King City Successor Agency Accept the City and Successor Agency’s Audited Financial Statements for Fiscal Year Ended June 30, 2016.
- C. Consideration: Alternatives and Issues Regarding Recreational Marijuana Regulations  
Recommendation: provide staff direction regarding preparation of an Ordinance establishing regulations on cultivation of recreational marijuana in residential areas.
- D. Consideration: New City Mission Statement  
Recommendation: approve the following new City Mission Statement: *“Meeting the needs of our entire community through caring, professional and responsive services.”*

**12. CITY COUNCIL CLOSED SESSION**

Announcement(s) of any reportable action(s) taken in Closed Session will be made in open session, and repeated at the beginning of the next Regular City Council meeting as this portion of the meeting is not recorded.

1. PUBLIC EMPLOYEE APPOINTMENT (Pursuant to Government Code Section 54957(b)(1))  
Position: City Attorney

**13. ADJOURNMENT**

**Minutes  
City Council Meeting  
December 13, 2016**

**1. CALL TO ORDER:**

Meeting was called to order at 6:01 PM by Mayor Cullen.

**2. FLAG SALUTE:**

The flag salute was led by Mayor Cullen and the children of the audience.

RJ Rivera announced that there are translating available.

**3. ROLL CALL:**

City Manager Adams conducted roll call.

City Council: Darlene Acosta, Mike LeBarre, Belinda Hendrickson, Mayor Pro Tem Karen Jernigan, Mayor Robert Cullen.

City Staff: City Manager Steven Adams, Interim Attorney Shannon Chaffin

**4. CLOSED SESSION ANNOUNCEMENTS:**

**5. PUBLIC COMMUNICATIONS:**

None

**6. COUNCIL COMMUNICATIONS:**

Mayor Pro Tem Jernigan stated she enjoyed the Our Lady of Guadalupe parade and she attended a code enforcement meeting today.

Council Member Hendrickson stated nothing to report.

Council Member Acosta stated victim's services will be moving to South County and they thank the council for help in making that happen.

Council Member LeBarre stated at the cemetery this Saturday at 9:00a.m. there will be a wreath across America ceremony and he encouraged all to attend. He attended the retirement party for the Civil deputy to the Commander at Fort Hunter Liggett. TAMC will be giving funds for roads and pot holes for the next 30 years. They will be contacting the City about their five-year plan. He would like to have an item put on the first January agenda in the form of a presentation about Community Choice energy from Pilot Power Group. He would like a consensus from the council. By consensus they will put this item on for the January meeting.

Mayor Cullen wished everyone happy holidays. The Timshel choir has a concert at the St. Marks church this Saturday at 7:00pm.

**7. CITY STAFF REPORTS AND COMMENTS:**

City Manager Adams stated \$30,000-dollar grant from Chevron Corporation for afterschool programs and \$30,000 from Monterey Bay Peninsula Foundation for the security cameras system and an RFP was sent out to get started on that program.

## **8. ELECTIONS**

- A. Resolution No. 2016-4556 Canvassing the November 8, 2016 Election  
Recommendation: adopt Resolution No. 2016-4556, A Resolution of the City Council of City of King canvassing and Declaring the Result of the Presidential General Election held in City of King on November 8, 2016.

Action: Motion to adopt Resolution No. 2016-4556, A Resolution of the City Council of City of King canvassing and Declaring the Result of the Presidential General Election held in City of King on November 8, 2016 by LeBarre and seconded by Hendrickson.

AYES: Council Members: Mayor Cullen, Acosta, LeBarre, Hendrickson and Mayor Pro Tem Jernigan

NOES: Council Members:

ABSENT: Council Members:

ABSTAIN: Council Members:

### **B. Comments by Outgoing Council**

Council Member Belinda Hendrickson stated that it has been a huge privilege and honor to serve on the Council. She hopes that there is a continued unity putting the City before politics. Hopefully with the districting of the City we inspire people to get more involved.

Mayor Pro Tem Karen Jernigan said thank you to all the Council members for all that they have done. She now understands what it takes to be a Council member. She listed all of the items that Council accomplished. She congratulated in coming Council members.

Mayor Cullen thanked all who came before us. He thanked his rotary family, chamber family and church family and people who gave him personal support. He thanked Janet and John Buttgerreit and his parents. He thanked his wife and daughter for the support. He looks forward to continuing serving King City.

C. Oath of Office given by the City Clerk to Robert Cullen, Carlos DeLeon, and Carlos Victoria  
City Clerk Steve Adams gave the oath to all.

### **D. Comments by Incoming Council**

Council member Carlos DeLeon thanked the citizens for voting for he, Rob and Carlos. He is going to be up for the challenge and he is going to do the job best he can. It is an honor for him.

Council member Carlos Victoria stated he is back. He is back for the youth, they are our future. He is happy to have Steve Adams and Robert Masterson. He is happy that there are two bilinguals on the Council to help people understand better. He feels that best years are ahead of us. He is excited to make a difference.

- E. Selection of Council Officers Elect Mayor and Mayor Pro Tem by a vote of the council for a period of two years. City Clerk shall preside over nominations and election for Mayor; Mayor shall preside over nominations and vote for Mayor Pro Tem and shall chair the balance of the meeting.

Council member DeLeon nominated Mike LeBarre and Carlos Victoria seconded. Mike LeBarre excepted the nomination.

AYES: Council Members: Council member Acosta, Cullen, DeLeon, LeBarre, Victoria

NOES: Council Members:

ABSENT: Council Members:

**ABSENT: Council Members:**

**ABSTAIN: Council Members:**

Council member Acosta nominated Rob Cullen for the Mayor Pro Tem position. Council member DeLeon nominated Carlos Victoria for the Mayor Pro Tem position. Mayor LeBarre seconded Rob Cullen for Mayor Pro Tem. Council member Cullen did not except the nomination and seconded the nomination of Carlos Victoria as Mayor Pro Tem. Carlos Victoria excepted the nomination.

**AYES: Council Members: Council member Acosta, Cullen, DeLeon, Victoria, Mayor LeBarre**

**NOES: Council Members:**

**ABSENT: Council Members:**

**ABSTAIN: Council Members:**

**F. Committee Assignments**

1. Transportation Agency of Monterey County (TAMC)- LeBarre, Alternate-Victoria
2. Association of Monterey Bay Area Governments (AMBAG)-Victoria, Alternate-DeLeon
3. Salinas Valley Solid Waste Authority- Cullen, Alternate-Acosta
4. Monterey Bay Unified Air Pollution Control District-Staff, Alternate-LeBarre
5. Monterey Salinas Transit (MST)- LeBarre, Alternate- DeLeon
6. Oversight Board for the Successor Agency-Cullen, Alternate-LeBarre
7. 4 Cities 4 Peace-Council Member Acosta, Alternate-Victoria
8. South County High School District – Liaison-Victoria, Alternate-DeLeon  
King City Elementary School District – DeLeon, Alternate-LeBarre
9. Salinas Valley Fair – Liaison – Cullen, Alternate-Acosta

Motion to approve committee assignments by DeLeon seconded by Victoria

**AYES: Council Members: Council member Cullen, Acosta, Mayor LeBarre, DeLeon, Victoria**

**NOES: Council Members:**

**ABSENT: Council Members:**

**ABSTAIN: Council Members:**

**9. CONSENT AGENDA**

- A. Meeting Minutes of November 22, 2016 Council Meeting
- B. Consideration: City Check Register- Current
- C. Consideration: Successor Agency Check Register- Current
- D. Consideration: Public Financing Authority Check Register- Current
- E. Consideration: Arboleda Phase Three Final Map Conformance
- F. Consideration: Redirect the Liquidation of Certain Property (Equipment)
- G. Consideration: Lonoak Road Sewer Line Extension and Authorization to Draft Extra-Territorial Service Agreement to Provide Sewer Service to College Ville Property
- H. Consideration: Resolution Approving a Side Letter of Agreement to the King City Confidential Employees Association Memorandum of Understanding
- I. Consideration: Award of Contract for Consulting Services to Update the Airport Layout Plan (AIP 2016 FAA Grant) for Mesa Del Rey Airport
- J. Consideration: Agreement with Hinderliter De Llamas and Associates for Medical Marijuana Management Program
- K. Consideration: List of Local Appointments
- L. Consideration: Waiver Agreement or Amendment to Relevant Bond Documents for the Ownership Requirements for the Certificates of Participation Issued by King City on Behalf of Mee Memorial Hospital in 1999 to Allow for an Accredited Investor to Buy the Certificates

City Attorney read into the record:

9 E – Approval contingent upon entering into a subdivision agreement adding language to the resolution.

9 I – Agreement subject to approval as to form by Interim City Attorney

9 L- Include adoption of the resolution that was passed out in the supplemental packet.

Action: Motion to approve consent with adjustments agenda by Cullen and seconded by Victoria.

AYES: Council Members: Cullen, Acosta, Victoria, DeLeon, Mayor LeBarre

NOES: Council Members:

ABSENT: Council Members:

ABSTAIN: Council Members:

**10. PUBLIC HEARINGS:**

None

**11. REGULAR BUSINESS:**

None

**12. CLOSED SESSION:**

None

**ADJOURNMENT:**

There being no further business to come before the City Council, Mayor Cullen adjourned the meeting at 7:10pm to closed session with the Mayor stating what would be discussed in closed session.

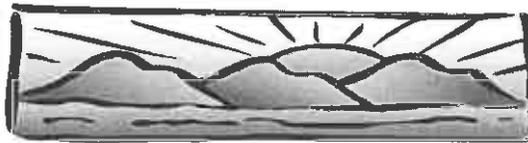
**Approved Signatures:**

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Mayor, Robert Cullen  
City of King

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City Clerk, Steven Adams  
City of King



**KING CITY**  
C A L I F O R N I A

Item No 9 (B)

**REPORT TO THE CITY COUNCIL**

**DATE: JANUARY 10, 2017**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: STEVEN ADAMS, CITY MANAGER**

**BY: PATRICIA GRAINGER, ACCOUNTANT**

**RE: CITY CHECK REGISTER**

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**RECOMMENDATION:**

It is recommended City Council receive and file.

**BACKGROUND:**

At least once a month, the City Treasurer shall submit to the City Council, a copy of the check register.

**DISCUSSION:**

The purpose of this item is to provide the Council an opportunity to review and monitor ongoing expenditures. These documents are attached.

**COST ANALYSIS:**

There is no fiscal impact as a result of this action.

**ALTERNATIVES:**

The following alternatives are provided for Council consideration:

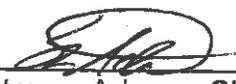
1. Receive and file the report; or
2. Provide other direction to staff regarding requests for additional information.

**CITY COUNCIL/CITY  
CITY CHECK REGISTER  
JANUARY 10, 2017  
PAGE 2 OF 2**

**Exhibit(S)**

1. Check Register Report

Submitted by:   
Patricia Grainger, Accountant

Approved by:   
Steven Adams, City Manager

Check Register Report

Date: 01/03/2017

Time: 4:35 pm

Page: 1

KING CITY CITY HALL

BANK: WELLS FARGO BANK

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
<b>WELLS FARGO BANK Checks</b>							
58453	12/16/2016	Printed		A T T	A T & T	Monthly Internet -	145.00
58454	12/16/2016	Printed		ASI	ADMINISTRATIVE SOLUTIONS, INC	City Self Funded Medical	5,000.00
58455	12/16/2016	Printed		A & W	ALESHIRE & WYNDER LLP	Attorney Services -	12,076.88
58456	12/16/2016	Printed		ALVAREZ	ALVAREZ TECHNOLOGY GROUP INC	Computer Support	10,958.90
58457	12/16/2016	Printed		AM SUPPLY	AMERICAN SUPPLY CO.	Janitorial Supplies -	124.82
58458	12/16/2016	Printed		AT & T	AT & T	Monthly access charge.	3,365.56
58459	12/16/2016	Printed		AT&T - C	AT&T	Phone Bill -	130.08
58460	12/16/2016	Printed		BENSON	RICHARD A. BENSON PLUMBING	Snake Bathroom - Skate Park	127.00
58461	12/16/2016	Printed		CAL WATER	CALIFORNIA WATER SERVICE CO.	Monthly City's Utility	13,407.33
58462	12/16/2016	Printed		CAROLLO	CAROLLO ENGINEERS, INC	Wastewater Facilities.	83,230.91
58463	12/16/2016	Printed		CASEY PRIN	CASEY PRINTING, INC.	Sergio Business Cards	184.30
58464	12/16/2016	Printed		CNAUTO	CLARK N. CLEVENGER	Oil	290.91
58465	12/16/2016	Printed		COASTL	COASTLINE MARKETING GROUP INC	Website Maint-Dec 2016.	190.00
58466	12/16/2016	Printed		CONATSER	CONATSER WELDING & MACHINE,LLC	Edger Blades	113.89
58467	12/16/2016	Printed		COMINFO	COUNTY OF MONTEREY	July 2016 - Network Access.	5,248.38
58468	12/16/2016	Printed		CPS HR	CPS HR CONSULTING	Sergeant Testing Supplies	354.20
58469	12/16/2016	Printed		CRITICAL R	CRITICAL REACH INC	Services 2017 Year.	285.00
58470	12/16/2016	Printed		CSGCON	CSG CONSULTANTS INC	Contract Inspections	595.00
58471	12/16/2016	Printed		DAVE'S REP	DAVE'S REPAIR SERVICE	Troubleshoot AVGAS	1,130.01
58472	12/16/2016	Printed		DEPT ACCNT	DEPARTMENT OF JUSTICE	Fingerprint - Peace Officer	66.00
58474	12/16/2016	Printed		EARTH DESI	EARTH DESIGN, INC.	P Layout,BTWN 3rd and	13,942.30
58475	12/16/2016	Printed		GEORGE L M	GEORGE L MEE MEMORIAL HOSPITAL	Blood Alcohol Draw -	64.00
58476	12/16/2016	Printed		GIS	GONZALES IRRIGATION SYSTEMS,	PVC Fittings	151.29
58477	12/16/2016	Printed		GREEN'S	GREEN'S ACCOUNTING	Monthly accounting service.	6,820.34
58479	12/16/2016	Printed		HANNA	HANNA & BRUNETTI	324 N 3rd St & 325 Copley Ave.	20,558.00
58480	12/16/2016	Printed		HDL COREN	HINDERLITER DELLAMAS & ASSOC.	Contract Sales & Trans Tax	2,634.93
58481	12/16/2016	Printed		HYDRO TURF	HYDRO TURF, INC.	Blades for Mower.	182.06
58482	12/16/2016	Printed		IDCON	ID CONCEPTS, LLC	ID Card - Aguilar, Admin Asst.	20.44
58483	12/16/2016	Printed		INDPUM	INDUSTRIAL PUMP SHOP, INC.	Repair Well - Golf Course	28,862.67
58484	12/16/2016	Printed		ICMC	INTEGRATED CROP MANAGEMENT	Round-Up	679.44
58485	12/16/2016	Printed		JBTIRE	MIGUEL JACOBO	Unit 106 - Front Roader	718.69
58486	12/16/2016	Printed		ROLAND	JOCELYN E. ROLAND, PH.D., ABPP	Psych - M Velazquez	450.00
58487	12/16/2016	Printed		LIZAR	JOSEFINA LIZARDI	Employee Purchase Program.	900.00
58488	12/16/2016	Printed		KC IND	KING CITY INDUSTRIAL SUPPLY	Gloves and Disposable Suites	155.22
58489	12/16/2016	Printed		LCAH	LOS COCHES ANIMAL HOSPITAL	Animal Services for Nov 2016	121.00
58490	12/16/2016	Printed		O'REILLY A	O'REILLY AUTOMOTIVE, INC.	Battery for Unit 109 Remote.	6.48
58491	12/16/2016	Printed		OFFICE DEP	OFFICE DEPOT	CH Supplies	201.89
58492	12/16/2016	Printed		PARTS & SE	PARTS & SERVICE CTR- NAPA, INC	Cleaning Supplies	152.99
58493	12/16/2016	Printed		PURE WATEF	PENINSULA PURE WATER INC.	Water Service - KCPD	69.45
58494	12/16/2016	Printed		PAC	PG&E	City Monthly Utility Service.	28,348.97
58495	12/16/2016	Printed		PBGFS	PITNEY BOWES GLOBAL	Leasing Charge -	177.98
58496	12/16/2016	Printed		PLIC	PLIC - SBD GRAND ISLAND	Balance Owing on Premium.	226.96
58497	12/16/2016	Printed		PNC	PNC EQUIPMENT FINANCE, LLC	Sewer Solar Energy Equip.	80,876.00
58498	12/16/2016	Printed		RED SHIFT	RED SHIFT INTERNET SERVICES	City Hall Internet	30.90
58499	12/16/2016	Printed		CAOCC	RICHARD A. LIND JR. MD INC	Physical Exam-M Velazquez	135.00
58500	12/16/2016	Printed		RIOSMO	MONICA RIOS	Deposit Refund	200.00
58501	12/16/2016	Printed		FREDERC	ROGER B. FREDERICKSON, PC	Legal Services	1,015.46
58502	12/16/2016	Printed		ROSE BACK	ROSE BACKFLOW SERVICES	Replace Back Flow	487.92
58503	12/16/2016	Printed		RRM DESIGN	RRM DESIGN GROUP, INC.	Engineering Consulting Service	12,509.00
58504	12/16/2016	Printed		SAN BENITO	SAN BENITO SUPPLY INC.	Directinal Signs	278.75

Check Register Report

Date: 01/03/2017

Time: 4:35 pm

Page: 2

KING CITY CITY HALL

BANK: WELLS FARGO BANK

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
<b>WELLS FARGO BANK Checks</b>							
58505	12/16/2016	Printed		SAYLER LEG	SAYLER LEGAL SERVICE, INC.	Rocha Legal Service	224.80
58506	12/16/2016	Printed		SIEMENS	SIEMENS INDUSTRY INC.	Traffic Signal Maint.	97.19
58507	12/16/2016	Printed		SO CO NEWS	SO CO NEWSPAPERS	Ad for Basetball -	624.00
58508	12/16/2016	Printed		SOLIS	CELSO SOLIS	Business License Refund	157.00
58509	12/16/2016	Printed		SPEAK	SPEAKWRITE BILLING DEPT	Novemer 2016 Services	129.91
58510	12/16/2016	Printed		SPRINT	SPRINT	City's Long Distance Phone	191.20
58511	12/16/2016	Printed		STAND INS	STANDARD INSURANCE COMPANY	Balance Owing on Premium.	34.70
58512	12/16/2016	Printed		SWRCB - AC	SWRCB - ACCOUNTING OFFICE	WWTP Permit	56,448.00
58513	12/16/2016	Printed		TACOS LA P	TACOS LA POTRANCA DE JALISCO	Food for Employee Holiday	500.00
58514	12/16/2016	Printed		TAVERNETTI	TAVERNETTI, LAYOUS & CLARK	PD telephone & Radio	3,125.00
58515	12/16/2016	Printed		THE SALINA	THE SALINAS CALIFORNIAN	Public Hearing USA	443.56
58516	12/16/2016	Printed		TORO	TORO PETROLEUM CORP.	City's Vehicle Gasoline.	2,774.06
58517	12/16/2016	Printed		TRANSU	TRANSUNION RISK AND ALTERNATIV	November 2016 Services	25.00
58518	12/16/2016	Printed		TYLERB	TYLER BUSINESS FORMS	W-2's & Misc 1099 Forms.	335.13
58519	12/16/2016	Printed		U.S. BAN	U.S. BANK CORP PAYMENT SYSTEM	Various Charges -	2,155.18
58520	12/16/2016	Printed		WEDGE	WEDGE & FOBES INVESTIGATIONS	Investigation - Oct 2016	5,409.83
58521	12/21/2016	Printed		KCBLOOM	KING CITY IN BLOOM	America in Bloom -2017	1,200.00
58522	12/27/2016	Printed		AGUILARF	FRANCISCA AGUILAR	Mileage Reimbursement -	164.59
58523	12/27/2016	Printed		AM SUPPLY	AMERICAN SUPPLY CO.	Janitorial Supplies	305.24
58524	12/27/2016	Printed		CANYON PLU	CANYON PLUMBING	Repair Toilet - KC Golf Course	125.29
58525	12/27/2016	Printed		INTERACT P	COLOSSUS INCORPORATED	Annual Maint. 2/2017 -	1,916.90
58526	12/27/2016	Printed		DAVE'S REP	DAVE'S REPAIR SERVICE	Airport Fuel Inspections	80.00
58527	12/27/2016	Printed		LIBERTY	GENESIS BUSINESS MANAGEMENT	CC Interpretation Services.	243.75
58528	12/27/2016	Printed		GOLDST	GOLDEN STATE ROOFING	Repair Roof - City Hall	1,800.00
58529	12/27/2016	Printed		HERDE	DEION HERNANDEZ	Soccer Official -	40.00
58530	12/27/2016	Printed		INTTIRE	INTERNATIONAL TIRES	Flat Repair - Unit 20	40.00
58532	12/27/2016	Printed		KC TRUE	KING CITY TRUE VALUE	Post Hole Digger	159.78
58533	12/27/2016	Printed		MALLORYCO	MALLORY SAFETY AND SUPPLY LLC	Safety Gear	1,049.97
58534	12/27/2016	Printed		MASTERSON	ROBERT MASTERSON	Sgt Panel Interview Lunch	111.53
58535	12/27/2016	Printed		MBAS	MBAS, INC.	Lab Work WWTP	1,135.00
58536	12/27/2016	Printed		M B C I C	MBCICC	Membership Renewal in	250.00
58537	12/27/2016	Printed		MELEC	JANET MELECIO	Rec Center Deposit Refund	200.00
58538	12/27/2016	Printed		O'REILLY A	O'REILLY AUTOMOTIVE, INC.	Wiper Blades	325.26
58539	12/27/2016	Printed		OFFICE DEP	OFFICE DEPOT	Office Supplies	211.62
58540	12/27/2016	Printed		PARTS & SE	PARTS & SERVICE CTR- NAPA, INC	Wiper Blades - Street Sweeper	6.36
58541	12/27/2016	Printed		PURCHASE P	PURCHASE POWER*PITNEY BOWES	Postage Refill -	100.00
58542	12/27/2016	Printed		QUILL CORP	QUILL CORPORATION	Office Supplies for C H,	466.59
58543	12/27/2016	Printed		FORD	SALINAS VALLEY FORD	Vehicle #115- Seatbelt	591.77
58544	12/27/2016	Printed		SAL VALLEY	SALINAS VALLEY FORD	Repair Dump Truck	312.00
58545	12/27/2016	Printed		SPECIALTY	SPECIALTY CONSTRUCTION INC.	Water Golf Course	8,750.00
58546	12/27/2016	Printed		STARK	BARBARA STARKEY	Overpayment on Serwer	1,848.00
58547	12/27/2016	Printed		STERI	STERICYCLE, INC	Quarterly Service -	950.76
58548	12/27/2016	Printed		VALSA	TAVIT & ARAM KARABETYAN PARTNE	Blower & Pole Saw.	482.17
58549	12/27/2016	Printed		TEMP UNIF	TEMPLETON UNIFORMS	R Robles Annual Uniform	317.22
58550	12/27/2016	Printed		SPCA	THE SPCA FOR MONTEREY COUNTY	Animal Services for	1,860.00
58551	12/27/2016	Printed		TRI	TRI-COUNTY FIRE PROTECTION INC	16 Fire Extinguishers Serviced	468.15
58552	12/27/2016	Printed		U.S. BANCO	U.S. BANCORP EQUIPMENT FINANCE	Copier Contract Services	278.42
58553	12/27/2016	Printed		U.S. BAN	U.S. BANK CORP PAYMENT SYSTEM	Various Charges -	688.87
58554	12/27/2016	Printed		WOODK	KRISTIAN WOOD	Unit #104 - Window Wipers	45.39

# Check Register Report

Date: 01/03/2017

Time: 4:35 pm

Page: 3

KING CITY CITY HALL

BANK: WELLS FARGO BANK

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
				<b>Total Checks: 99</b>		<b>Checks Total (excluding void checks):</b>	<b>437,201.49</b>
				<b>Total Payments: 99</b>		<b>Bank Total (excluding void checks):</b>	<b>437,201.49</b>
				<b>Total Payments: 99</b>		<b>Grand Total (excluding void checks):</b>	<b>437,201.49</b>



**KING CITY**  
C A L I F O R N I A

Item No 9(C)

**REPORT TO THE CITY COUNCIL**

**DATE: JANUARY 10, 2017**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: STEVEN ADAMS, CITY MANAGER**

**BY: PATRICIA GRAINGER, ACCOUNTANT**

**RE: SUCCESSOR AGENCY CHECK REGISTER**

---

**RECOMMENDATION:**

It is recommended City Council receive and file.

**BACKGROUND:**

At least once a month, the City Treasurer shall submit to the City Council, a copy of the check register and invoice approval fund list.

**DISCUSSION:**

The purpose of this item is to provide the Council an opportunity to review and monitor ongoing expenditures. These documents for the Successor Agency are attached.

**COST ANALYSIS:**

There is no fiscal impact as a result of this action.

**ALTERNATIVES:**

The following alternatives are provided for Council consideration:

1. Receive and file the report; or
2. Provide other direction to staff regarding requests for additional information.

**CITY COUNCIL/SUCCESSOR AGENCY  
SUCCESSOR AGENCY CHECK REGISTER  
JANUARY 10, 2017  
PAGE 2 OF 2**

**Exhibit(S)**

1. Check Register Report

Submitted by:   
Patricia Grainger, Accountant

Approved by:   
Steven Adams, City Manager

# Check Register Report

Date: 01/03/2017  
 Time: 4:40 pm  
 Page: 1

KING CITY CITY HALL

BANK: SUCCESSOR AGENCY OF

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
--------------	------------	--------	----------------	---------------	-------------	-------------------	--------

**SUCCESSOR AGENCY OF Checks**

201	12/16/2016	Printed		GREEN'S	GREEN'S ACCOUNTING	Monthly Accounting -	560.00
				<b>Total Checks: 1</b>		<b>Checks Total (excluding void checks):</b>	<b>560.00</b>
				<b>Total Payments: 1</b>		<b>Bank Total (excluding void checks):</b>	<b>560.00</b>
				<b>Total Payments: 1</b>		<b>Grand Total (excluding void checks):</b>	<b>560.00</b>



Item No 9 (D)

**REPORT TO THE CITY COUNCIL**

**DATE: JANUARY 10, 2017**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: STEVEN ADAMS, CITY MANAGER**

**RE: CONSIDERATION OF AIRPORT T-HANGER SETTLEMENT AGREEMENT AND MUTUAL RELEASE**

---

**RECOMMENDATION:**

It is recommended the City Council approve a Settlement Agreement and Mutual Release with Jim Chapman and Mark Dart regarding Mesa Del Rey Airport T-hangar rental fees.

**BACKGROUND:**

Staff is working on updating Mesa Del Rey Airport leases. One of the necessary steps is to resolve past due accounts. Since there is a waiting list for T-hanger rentals, staff is terminating all past due accounts, updating lease documents, and then seeking new lessees for available T-hangars.

**DISCUSSION:**

The process for evicting tenants, disposing of property, and seeking past due recovering past due fees is costly and labor intensive. Therefore, staff is seeking to reach voluntary settlements where feasible. Staff has reached an agreement for settlement of T-hanger #16, which is now recommended for City Council approval. The Agreement sets forth the terms previously approved by City Council in closed session. Under the terms of the Agreement, a third-party has agreed to purchase the existing plane housed in T-hanger #16. The proceeds from the purchase will be paid to the City as compensation for past due fees incurred by the current lessee. The City will also agree to lease the purchaser the T-hanger for up to six months to provide him time to repair the plane to operable condition so it can be moved.

**CITY COUNCIL  
CONSIDERATION OF AIRPORT T-HANGER SETTLEMENT AGREEMENT  
JANUARY 10, 2017  
PAGE 2 OF 2**

**COST ANALYSIS:**

The Mesa Del Rey Airport will receive \$5,000 in revenue under the Agreement, which exceeds estimated net revenue if the City were to pursue full payment of fees owed through a legal action.

**ALTERNATIVES:**

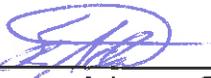
The following alternatives have been identified for City Council consideration:

1. Approve the proposed Settlement Agreement;
2. Do not approve the Settlement Agreement and direct staff to pursue legal action for full payment of fees due; or
3. Provide staff other direction.

**Exhibits:**

1. Settlement Agreement and Mutual Release

Prepared and Approved by:

  
\_\_\_\_\_  
Steven Adams, City Manager

**SETTLEMENT AGREEMENT  
AND  
MUTUAL RELEASE**

---

This **SETTLEMENT AGREEMENT AND MUTUAL RELEASE** ("Agreement") is made and entered into effective January \_\_, 2017 ("Effective Date") by and between the **CITY OF KING**, a California municipal corporation ("the City"), and **JIM CHAPMAN**, an individual ("Chapman"), and **MARK DART** an individual ("Dart"), (collectively, the "Parties"), with respect to the following Recitals:

**RECITALS**

A. In September of 1990 Chapman entered into a month-to-month Hanger or Storage – Lot Lease ("Lease Agreement") with the City for a T-Hanger at the Mesa Del Rey Airport. The Lease Agreement required Chapman to pay the City monthly rent for use of the T-Hanger.

B. Pursuant to Resolution No. 2016-4554, adopted by City on November 22, 2016, the monthly T-Hanger rental fee is One Hundred Thirty Dollars (\$130.00) per month. A copy of Resolution No. 2016-4554 is attached hereto as Exhibit "A".

C. As a result of Chapman's failure to pay the required monthly T-Hanger rental fees, in a letter dated August 26, 2016, the City demanded payment from Chapman of the past due T-Hanger rental fees in the amount of Eleven Thousand Five Hundred Sixteen Dollars (\$11,516.00). This letter is incorporated herein by reference. On September 27, 2016, the City sent Chapman a second notice of post due T-Hanger rental fees and demanded payment in the amount of Twelve Thousand Two Hundred and Forty-Two Dollars (\$12,242.00).

D. As of December 1, 2016, Chapman incurred Twelve Thousand Six Hundred Thirty-Two Dollars (\$12,632.00) in past due T-Hanger rental fees. Chapman has failed to pay any of the past due T-Hanger rental fees owed to the City. Chapman remains in possession of the T-Hanger.

E. The Parties now wish to enter into this Agreement in order to avoid the time and expense involved with civil litigation and/or further legal action, and to settle, once and forever, all disputes either party has against the other.

**NOW, THEREFORE**, in consideration of the mutual promises contained herein, the Parties agree as follows:

**AGREEMENT**

1. **Payment of Rental Fees.** Chapman shall pay the City Five Thousand Dollars (\$5,000.00) to resolve the past due T-Hanger rental fees. Further, Chapman shall require any purchaser of his airplane, currently housed in the T-Hanger at the Mesa Del Rey Airport, to include the City as a signatory on any check(s), including but not limited to personal or cashiers checks, or money order(s) Chapman receives from the sale.

2. **Sale of Airplane to Dart.** If Chapman sells his airplane, currently housed in the T-Hanger at the Mesa Del Rey Airport, to Dart, the Parties agree as follows:

- Dart shall pay Five Thousand Dollars (\$5,000.00) of the sales proceeds directly to the City to resolve the past due T-Hanger rental fees owed by Chapman.

- The City shall lease the T-Hanger space currently utilized by Chapman to Dart for a period of up to six (6) months.
- Dart shall pay the City One Hundred Thirty Dollars (\$130.00) per month to lease the T-Hanger.

3. **Waiver of Remaining Rental Fees.** City shall forego collection of any and all fees, fines, and interest arising out of Chapman's use of the T-Hanger and shall waive any and all rights to collect the remaining past due T-Hanger rental fees and/or interest in the amount of Seven Thousand Six Hundred Thirty-Two Dollars (\$7,632.00).

4. **General Release Regarding the Dispute.** Except for the obligations of the parties set forth herein, the Parties irrevocably and unconditionally releases each other and their agents, assigns, attorneys, executives, managers, officers, trustees, and successors-in-interest from all charges, complaints, claims, allegations, actions, causes of action, or liabilities of any nature whatsoever, including contemplated civil actions, state or federal administrative complaints, and any other claims or complaints of any nature whatsoever arising out or related to the collection of Twelve Thousand Six Hundred Thirty-Two Dollars (\$12,632.00) in past due T-Hanger rental fees, the Lease Agreement, or the lease of the T-Hanger ("the Dispute").

The Parties expressly acknowledge that this release is intended to include in its effect all claims and causes of action, known or unknown, suspected or unsuspected, which the Parties presently have or might have with regard to the Dispute as of the date of this Agreement.

The Parties expressly waive and release all rights and benefits afforded by section 1542 of the Civil Code of the State of California related to the Dispute and does so understanding and acknowledging the significance and consequence of such specific waiver of section 1542. Section 1542 of the California Civil Code states as follows:

**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**

The Parties hereby expressly waives the provisions of California Civil Code section 1542 and further expressly waives any right to invoke said provisions now or at any time in the future with regard to the Dispute. The Parties expressly do not waive or release any rights or benefits not arising from the Dispute.

5. **Future Enforcement.** City expressly reserves the right to future enforcement of the King City Municipal Code and Resolution No. 2016-4554, and any other future resolution, ordinance or fee schedule enacted by the City regarding the Mesa Del Rey Airport. Except as otherwise stated herein, this Agreement shall not be construed or interpreted to limit, restrict, diminish, or waive the right to such enforcement by City.

6. **No Admission of Liability.** This Agreement is entered into by the Parties for the purpose of compromising and settling the Disputes. It does not constitute, nor shall it be construed as, an admission of liability by any party for any purpose.

7. **Fees and Costs.** Each party shall bear his/its own attorney's fees and costs for all such attorney's fees and costs incurred prior to the date of execution of this Agreement.

8. **Dispute Resolution.** If any alleged violation of this Agreement arises, the party alleging a violation of this Agreement shall provide notice to the other party with specific information about the alleged violation, including relevant documents and witnesses in support of the alleged violation. The Parties agree that any dispute concerning alleged violations of this Agreement shall be referred to a third-party mediator for resolution. The mediator shall be selected by mutual agreement of the parties. If the parties cannot agree on a mediator, then the parties shall retain the right to proceed with other methods of redressing their grievances and concerns, up to and including initiating a lawsuit.

9. **Independent Review.** The Parties have had the opportunity to obtain, and have obtained, independent legal or other professional advice with regard to this Agreement. The Parties acknowledge that the terms of this Agreement have been read and fully explained and that those terms are fully understood and voluntarily accepted.

10. **City Council Approval.** This Agreement is contingent upon approval by majority vote of the City Council of the City of King. If the City Council of the City of King does not approve this agreement, then it is understood and agreed that this agreement may not be given as evidence in any later proceeding and it shall be void.

11. **Miscellaneous.**

a. **Assignment.** The Parties may not assign or transfer by operation of law any or all of their rights, burdens, duties, or obligations under this Agreement without the prior written consent of the other Parties.

b. **Severability.** If any provision of this Agreement shall be held invalid or unenforceable by a court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Agreement.

c. **Amendments.** This Agreement shall only be amended by a written instrument signed by the Parties.

d. **Interpretation.** This Agreement shall be construed as a whole, according to its fair meaning, and not strictly for or against either of the Parties.

e. **Voluntary Agreement.** The Parties represent and warrant that they have read this Agreement in full and understand and voluntarily agree to all such provisions. The Parties further represent and warrant that prior to executing this Agreement, they availed themselves of relevant information, through sources of their own selection, including legal counsel of their choosing, in deciding whether to execute this Agreement.

f. **Written Notice.** Any notice or other communication regarding this Agreement shall be personally delivered or sent via certified mail, return receipt requested, to the address located next to the Parties' signatures below or to the last business address known to the person sending the notice or other communication.

g. **Governing Law/Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. Any action or proceeding seeking any relief under or with respect to this Agreement shall be brought solely in the Superior Court of California, County of

Monterey, or the U.S. District Court for the Northern District of California, San Jose Division, as appropriate.

h. **Entire Agreement.** This Agreement is intended by the Parties as the final and complete expression of their agreement with respect to such matters and terms as are included herein and may not be contradicted by evidence of any prior agreement or of a contemporaneous oral agreement, nor explained or supplemented by evidence of consistent additional terms.

i. **Execution in Counterparts.** This Agreement may be executed in counterparts such that the signatures may appear on separate signature pages. A copy, facsimile, or an original of this Agreement, with all signatures appended together, shall be deemed a fully executed agreement.

j. **Warranty of Authority.** The persons who have signed this Agreement represent and warrant that they are legally authorized to do so on behalf of the respective Parties, and by their signatures to bind the respective Parties to this Agreement.

k. **Attorney's Fees.** In the event of any action to enforce rights under this Agreement, the prevailing party shall be entitled its costs and expenses, including reasonable attorney's fees, incurred in connection with such action.

l. **Counterparts.** This Agreement may be signed in counterparts, each of which shall constitute an original and which collectively shall constitute one instrument.

IN WITNESS WHEREOF, the Parties have executed and entered into this Agreement as of the Effective Date.

**CITY OF KING**

**JIM CHAPMAN**

By: \_\_\_\_\_  
Robert Cullen, Mayor  
City of King

By: \_\_\_\_\_  
Jim Chapman

Address: City of King  
City Hall  
212 S. Vanderhurst  
King City, CA 93930

Address: Jim Chapman  
2590 Highway 32  
Chico, CA 95937

**ATTEST:**

**MARK DART**

By: \_\_\_\_\_  
Steven Adams, City Clerk

By: \_\_\_\_\_  
Mark Dart

**APPROVED AS TO FORM:  
ALESHIRE & WYNDER, LLP**

Address: Marc Dart  
955 Walnut Drive  
Paso Robles, CA 93446

By: \_\_\_\_\_  
Shannon L. Chaffin, Interim City Attorney

**SETTLEMENT AGREEMENT  
AND  
MUTUAL RELEASE**

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**IN WITNESS WHEREOF,** the Parties have executed and entered into this Agreement as of the Effective Date.

**CITY OF KING**

By: \_\_\_\_\_  
Robert Cullen, Mayor  
City of King

Address: City of King  
City Hall  
212 S. Vanderhurst  
King City, CA 93930

**JIM CHAPMAN**

By:   
Jim Chapman

Address: Jim Chapman  
2590 Highway 32  
Chico, CA 95937

**ATTEST:**

By: \_\_\_\_\_  
Steven Adams, City Clerk

**APPROVED AS TO FORM:**  
**ALESHIRE & WYNDER, LLP**

By: \_\_\_\_\_  
Shannon L. Chaffin, Interim City Attorney

**MARK DART**

By: \_\_\_\_\_  
Mark Dart

Address: Marc Dart  
955 Walnut Drive  
Paso Robles, CA 93446

**SETTLEMENT AGREEMENT  
AND  
MUTUAL RELEASE**

---

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- Dart shall pay the City One Hundred Thirty Dollars (\$130.00) per month to lease the T-Hanger.

3. **Waiver of Remaining Rental Fees.** City shall forego collection of any and all fees, fines, and interest arising out of Chapman's use of the T-Hanger and shall waive any and all rights to collect the remaining past due T-Hanger rental fees and/or interest in the amount of Seven Thousand Six Hundred Thirty-Two Dollars (\$7,632.00).

4. **General Release Regarding the Dispute.** Except for the obligations of the parties set forth herein, the Parties irrevocably and unconditionally releases each other and their agents, assigns, attorneys, executives, managers, officers, trustees, and successors-in-interest from all charges, complaints, claims, allegations, actions, causes of action, or liabilities of any nature whatsoever, including contemplated civil actions, state or federal administrative complaints, and any other claims or complaints of any nature whatsoever arising out or related to the collection of Twelve Thousand Six Hundred Thirty-Two Dollars (\$12,632.00) in past due T-Hanger rental fees, the Lease Agreement, or the lease of the T-Hanger ("the Dispute").

The Parties expressly acknowledge that this release is intended to include in its effect all claims and causes of action, known or unknown, suspected or unsuspected, which the Parties presently have or might have with regard to the Dispute as of the date of this Agreement.

The Parties expressly waive and release all rights and benefits afforded by section 1542 of the Civil Code of the State of California related to the Dispute and does so understanding and acknowledging the significance and consequence of such specific waiver of section 1542. Section 1542 of the California Civil Code states as follows:

**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**

The Parties hereby expressly waives the provisions of California Civil Code section 1542 and further expressly waives any right to invoke said provisions now or at any time in the future with regard to the Dispute. The Parties expressly do not waive or release any rights or benefits not arising from the Dispute.

5. **Future Enforcement.** City expressly reserves the right to future enforcement of the King City Municipal Code and Resolution No. 2016-4554, and any other future resolution, ordinance or fee schedule enacted by the City regarding the Mesa Del Rey Airport. Except as otherwise stated herein, this Agreement shall not be construed or interpreted to limit, restrict, diminish, or waive the right to such enforcement by City.

6. **No Admission of Liability.** This Agreement is entered into by the Parties for the purpose of compromising and settling the Disputes. It does not constitute, nor shall it be construed as, an admission of liability by any party for any purpose.

7. **Fees and Costs.** Each party shall bear his/its own attorney's fees and costs for all such attorney's fees and costs incurred prior to the date of execution of this Agreement.

8. **Dispute Resolution.** If any alleged violation of this Agreement arises, the party alleging a violation of this Agreement shall provide notice to the other party with specific information about the alleged violation, including relevant documents and witnesses in support of the alleged violation. The Parties agree that any dispute concerning alleged violations of this

Agreement shall be referred to a third-party mediator for resolution. The mediator shall be selected by mutual agreement of the parties. If the parties cannot agree on a mediator, then the parties shall retain the right to proceed with other methods of redressing their grievances and concerns, up to and including initiating a lawsuit.

9. **Independent Review.** The Parties have had the opportunity to obtain, and have obtained, independent legal or other professional advice with regard to this Agreement. The Parties acknowledge that the terms of this Agreement have been read and fully explained and that those terms are fully understood and voluntarily accepted.

10. **City Council Approval.** This Agreement is contingent upon approval by majority vote of the City Council of the City of King. If the City Council of the City of King does not approve this agreement, then it is understood and agreed that this agreement may not be given as evidence in any later proceeding and it shall be void.

11. **Miscellaneous.**

a. **Assignment.** The Parties may not assign or transfer by operation of law any or all of their rights, burdens, duties, or obligations under this Agreement without the prior written consent of the other Parties.

b. **Severability.** If any provision of this Agreement shall be held invalid or unenforceable by a court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Agreement.

c. **Amendments.** This Agreement shall only be amended by a written instrument signed by the Parties.

d. **Interpretation.** This Agreement shall be construed as a whole, according to its fair meaning, and not strictly for or against either of the Parties.

e. **Voluntary Agreement.** The Parties represent and warrant that they have read this Agreement in full and understand and voluntarily agree to all such provisions. The Parties further represent and warrant that prior to executing this Agreement, they availed themselves of relevant information, through sources of their own selection, including legal counsel of their choosing, in deciding whether to execute this Agreement.

f. **Written Notice.** Any notice or other communication regarding this Agreement shall be personally delivered or sent via certified mail, return receipt requested, to the address located next to the Parties' signatures below or to the last business address known to the person sending the notice or other communication.

g. **Governing Law/Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. Any action or proceeding seeking any relief under or with respect to this Agreement shall be brought solely in the Superior Court of California, County of Monterey, or the U.S. District Court for the Northern District of California, San Jose Division, as appropriate.

h. **Entire Agreement.** This Agreement is intended by the Parties as the final and complete expression of their agreement with respect to such matters and terms as are included herein and may not be contradicted by evidence of any prior agreement or of a contemporaneous oral agreement, nor explained or supplemented by evidence of consistent additional terms.

i. **Execution in Counterparts.** This Agreement may be executed in counterparts such that the signatures may appear on separate signature pages. A copy, facsimile, or an original of this Agreement, with all signatures appended together, shall be deemed a fully executed agreement.

j. **Warranty of Authority.** The persons who have signed this Agreement represent and warrant that they are legally authorized to do so on behalf of the respective Parties, and by their signatures to bind the respective Parties to this Agreement.

k. **Attorney's Fees.** In the event of any action to enforce rights under this Agreement, the prevailing party shall be entitled its costs and expenses, including reasonable attorney's fees, incurred in connection with such action.

l. **Counterparts.** This Agreement may be signed in counterparts, each of which shall constitute an original and which collectively shall constitute one instrument.

**IN WITNESS WHEREOF**, the Parties have executed and entered into this Agreement as of the Effective Date.

**CITY OF KING**

**JIM CHAPMAN**

By: \_\_\_\_\_  
**Robert Cullen, Mayor**  
**City of King**

By: \_\_\_\_\_  
**Jim Chapman**

Address: **City of King**  
**City Hall**  
**212 S. Vanderhurst**  
**King City, CA 93930**

Address: **Jim Chapman**  
**2590 Highway 32**  
**Chico, CA 95937**

**ATTEST:**

**MARC DART**

By: \_\_\_\_\_  
**Steven Adams, City Clerk**

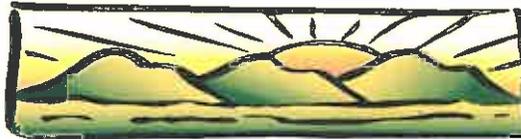
By: \_\_\_\_\_  
**Marc Dart**

**APPROVED AS TO FORM:**  
**ALESHIRE & WYNDER, LLP**

Address: **Marc Dart**  
**955 Walnut Drive**  
**Paso Robles, CA 93446**

By: \_\_\_\_\_  
**Shannon L. Chaffin, Interim City Attorney**

NOV 14 2013 11:30 AM  
CITY OF KING



**KING CITY**  
C A L I F O R N I A

Item No. 9 (E)

**REPORT TO THE CITY COUNCIL**

**DATE: JANUARY 10, 2017**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: ROBERT MASTERSON, CHIEF OF POLICE**

**RE: CONSIDERATION OF ESTABLISHMENT OF POLICE DEPARTMENT ADVISORY BOARD**

**RECOMMENDATION:**

Approve the establishment of, and criteria for, an advisory board for the Police Department.

**BACKGROUND:**

The King City Police Department was recently audited by the State of California Auditors Office. One of the recommendations of the State Auditor's Office was the establishment of an advisory board for the Chief of Police and King City Police Department.

**DISCUSSION:**

In recommendation number five of the State Auditors Report, the auditors recommend that the City consider the establishment of a community advisory board for the police department and Chief of Police. In addition, the Presidential Task Force on 21<sup>st</sup> Century Policing set forth Six Pillars for law enforcement to try to assist in rebuilding the trust between law enforcement and the public. Therefore, the establishment of the Advisory Board will also help the Chief of Police and the King City Police Department adhere to several of the "Six Pillars of 21<sup>st</sup> Century Policing" established by the President's Task Force. The pillars this advisory board would help achieve are:

- **Pillar One, Establishing Trust and Legitimacy:**  
Establish a culture of transparency and accountability to build public trust and legitimacy.  
Consider the potential damage to public trust when implementing crime fighting strategies.

**CITY COUNCIL  
CONSIDERATION OF ESTABLISHMENT OF POLICE DEPARTMENT  
ADVISORY BOARD  
JANUARY 10, 2016  
PAGE 2 OF 3**

The Advisory Board would be used to advance recommendations to the Police Department on issues pertaining to the community trust and accountability as well as recommendations on policing strategies which may affect the public.

- **Pillar Two, Policy and Oversight:**  
Collaborate with community members, especially those affected by crime, to develop policies and strategies.

The Advisory Board would be shown potential policy changes on critical policy and be able to offer advice for the implementation of these policies. In addition, the Advisory Board would be shown policy changes which are prescribed by case law and best practices to assist in informing the public on these new policies.

- **Pillar Four, Community Policing and Crime Reduction:**  
Work with residents to identify problems and collaborate on implementing solutions that produce meaningful results. Develop and adopt policy and strategy that reinforce the importance of community engagement.  
Engage in multidisciplinary, community team approaches for planning, implementing, and responding to crisis situations.  
Support a culture and practice of policing that reflects the values of protection and dignity of all.

The Advisory Board would be utilized to address concerns in from the community and to assist in finding solutions for these concerns.

It is recommended that the Advisory Board be established by the selection of the following:

- One member representing each Council district recommended by that district Council Member; and
- Five members selected by the City Manager and/or Police Chief for a total of ten members.

The Advisory board will be chaired by the Chief of Police. The Advisory Board will meet monthly in the Council Chambers. The Advisory Board would be publicly noticed and would be open to the public.

**COST ANALYSIS:**

There will be no additional cost to the City.

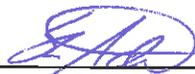
**CITY COUNCIL  
CONSIDERATION OF ESTABLISHMENT OF POLICE DEPARTMENT  
ADVISORY BOARD  
JANUARY 10, 2016  
PAGE 3 OF 3**

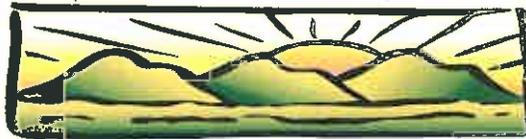
**ALTERNATIVES:**

The following alternatives are provided for Council consideration:

1. Approve staff's recommendations;
2. Approve the formation of the Advisory Board, but modify the makeup of the membership;
3. Do not approve forming an Advisory Board; or
3. Provide staff other direction.

Submitted by:   
Robert Masterson, Chief of Police

Approved by:   
Steven Adams, City Manager



**KING CITY**  
C A L I F O R N I A

Item No. 9 (F)

**REPORT TO THE CITY COUNCIL**

**DATE: JANUARY 10, 2017**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: MIKE HOWARD, FINANCE DIRECTOR**

**RE: CONSIDERATION OF CHANGES TO SIGNATURE AUTHORITY  
RELATED TO CITY MUNICIPAL ACCOUNTS AND INVESTMENT  
ACCOUNTS**

---

**RECOMMENDATION:**

It is recommended that the City Council; 1) adopt a Resolution authorizing the establishment and maintenance of bank accounts for municipal funds and repealing resolutions in conflict herewith, and 2) adopt a Resolution authorizing investment of monies in the Local Agency Investment Fund and designating officers authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund (LAIF)

**BACKGROUND:**

As a result of the recent election it has become necessary to update signature authority related to city's municipal bank accounts and investment accounts.

**DISCUSSION:**

It is important that the city maintain current those authorized to maintain and transfer funds for the payment of city expenditures and payroll. As a result of the November 8, 2016, election it has become necessary to update those officers authorized to maintain, deposit, and transfer funds on behalf of the city's municipal bank accounts and investment accounts.

**COST ANALYSIS:**

There is no financial impact to this item.

**CITY COUNCIL  
CONSIDERATION OF CHANGES TO SIGNATURE AUTHORITY RELATED TO  
CITY MUNICIPAL ACCOUNTS AND INVESTMENT ACCOUNTS  
JANUARY 10, 2017  
PAGE 2 OF 2**

**ALTERNATIVES:**

The following alternatives are provided for Council consideration:

1. Adopt Resolutions;
2. Designate other Council representatives or staff with signature authority; or
3. Provide other direction to staff.

Submitted by:

  
\_\_\_\_\_  
Mike Howard, Finance Director

Approved by:

  
\_\_\_\_\_  
Steven Adams, City Manager

**RESOLUTION NO. 2017-4562**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KING  
AUTHORIZING THE ESTABLISHMENT AND MAINTENANCE OF BANK ACCOUNTS  
FOR MUNICIPAL FUNDS AND REPEALING RESOLUTIONS IN CONFLICT HEREWITH**

**WHEREAS**, a commercial checking account (General Checking) at Wells Fargo Bank, King City, California, for the deposit of City revenues to be used by the City Treasurer to transfer funds to and from the various City accounts as necessary and proper for City operations; and

**WHEREAS**, a commercial checking account at 1<sup>st</sup> Capital Bank, King City, California, for the deposit of City revenues to be used by the City Treasurer to transfer funds to and from the various City accounts as necessary and proper for City operations; and

**WHEREAS**, a payroll checking account at Wells Fargo Bank, King City, California, for the deposit of funds each payroll period to meet the City's payroll requirements is necessary and proper for City operations; and

**WHEREAS**, all of the above Wells Fargo accounts may be accessed and transfers made using Wells Fargo Bank's "Commercial Electronic Office Portal" system.

**NOW THEREFORE, BE IT RESOLVED**, that the City Council does hereby stipulate that the proper officers of the City of King City are and are hereby authorized for and in behalf of said City to establish and maintain the above referenced accounts and to provide for deposits to and withdraws from said accounts as follows: all withdrawals from said deposit and payroll accounts to be made by checks or withdrawal slips signed by any **two (2) of the following Mayor Michael LeBarre, Mayor Pro Tem Carlos Victoria, City Manager Steven Adams, Finance Director Mike Howard, or Accountant Patricia Grainger**, per the current signature card on file at said Bank.

**BE IT FURTHER RESOLVED**, that the City Council does hereby authorize **Mayor Michael LeBarre, Mayor Pro Tem Carlos Victoria, City Manager Steven Adams, Finance Director Mike Howard, or Accountant Patricia Grainger**, as per the current signature card on file at said Bank to access and make transfers the above referenced accounts using Wells Fargo Bank's "Business Online Banking Plus" system.

**BE IT FURTHER RESOLVED**, that the City Council does hereby authorize **Mayor Michael LeBarre, Mayor Pro Tem Carlos Victoria, City Manager Steven Adams Finance Director Mike Howard, or Accountant Patricia Grainger**, as per the current signature card on file at said Bank to execute for and in behalf of said City any and all agreements required by the respective bank mentioned above, including those contained on standard forms of signature cards, in order to open, use, and maintain such bank accounts.

**BE IT FURTHER RESOLVED**, that the City Council does hereby stipulate that all previous Resolutions which may be in conflict with this Resolution are hereby rescinded.

Michael LeBarre, Mayor	Signature _____
Carlos Victoria, Mayor Pro Tem	Signature _____
Steven Adams, City Manager/Treasurer	Signature _____
Mike Howard, Finance Director	Signature _____
Patricia Grainger, Accountant	Signature _____

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of King duly held on the **10th day of January, 2017**, by the following vote:

**AYES**, Council Members:

**NAYS**, Council Members:

**ABSENT**, Council Members:

**ABSTAINING**, Council Members:

**APPROVED:**

\_\_\_\_\_  
Michael LeBarre, Mayor

**ATTEST:**

\_\_\_\_\_  
Steven Adams, City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Shannon L. Chaffin, Interim City Attorney

**RESOLUTION NO. 2017-4563**

**RESOLUTION OF THE CITY OF KING  
AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND AND  
DESIGNATING OFFICERS AUTHORIZED TO ORDER THE DEPOSIT OR WITHDRAWAL OF MONIES  
IN THE LOCAL AGENCY INVESTMENT FUND**

**WHEREAS**, Chapter 730 of the Statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a Local Agency for purposes of investment by the State Treasurer; and

**WHEREAS**, the City Council does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purpose for investment as stated therein is in the best interest of the City;

**NOW, THEREFORE, BE IT RESOLVED**, that the City Council does hereby authorize the deposit and withdrawal of City monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard

**BE IT FURTHER RESOLVED**, that the following City of King, California officers or their successors in office shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund:

Michael LeBarre, Mayor	Signature _____
Carlos Victoria, Mayor Pro Tem	Signature _____
Steven Adams, City Manager/Treasurer	Signature _____
Mike Howard, Finance Director	Signature _____
Patricia Grainger, Accountant	Signature _____

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of King duly held on the 10<sup>th</sup> day of **January 2017** by the following vote:

**AYES**, Council Members:

**NAYS**, Council Members:

**ABSENT**, Council Members:

**ABSTAINING**, Council Members:

**APPROVED:**

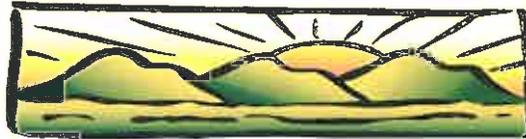
\_\_\_\_\_  
Michael LeBarre, Mayor

**ATTEST:**

\_\_\_\_\_  
Steven Adams, City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Shannon L. Chaffin, Interim City Attorney



**KING CITY**  
C A L I F O R N I A

Item No. 9 (G)

**REPORT TO THE SUCCESSOR AGENCY TO THE FORMER CDA OF THE CITY OF KING**

**DATE: JANUARY 10, 2017**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL  
AS SUCCESSOR AGENCY TO THE FORMER COMMUNITY  
DEVELOPMENT AGENCY**

**FROM: MIKE HOWARD, FINANCE DIRECTOR**

**RE: CONSIDERATION OF CHANGES TO SIGNATURE AUTHORITY  
RELATED TO THE SUCCESSOR AGENCY MUNICIPAL  
ACCOUNT**

---

**RECOMMENDATION:**

It is recommended that the Successor Agency Board adopt a Resolution Authorizing the establishment and maintenance of bank accounts for municipal funds and repealing resolutions in conflict herewith.

**BACKGROUND:**

As a result of the recent election it has become necessary to update signature authority related to the Successor Agency's municipal bank account.

**DISCUSSION:**

It is important that the Successor Agency to the Former Community Development Agency of the City of King maintain current those authorized to maintain and transfer funds for the payment of agency expenditures and payroll. As a result of the November 8, 2016, election it has become necessary to update those officers authorized to maintain, deposit, and transfer funds on behalf of the agency's municipal bank account.

**COST ANALYSIS:**

There is no financial impact to this item.

**SUCCESSOR AGENCY TO THE FORMER COMMUNITY DEVELOPMENT  
AGENCY  
CONSIDERATION OF CHANGES TO SIGNATURE AUTHORITY RELATED TO  
THE SUCCESSOR AGENCY MUNICIPAL ACCOUNT  
JANUARY 10, 2017  
PAGE 2 OF 2**

**ALTERNATIVES:**

The following alternatives are provided for Council consideration:

1. Adopt Resolution,
2. Designate other representatives of the City Council or staff with signature authority; or
3. Provide other direction to staff.

Submitted by:

  
\_\_\_\_\_  
Mike Howard, Finance Director

Approved by:

  
\_\_\_\_\_  
Steven Adams, City Manager

**RESOLUTION NO. 2017-04**

**A RESOLUTION OF THE SUCCESSOR AGENCY TO THE FORMER COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF KING AUTHORIZING THE ESTABLISHMENT AND MAINTENANCE OF BANK ACCOUNTS FOR MUNICIPAL FUNDS AND REPEALING RESOLUTIONS IN CONFLICT HEREWITH**

**WHEREAS**, a commercial checking account (Successor Agency Checking) at Wells Fargo Bank, King City, California, for the deposit of Successor Agency to the Former Community Development Agency of the City of King revenues to be used by the City Treasurer to transfer funds to and from the various City accounts as necessary and proper for Agency operations; and

**WHEREAS**, all of the above Wells Fargo account may be accessed and transfers made using Wells Fargo Bank's "Commercial Electronic Office Portal" system.

**NOW THEREFORE, BE IT RESOLVED**, that the Agency Board does hereby stipulate that the proper officers of Successor Agency to the Former Community Development Agency of the City of King are and are hereby authorized for and in behalf of said Agency to establish and maintain the above referenced accounts and to provide for deposits to and withdraws from said accounts as follows: all withdrawals from said deposit to be made by checks, wire transfer, or withdrawal slips signed by any **two (2)** of the following **Mayor Michael LeBarre, Mayor Pro Tem Carlos Victoria, City Manager Steven Adams, Finance Director Mike Howard, or Accountant Patricia Grainger**, per the current signature card on file at said Bank.

**BE IT FURTHER RESOLVED**, that the Successor Agency to the Former Community Development Agency of the City of King does hereby authorize **Mayor Michael LeBarre, Mayor Pro Tem Carlos Victoria, City Manager Steven Adams, Finance Director Mike Howard, or Accountant Patricia Grainger**, as per the current signature card on file at said Bank to access and make transfers the above referenced accounts using Wells Fargo Bank's "Business Online Banking Plus" system.

**BE IT FURTHER RESOLVED**, that the Successor Agency to the Former Community Development Agency of the City of King does hereby authorize **Mayor Michael LeBarre, Mayor Pro Tem Carlos Victoria, City Manager Steven Adams Finance Director Mike Howard, or Accountant Patricia Grainger**, as per the current signature card on file at said Bank to execute for and in behalf of said Agency any and all agreements required by the respective bank mentioned above, including those contained on standard forms of signature cards, in order to open, use, and maintain such bank accounts.

**BE IT FURTHER RESOLVED**, that the Successor Agency Board does hereby stipulate that all previous Resolutions which may be in conflict with this Resolution are hereby rescinded.

Michael LeBarre, Mayor	Signature _____
Carlos Victoria, Mayor Pro Tem	Signature _____
Steven Adams, City Manager/Treasurer	Signature _____
Mike Howard, Finance Director	Signature _____
Patricia Grainger, Accountant	Signature _____

**PASSED AND ADOPTED** at a regular meeting of the Successor Agency to the Former Community Development Agency of the City of King duly held on the **10th day of January, 2017**, by the following vote:

**AYES, Members:**  
**NAYS, Members:**  
**ABSENT, Members:**  
**ABSTAINING, Members:**

**APPROVED:**

\_\_\_\_\_  
Michael LeBarre, Chairperson

**ATTEST:**

\_\_\_\_\_  
Steven Adams, Secretary

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Shannon L. Chaffin, Interim Successor Agency Attorney



Item No. 9 (H)

**REPORT TO THE CITY COUNCIL**

**DATE: JANUARY 10, 2017**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: STEVEN ADAMS, CITY MANAGER**

**RE: CONSIDERATION OF SALE OF APN 245-111-035 AND A PORTION OF APN 245-111-036 (ADJACENT TO THE WASTEWATER TREATMENT PLANT) TO MISSION HOLDINGS TIC FOR \$2,325,000**

---

**RECOMMENDATION:**

It is recommended the City Council adopt a resolution authorizing the sale of approximately 93.21 acres of farmable land and 77.30 acres of river bottom land, APN 245-111-035 and a portion of 245-111-036.

**BACKGROUND:**

During the budget process, the City Council approved the revenue strategy of selling properties with no identified proposed use by the City. Three properties were identified, which includes the one proposed for sale at this time. The property consists of 170.5 acres adjacent to the City's wastewater treatment plant and includes part of two parcels. However, only approximately 93 acres has been determined to be suitable for, and is currently leased for, farming. The remaining portion consists of land adjacent to the Salinas River.

The property has been maintained for expansion of the wastewater treatment plan. However, since it is now proposed to upgrade the plant to tertiary treatment, the land is no longer needed. There is a second parcel owned by the City on the other side of the wastewater treatment plant, which is recommended to be retained until the City's master plan for the wastewater treatment upgrade project is completed in case any need for additional land is identified.

At the November 15, 2016 meeting, the City Council voted unanimously to declare the property as surplus and list it for sale at a minimum price of \$2,046,000. The City Council approved a listing Agreement with Cushman and

**CITY COUNCIL  
CONSIDERATION OF SALE OF A PORTION OF CITY PARCEL NUMBERS  
245-111-035 AND 245-111-036  
JANUARY 10, 2017  
PAGE 2 OF 3**

Wakefield U.S., Inc., who subsequently determined that \$2,325,000 was a more appropriate value. An offer for that amount has been received from Mission Holdings TIC (John Romans), who has been leasing the land from the City for farming since 1994. No other offers have been received by the City since this property went on the market on November 28, 2016.

**DISCUSSION:**

A purchase agreement is in the final stages of preparation by the City's real estate consultant. Staff recommends the City Council a resolution granting authority to the City Manager to take all actions to enter into a purchase and sale agreement to effectuate the sell subject to the following material terms:

- Property: Approximately 93.21 acres of farmable land and 77.30 acres of river bottom land, APN 245-111-035 and a portion of 245-111-036, as generally depicted on the attached Exhibit A of the Resolution.
- Buyer: Mission Holdings TIC (or an related entity thereof)
- Sale Price: \$2,325,000
- Close of Escrow: Within 90 days (Escrow is currently proposed to close February 15, 2017, unless extended in writing by the parties).

A draft purchase and sale agreement approved by the buyer is attached, but is not anticipated to be the final version. Staff is requesting authority to clarify and complete the last of the details consistent with the material terms. For example, the property is being leased, and staff is requesting authority to either terminate the lease effective upon the close of escrow or require the buyer to purchase the property subject to the lease (the City would assign its rights to the buyer). Additionally, although farming is currently taking place on at least a portion of these parcels, the land use designations and zoning are set up to allow expansion of the wastewater treatment plant – which is no longer required. As part of this process, staff is requesting that any purchase and sale agreement allow for the possibility of an amendment to the General Plan designation and rezone (including pre-zoning) of all or a portion of the property commonly identified as APN 245-111-036. The planned land use designation in the General Plan is PQ (Public Facility – Quasi-Public) and the zoning is M-1 (Industrial district). Any proposed plan amendment would be to OP/AG (Open/Agricultural) and any rezoning (or pre-zoning as appropriate) would be to A (Agricultural district). The purchase and sale agreement would not pre-commit or limit the City's discretion regarding either a plan amendment or rezone, and any such action would require CEQA compliance once the applications were actually considered. Escrow could close during this process.

**CITY COUNCIL  
CONSIDERATION OF SALE OF A PORTION OF CITY PARCEL NUMBERS  
245-111-035 AND 245-111-036  
JANUARY 10, 2017  
PAGE 3 OF 3**

Approval of the purchase and sale agreement is not a "project" for the purposes of CEQA as defined by CEQA Guidelines section 15378. This is because the sale of surplus property is a fiscal activity, and exchange of title does not have the potential for resulting in either a direct adverse physical change or a reasonably foreseeable indirect adverse physical change, in the environment.

Since the purchase involves establishes involving a modification to the existing parcels, staff will need to create the new lot. The Resolution also authorizes the City Manager to take the steps necessary to form the new lot consistent with the area identified in the exhibit.

**COST ANALYSIS:**

The net proceeds from the sale of the property are estimated to be approximately \$2,249,000. Funding from the sale will be used to reduce the General Fund negative fund balance by at least \$1,500,000, which was included as estimated revenue in the FY 2016-17 Annual Budget, as well as provide additional funding for implementation of the Downtown Streetscape Conceptual Plan and the Comprehensive Plan to End Youth Violence.

**ALTERNATIVES:**

The following alternatives are provided for City Council consideration:

1. Adopt a resolution approving the sale of the identified property and authorizing the City Manager to enter into a purchase and sale agreement consistent with the material terms approved by the City Council;
2. Delay approval until all other actions involving rezoning and creation of the parcel are completed;
3. Do not approve the sale of the property at this time; or
4. Provide staff other direction.

Exhibits:

1. (Draft) Purchase Agreement for the sale of a portion of City parcel 245-111-035 and and a portion 245-111-036

Prepared and Approved by:

  
\_\_\_\_\_  
Steven Adams, City Manager

**RESOLUTION NO. 2017-\_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KING AUTHORIZING THE SALE OF APN 245-111-035 AND A PORTION OF 245-111-036 (ADJACENT TO THE WASTEWATER TREATMENT PLANT) TO MISSION HOLDINGS TIC, OR A RELATED ENTITY, FOR \$2,325,000, AND ACTIONS RELATED TO THE SAME**

**WHEREAS**, the City of King City owns approximately 170.5 acres, more or less, adjacent to the City's wastewater treatment plant and that is commonly referred to as APN 245-111-035 and a portion of APN 245-111-036, generally depicted in Exhibit "A" and referred to herein as the "Property;" and

**WHEREAS**, approximately 93 acres, more or less, of the Property has been determined to be suitable for, and is currently leased to Mission Ranches for, farming; the remaining portion of the Property consists of land adjacent to the Salinas River; and

**WHEREAS**, the Property has been maintained for expansion of the wastewater treatment plant, but since it is now proposed to upgrade the plant to tertiary treatment, the Property is no longer necessary for plant operations; and

**WHEREAS**, on November 15, 2016 meeting, the City Council voted unanimously to declare the Property as surplus and list it for sale and approved a listing agreement with Cushman and Wakefield U.S., Inc. to sell the Property; and

**WHEREAS**, the City's broker, Cushman and Wakefield U.S., Inc., performed an broker's estimate to value the Property, which was determined to be \$2,325,000; and

**WHEREAS**, the Property has been listed and on the market since November of 2016; and

**WHEREAS**, during the time the Property has been on the market, the City has received a single offer from Mission Holdings, TIC, in the amount of \$2,325,000, the full amount of the broker's valuation; and

**WHEREAS**, the current lessee of the Property since at least 1994, Mission Ranches, and the proposed buyer, Mission Holdings, TIC, have at least one principal in common; and

**WHEREAS**, the City desires to authorize the sale of the Property to Mission Holdings TIC, or a related entity thereof, for \$2,325,000.

**NOW, THEREFORE, BE IT RESOLVED AND ORDERED** by the City Council of the City of King, as follows:

1. The facts set forth above in this Resolution are true and correct.
2. The City Council finds and determines that approval of the sale of the Property is not a "project" for the purposes of CEQA as defined by CEQA Guidelines section 15378, as the sale of surplus property is a fiscal activity and exchange of title does not have the potential for

resulting in either a direct adverse physical change, or a reasonably foreseeable indirect adverse physical change, in the environment.

3. The City Manager, or designee, is authorized to sell the Property on behalf of the City consistent with the following material terms:

- a. Property: Approximately 93.21 acres of farmable land and 77.30 acres of river bottom land, APN 245-111-035 and a portion of 245-111-036, as generally depicted on the attached Exhibit A.
- b. Buyer: Mission Holdings TIC (or an related entity thereof)
- c. Sale Price: \$2,325,000
- d. Close of Escrow: Within 90 days.

Additionally, the City Manager or his designee is authorized to negotiate and execute a purchase and sale agreement consistent with the material terms authorized by the City Council; to execute any and all contract, deeds or documents; to approve any survey or final legal description establishing the specific boundaries of the Property, and to take any other action required to effectuate and complete the sale and transfer of the Property and implement this Resolution; all subject to approval of the same as to legal form by the City Attorney. The City Manager or his designee is also authorized to negotiate and to agree to any non-material terms on behalf of the City to effectuate the sale, which may include terms for assignment of the Mission Ranches lease to the Buyer, provisions to allow for rezoning and updating the land use designations to be consistent with farming operations, a close of escrow date in less than 90 days time, and any other items in the discretion of the City Manager consistent with the material terms approved by the City Council and subject to approval as to legal form by the City Attorney.

4. The City Manager is authorized to take all actions to transfer and assign all the City's rights and interests in the lease with Mission Ranches, or its successor, related to the Property to the Buyer. The City Manager is also authorized to take all actions to effectuate the mutual termination of the lease with Mission Ranches, or its successor, to allow for transfer of the Property to the Buyer.

5. The City Manager is authorized to initiate the process to amend the General Plan designation and zoning for all or a portion of the Property to be consistent with the agricultural uses.

6. This Resolution shall go into effect immediately upon its adoption.

**PASSED AND ADOPTED** by the City Council of the City of King at a regular meeting duly held on the 10th day of January, 2017, by the following vote:

**AYES**, and in favor thereof, Councilmembers:

**NAYS**, Councilmembers:

**ABSENT**, Councilmembers:

**ABSTAINING**, Councilmembers:

**APPROVED:**

\_\_\_\_\_  
Michael LeBarre, Mayor

**ATTEST:**

\_\_\_\_\_  
Steven Adams, City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Shannon Chaffin, Interim City Attorney

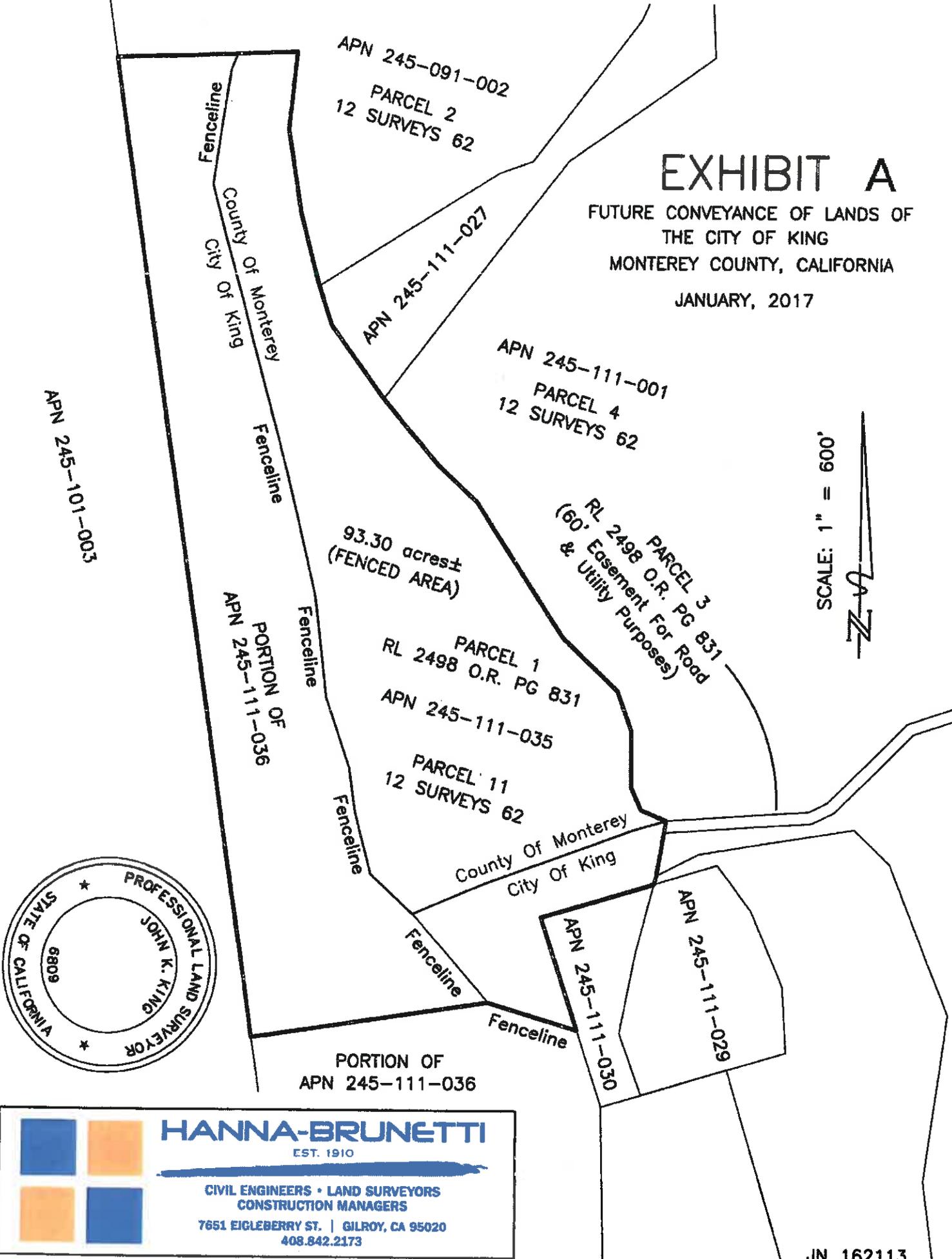
**Attachment:** Exhibit A (Depicting the general location of the Property)

# EXHIBIT A

FUTURE CONVEYANCE OF LANDS OF  
THE CITY OF KING  
MONTEREY COUNTY, CALIFORNIA

JANUARY, 2017

SCALE: 1" = 600'



**HANNA-BRUNETTI**  
EST. 1910

CIVIL ENGINEERS • LAND SURVEYORS  
CONSTRUCTION MANAGERS

7651 EIGLEBERRY ST. | GILROY, CA 95020  
408.842.2173



**STANDARD OFFER, PURCHASE AGREEMENT AND DEPOSIT RECEIPT**

THIS STANDARD OFFER, PURCHASE AGREEMENT AND DEPOSIT RECEIPT ("Agreement") is dated for reference purposes as of December 18, 2016, and is made by Mission Holdings TIC ("Buyer") to City of King ("Seller"). Buyer hereby offers to purchase certain property from Seller, on the terms and conditions contained in this Agreement. As used herein, the term "Agreement" refers both to Buyer's offer to purchase from Seller the property described herein ("Offer") and, where the context requires, the binding purchase contract created by Seller's written acceptance.

Buyer has or will as of the Effective Date deliver to Seller the sum of One Hundred (\$100.00) Dollars (the "Independent Consideration") in consideration for Seller's entering into the Agreement to the exclusion of potential other buyers and granting Buyer the rights to inspect and evaluate the Property during the Contingency Period. The Independent Consideration is not refundable to Buyer under any circumstances, but will be applied to the Purchase Price if Closing occurs.

1. **DEFINITIONS.** The following terms shall have the meanings set forth below. Certain other terms shall have the meanings given for them in other portions of this Agreement.
  - (a) **Broker.** Cushman & Wakefield U.S., Inc., 328 B Main Street, Sausalito, CA 94901
  - (b) **Buyer's Conditions.** Those conditions to Buyer's obligation to purchase the Property, which conditions are set forth in Paragraph 10 below.
  - (c) **Close of Escrow.** The date on which the grant deed to the Real Property is recorded in the Official Records of the County in which the Real Property is located.
  - (d) **Closing Date.** The Close of Escrow shall occur on or before February 15, 2017, unless extended in writing by Buyer and Seller.
  - (e) **Cooperating Broker.** None
  - (f) **Buyer's Contingency Period.** A period commencing on the Date of Agreement and expiring February 8, 2017, during which Buyer shall have the rights set forth herein to investigate the Property.
  - (g) **Effective Date.** The date of the signature hereon of the last party necessary to form a binding contract, as reflected by the dates next to the signatures appearing on the last page of this Agreement.
  - (h) **Hazardous Materials.** Petroleum, asbestos, radioactive materials or substances defined as "hazardous substances," "hazardous materials" or "toxic substances" (or words of similar import) in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Section 9601, et seq.), the Hazardous Materials Transportation Act (49 U.S.C. Section 1801, et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), and those substances defined as "hazardous wastes" in Section 25117 of the California Health & Safety Code or as "hazardous substances" in Section 25316 of the California Health & Safety Code, and in the regulations adopted and publications promulgated pursuant to such laws, and any other substances or materials regulated by any similar or successor laws, codes, rules or regulations. Hazardous Materials will also include petroleum products, petroleum by-products and fractions thereof.
  - (i) **Permitted Exceptions.** The exceptions shown on the Preliminary Title Report which are approved by Buyer pursuant to Paragraph 7 below.
  - (j) **Personal Property.** The following personal property, if any, which is located on the Real Property: None.
  - (k) **Preliminary Title Report.** A current preliminary title report issued by Title Company, describing the Real Property and listing all exceptions to title insurance coverage.
  - (l) **Property.** The Real Property and the Personal Property, collectively.
  - (m) **Real Property.** That real property (and all improvements and fixtures located thereon) located near the City of King, County of Monterey, State of California, more particularly described as follows: Approximately 93.21 acres of farmable land and 77.30 acres of river bottom land located near the City of King, CA, APNs 245-111-035 & a portion of 245-111-036 The Real Property is shown on the map attached hereto as Exhibit A and incorporated herein by this reference. The exact legal description shall be provided by the Title Company and inserted through Escrow.
  - (n) **Title Company and Escrow Agent.** Chicago Title Insurance Company, whose address is 250 Bonifacio Place, Monterey, California 93940, Telephone: (831)375-2262; ATTN: Kim Verania Email: kim.verania@clt.com

2. **OFFER AND ACCEPTANCE.** Seller shall have until December 29, 2017, at 5:00 p.m. PST to accept this Offer. Seller may accept this Offer only by (a) signing in the section of this Agreement entitled "ACCEPTANCE BY SELLER" and (b) delivering to Buyer or Buyer's Broker such executed Agreement or counterpart thereof. If this Offer is not accepted in the manner and by the time provided above, then this Offer shall terminate unless Buyer elects otherwise. If this Offer is terminated, then Broker shall return all deposits to Buyer. If this Offer is accepted in the manner and by the time set forth above, then this Offer shall: (i) become a binding contract for the purchase and sale of the Property; (ii) constitute the entire Agreement between Buyer and Seller with respect to the purchase and sale of the Property; and (iii) supersede all prior discussions, negotiations and agreements between Buyer and Seller, whether oral or written. Any counter-offer or amendment to this Offer must be in writing and must be signed by both Buyer and Seller.

3. **PURCHASE PRICE.**

(a) **Amount.** Buyer shall pay to Seller the amount of TWO MILLION THREE HUNDRED TWENTY-FIVE THOUSAND Dollars (\$2,325,000) as the purchase price for the Property (the "Purchase Price"), in the manner specified in Paragraph 4 below. The Purchase Price shall be allocated between the Real Property and the Personal Property pursuant to a separate written agreement between Buyer and Seller, which agreement shall be executed prior to the Close of Escrow. However, if Buyer and Seller are unable to reach such an agreement, then each party shall be entitled to allocate the Purchase Price between the Real Property and the Personal Property, if any, in the manner that each shall deem appropriate.

(b) ~~Adjustment Due to Building or Land Size. The Purchase Price set forth in Paragraph 3(a) above assumes that the building located on the Real Property (the "Building") contains \_\_\_\_\_ square feet of gross floor area [or] that the land area of the Real Property is \_\_\_\_\_ square feet of gross area [insert square footage and check one]. As soon as possible after Seller's execution of this Agreement, Seller shall obtain, at Seller's expense, a survey prepared by a registered civil engineer certifying to Seller and Buyer the actual square footage contained in the Building or the land, as appropriate. If such survey indicates that the actual square footage is different from that set forth above, then the Purchase Price shall be adjusted at the rate of \$ \_\_\_\_\_ per square foot of  the Building [or]  the land.~~

4. **PAYMENT OF PURCHASE PRICE.** Buyer shall pay the Purchase Price, and (if applicable) assume existing financing, as follows:

\$ 49,900 (a) **Initial Deposit.** Broker acknowledges that Broker is in receipt of Buyer's initial deposit (the "Initial Deposit") in the amount shown in the left margin opposite this subparagraph, in the form of a  personal check [or]  cashier's check payable to Title Company. Broker shall deliver the Initial Deposit to Title Company within two (2) business days from the Effective Date. The Initial Deposit shall be deposited in an interest bearing account, with interest accruing for the account of Buyer. The Initial Deposit and all interest earned thereon shall be applied against the Purchase Price and shall be disbursed to Seller at the Close of Escrow, unless Buyer terminates this Agreement pursuant to Paragraph 10 below, in which case the Initial Deposit together with interest shall be returned to Buyer. Upon the satisfaction or waiver of all of Buyer's Conditions, the Initial Deposit shall become nonrefundable as liquidated damages pursuant to Paragraph 22 below, if the same is separately initialed by both parties.

\$ \_\_\_\_\_ (b) **Additional Deposit.** Upon the satisfaction or waiver of all of Buyer's Conditions, Buyer shall make an additional deposit (the "Additional Deposit") in the amount shown in the left margin opposite this subparagraph, in the form of a  personal check [or] cashier's check payable to Title Company. The Additional Deposit shall be deposited in an interest bearing account, with interest accruing for the account of Buyer. The Additional Deposit and all interest earned thereon shall be applied against the Purchase Price and shall be disbursed to Seller at the Close of Escrow, and shall be nonrefundable and constitute liquidated damages pursuant to Paragraph 22 below, if the same is separately initialed by both parties.

\$ \_\_\_\_\_ (c) **Seller Financing.** The portion of the Purchase Price shown in the left margin opposite this subparagraph shall be in the form of a promissory note executed by Buyer in favor of Seller (the "Seller Financing"). The Seller Financing shall be in a form acceptable to Buyer and shall contain the following terms: \_\_\_\_\_

\$ \_\_\_\_\_ (d) **Existing Financing.** If applicable, as specified in Paragraph 5 below, Buyer shall assume or acquire (to subject to Existing Financing in the amount shown in the left margin opposite this subparagraph).

\$ 2,275,000 (e) **Balance of Purchase Price.** The balance of the Purchase Price in the amount shown in the left

margin opposite this subparagraph shall be paid in cash at the Close of Escrow, either with Buyer's own funds or with the proceeds of the New Loan (as defined in Paragraph 10 below).

5. ~~EXISTING FINANCING. If Buyer is to  assume (or  acquire title to the Real Property subject to) (check one, if applicable) any existing financing encumbering the Real Property (the "Existing Financing"), identify in the following space each promissory note or other document evidencing the Existing Financing and the approximate outstanding principal balance on each such promissory note or other instrument: \_\_\_\_\_ If the total outstanding principal balance of the Existing Financing is different from the amount specified in Section 4(f) above, then there shall be a corresponding adjustment to the amount of Seller Financing specified in Paragraph 4(c) above or, if there is no Seller Financing, there shall be a corresponding adjustment to the cash balance to be paid pursuant to Paragraph 4(f) above.~~
6. **ESCROW.** The sale of the Property shall be consummated through an escrow at the office of Title Company. The parties shall execute escrow instructions as may be reasonably requested by Title Company, provided that such instructions shall be consistent with the terms and conditions contained in this Agreement. The parties shall provide Title Company with such other information, documents and instruments as Title Company may reasonably require in order to close escrow as provided in this Agreement. Upon Seller's acceptance of this Agreement, Broker shall: (i) establish an escrow at the office of Title Company; (ii) deliver the Initial Deposit to Title Company within two (2) business days; and (iii) instruct Title Company to deliver to Buyer and Broker the Preliminary Title Report, together with copies of all documents listed as exceptions therein.
7. **REVIEW OF TITLE; DELIVERY OF TITLE AT CLOSING.** No later than ten (10) days prior to the expiration of Buyer's Contingency Period as set forth below, Buyer shall notify Seller in writing of Buyer's approval or disapproval of title matters as shown on the Preliminary Title Report and/or any survey of the Property (collectively, "Buyer's Title Objections"); provided, however, that Buyer shall be deemed, without written notice, to have objected to all monetary liens and encumbrances, and taxes due and payable. If Buyer does not so notify Seller, then Buyer shall be deemed to have waived all objection to title and survey matters and nonmonetary title exceptions as shown on the Preliminary Title Report. Seller shall have five (5) days following receipt of Buyer's Title Objections to notify Buyer in writing whether Seller shall (a) cure such matter (in which case Seller shall have until the Close of Escrow to do so), or (b) not cure such matter. Seller's failure to respond shall constitute its commitment to cure Buyer's Title Objections. If Seller elects not to cure Buyer's Title Objections, Buyer shall have until the expiration of Buyer's Contingency Period to deliver to Seller written notice of Buyer's election either to (a) waive Buyer's Title Objections and accept title to the Property subject to such matters, or (b) terminate this Agreement, in which case both Buyer and Seller shall be completely released from any obligations created herein (except for those obligations set forth in Paragraph 9 below) and all deposits shall be returned promptly to Buyer. Buyer's failure to deliver timely written notice of its election shall be deemed to constitute its election to waive such Buyer's Title Objections as Seller has elected not to cure. All nonmonetary exceptions accepted or waived by Buyer shall constitute the "Permitted Exceptions." At the Close of Escrow, Seller shall convey to Buyer fee simple absolute title to the Property, free and clear of all liens and title exceptions other than the Permitted Exceptions and any other liens or title exceptions created by or at the direction of Buyer. Seller's obligations regarding the delivery of title to Buyer shall be satisfied by Title Company's issuing, at the Close of Escrow, a  standard coverage [or  extended coverage] ALTA owner's policy of title insurance showing title to the Real Property vested in Buyer, free and clear of all exceptions to title other than the Permitted Exceptions. The amount of bonds or assessments which are liens against the subject property shall be  assumed by Buyer [or  paid in full by Seller] at the Close of Escrow.
8. **DELIVERY OF DOCUMENTS AND INFORMATION.** Within ten (10) [or  5] days after the Effective Date ("Delivery Date"), at Seller's sole cost and expense, Seller shall deliver to Buyer all of the following documents and information, to the extent that such documents and information currently exist and are in Seller's possession or under Seller's control, and shall authorize those persons who prepared such documents to disclose any information which such persons may have with respect to the Property:
- (a) All leases, rental agreements, licenses and side letters, together with all amendments thereof, which will remain in effect after the Close of Escrow;
  - (b) All service contracts, maintenance agreements or other agreements affecting the Property which will remain in effect after the Close of Escrow;
  - (c) If Buyer is to assume or acquire title to the Real Property subject to Existing Financing, copies of all promissory notes, security documents and other documents related to the Existing Financing;
  - (d) All plans, specifications, working drawings, "as built" drawings, architectural plans and elevations and landscape architectural plans relating to the Property;
  - (e) All income and expense information relating to the operation of the Property;
  - (f) Tax bills for the preceding two (2) years;

(g) All reports regarding the physical condition of the Property, including, without limitation, reports regarding the condition of all improvements, Hazardous Materials, soil and ground water conditions, topography and drainage, land or building surveys; and

(h) Other: None

If there are no documents or information relating to some or all of the items listed above, then Seller shall, within ten (10) days after the Effective Date so notify Buyer in writing. In the event that any additional documents are delivered by Seller after the Delivery Date ("Late Documents"), and such delayed delivery ("Delayed Delivery Date") is less than five (5) business days prior to the expiration of Buyer's Contingency Period as set forth below, or occurs after the expiration of Buyer's Contingency Period, then Buyer shall have a period of five (5) business days after the Delayed Delivery Date ("Buyer's Extended Contingency Period") to review and approve the Late Documents. Buyer's Extended Contingency Period shall apply only to the Late Documents, and all other conditions set forth below shall be satisfied or waived prior to the expiration of the original Buyer's Contingency Period. Buyer may exercise its right to terminate this Agreement prior to the expiration of Buyer's Extended Contingency Period if Buyer reasonably disapproves any information first disclosed to Buyer in the Late Documents.

9. **ACCESS TO PROPERTY.** At all times prior to the expiration of Buyer's Contingency Period, upon not less than forty-eight (48) hours advance notice, Seller shall allow Buyer and Buyer's agents and representatives reasonable access to the Property to make tests, surveys or other studies of the Property, all of which shall be at Buyer's sole cost and expense. Buyer shall not undertake any invasive testing without the prior written consent of Seller, which shall not be unreasonably withheld. Buyer shall indemnify, defend, protect and hold Seller harmless from and against all costs, damages, claims, actions, causes of action, liabilities and expenses (including the reasonable attorneys' fees of counsel chosen by Seller) arising out of or related to Buyer's tests, surveys or other studies of the Property, and the acts of Buyer and its agents, employees and contractors while on the Property; provided, however, that Buyer shall not be liable hereunder for any conditions discovered (but not caused or exacerbated) by Buyer. Buyer shall have the right to disclose the existence of Hazardous Materials discovered on the Property if and to the extent required to do so under applicable law.

10. **BUYER'S CONDITIONS.** Buyer shall have until February 8, 2017 in which to investigate the Property and all matters relating thereto ("Buyer's Contingency Period"). Buyer's obligations under this Agreement are contingent upon the satisfaction or waiver of each of the following conditions, which are for the sole benefit of Buyer and which may be waived or exercised only by Buyer. Buyer shall have the right, exercisable in Buyer's sole discretion, to terminate this Agreement, by delivery to Seller prior to the expiration of Buyer's Contingency Period for such other period as may be set forth specifically applicable to any condition below of written notice that Buyer is exercising its right to terminate on account of a failure of such condition(s). Upon such termination, Buyer and Seller shall be released from all obligations created by this Agreement (except Buyer's obligations under Paragraph 9 above), all deposits and interest earned thereon and other proceeds delivered to Title Company by Buyer shall be returned to Buyer, and all documents delivered to Buyer by Seller shall be returned to Seller. If Buyer fails to deliver timely written notice of its exercise of the right to terminate this Agreement, prior to the expiration of Buyer's Contingency Period for, if specific time periods are specified below, within each such applicable time period then such condition(s) shall be deemed unsatisfied, and this Agreement shall terminate automatically.

(a) **Physical Condition of Property.** Prior to the expiration of Buyer's Contingency Period Buyer's written approval of the physical condition of the Property, including the condition of the Property with respect to Hazardous Materials.

(b) **Documents and Information.** Prior to the expiration of Buyer's Contingency, Buyer's written approval of such documentation and information.

(c) **New Loan.** Prior to the expiration of Buyer's Contingency Period, Buyer's obtaining a written loan commitment for a loan (the "New Loan") upon terms and conditions no less favorable to Buyer than the following:

(1) Principal amount of \$ \_\_\_\_\_

(2) Term of not less than \_\_\_\_\_ years.

(3) Interest to be no more than \_\_\_\_\_% per annum, if fixed. If the interest rate is variable or adjustable, the initial interest rate shall be no more than \_\_\_\_\_% with a maximum interest rate of no more than \_\_\_\_\_% and annual adjustments of no more than \_\_\_\_\_%.

(4) Payments to be no more often than monthly and in an amount based upon no less than a \_\_\_\_\_ year amortization of principal and interest.

(5) Loan fees not to exceed \_\_\_\_\_% of the principal amount.

(6) The New Loan to be secured by a deed of trust on the Real Property, subject only to the Permitted

Exceptions.

(7) Other: \_\_\_\_\_

(d) Title. Buyer's having approved title to the Real Property pursuant to, and within the time period set forth in, Paragraph 7 above.

(e) Economic Analysis. Prior to the expiration of Buyer's Contingency, Buyer's determination, in Buyer's sole discretion, that Buyer's intended use and/or development of the Property is economically viable and is likely to produce a reasonable rate of return on Buyer's invested capital, considering such factors as, by way of example but not limitation, the ability to secure tenants for the Property, the amount of debt service, taxes and other carrying costs associated with the Property, the availability of any required zoning changes, land use approvals or other required permits or approvals, and other factors relating to the Property.

(f) Other: None

~~41. SELLER'S APPROVAL OF BUYER'S FINANCIAL CONDITION. If there is to be any Seller Financing, or if Buyer is to assume or be subject to any Existing Financing, then Seller's obligations under this Agreement are conditioned upon Seller's written approval of Buyer's financial condition within twenty (20) days after Buyer delivers to Seller a current financial statement and such other financial information as Seller may reasonably request. Buyer shall deliver such financial statement and other financial information to Seller within ten (10) days after the Effective Date. Upon acceptance of this Offer, Buyer grants to Seller the right to make a reasonable credit check by inquiry of any financial institution listed on Buyer's financial statement. Seller's approval of Buyer's financial condition shall not be unreasonably withheld. This condition is for the sole benefit of Seller and may be waived only by Seller. If Seller does not approve or disapprove Buyer's financial condition within the 20-day period set forth above, then such condition shall be deemed approved by Seller. If Seller delivers written disapproval of Buyer's financial condition within such 20-day period, then this Agreement shall terminate. Upon such termination, Buyer and Seller shall be released from all obligations created by this Agreement (except Buyer's obligations under Paragraph 9 above), all deposits and interest earned thereon and other proceeds delivered to Title Company by Buyer shall be returned to Buyer, and all documents delivered to Buyer by Seller shall be returned to Seller.~~

12. SELLER'S COVENANTS, REPRESENTATIONS AND WARRANTIES. Seller covenants, represents and warrants to Buyer as follows, and acknowledges that Buyer shall rely upon such covenants, representations and warranties, each of which shall be true and correct as of the Close of Escrow and shall survive the Close of Escrow:

(a) Physical Condition of Property. Seller has no knowledge of any material defect in the physical condition of the Property. To the best of Seller's knowledge as of the Effective Date, there are no Hazardous Materials on, in, under or adjacent to the Real Property. During the time in which Seller owned the Real Property, Seller did not use, generate, manufacture, store, release or dispose of on, in or under the Real Property, or transport to or from the Real Property, any Hazardous Materials. To the best of Seller's knowledge, no third party (including Seller's predecessors-in-interest) has used, generated, manufactured, stored, released or disposed of on, in or under the Real Property, or transported to or from the Real Property, any Hazardous Materials. Seller has not received notice of any action or proceeding relating to Hazardous Materials on, in, under or about the Real Property, and Seller shall promptly provide Buyer with a copy of any such notice which Seller may hereafter receive. If Seller or Buyer receives any such notice prior to the Close of Escrow, then Buyer may terminate this Agreement and the parties shall have no further rights, obligations or liability hereunder (except Buyer's obligations under Paragraph 9 above).

(b) Obligations and Assessments Relating to Property. Seller shall operate and maintain the Property in substantially the same manner as prior to Seller's acceptance of this Offer. Seller shall be responsible for and shall perform all obligations and liabilities related to, arising out of or in connection with the Property accruing prior to the Close of Escrow. Seller is not and shall not be in breach of any obligation secured by or relating to the Property. Seller shall not: (i) enter into or consent to any contracts, agreements, licenses, concessions or financing transactions affecting the Property; or (ii) give any consent or approval under any document or instrument, including any covenants and restrictions affecting the Property, which consent or approval would affect the Property, its value or the use thereof by Buyer. From and after the date that Buyer has waived or satisfied all of Buyer's Conditions pursuant to Paragraph 10 above, Seller shall not enter into any new leases, or amend existing leases, without Buyer's consent; Buyer's failure to object thereto within ten (10) days following delivery of notice thereof by Seller shall be deemed to reflect Buyer's consent.

(c) Documents and Information. All documents and agreements delivered to Buyer pursuant to Paragraphs 8(a) and (b) above are, as of the date of delivery, in full force and effect, contain all of the rights and obligations of the parties, and no party is in breach, default or violation of any such documents or agreements, nor does any condition exist which, with the lapse of time or giving of notice, would

constitute a breach, default, or violation thereof. Except as described in those documents delivered in accordance with Paragraphs 7 and 8, no person or entity (other than Seller) has any right, title or interest in or to the Property. Except as described in those documents delivered in accordance with Paragraph 8(b), no service contract or other contract exists which would affect the Property after the Close of Escrow. All of the plans, specifications, reports, documents and other materials which Seller shall provide to Buyer in connection with Buyer's review of the Property shall be complete, true and correct. The information delivered to Buyer pursuant to Paragraph 8(e) is true and correct and accurately reflects the income and expenses of the Property for the period of time specified therein.

- (d) **Compliance With Law.** To the best of Seller's knowledge: (i) the Real Property complies with all applicable laws, ordinances, rules and regulations, including zoning, subdivision, building, life safety and other land use and environmental laws, regulations and codes, and conditions to permits or approvals given by any governmental authority; and (ii) there exists no violation of any permit or approval applicable to the use or operation of the Real Property which would constitute grounds for revocation or termination of such permit or approval.
- (e) **Pending Litigation and Assessments.** Seller has no knowledge of any litigation, action or claim, whether pending or threatened, nor any facts which would form the basis of such a claim, which may have a material, adverse effect on the Property. Seller has no knowledge of and has not received notice of any pending proceeding for condemnation or under the powers of eminent domain, or for the imposition of or the formation of a special assessment district, the lien of which would encumber the Real Property. To the best of Seller's knowledge, there are no pending bankruptcy or receivership proceedings affecting Seller, the Property, or any tenants in the Property.
- (f) **Authority.** The person executing this Agreement on behalf of Seller is duly authorized to do so, and this Agreement, once it has been executed by Buyer and Seller, shall be binding upon Seller. If requested by Buyer, Seller shall provide Buyer with documentary or other evidence demonstrating, to Buyer's reasonable satisfaction, that the person executing this Agreement on behalf of Seller is authorized to do so.
- (g) **Non-Foreign Status.** Seller is not a foreign person, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Internal Revenue Code and Regulations thereunder. Prior to the Close of Escrow, Seller shall deliver to Buyer an affidavit meeting the requirement of Internal Revenue Code Section 1445 (b) (2), stating the Seller is not a foreign person and setting forth Seller's United States employer identification number and Seller's business address. At the Close of Escrow, Seller shall deliver to Buyer: (i) if Seller's permanent place of business is located in California or Seller is a resident of California, a completed and executed California Form 590 certifying, among other things, that Seller's permanent place of business is located in California or Seller is a resident of California; or (ii) if Seller's permanent place of business is not located in California or Seller is not a resident of California, a completed and executed California Form 597 certifying, among other things, that Seller's permanent place of business is not located in California or Seller is not a resident of California. If clause (ii) is applicable to Seller, then Title Company shall withhold from Seller an amount equal to three and one-third percent (3-1/3%) of the Purchase Price and pay such withheld amount to the California Franchise Tax Board within twenty (20) days after the Close of Escrow. Seller is not a "foreign person" within the meaning of Internal Revenue Code Section 1445(F)(3).
- (h) **Other:** None

Except to the extent of Seller's express representations and warranties contained above, Buyer acknowledges that it is purchasing the Property completely "AS IS" in its present condition, with no warranty or representation, either express or implied, by either Seller or Broker.

13. **NATURAL HAZARDS AND EARTHQUAKE SAFETY DISCLOSURE.**

- (a) Seller shall deliver a Natural Hazards Disclosure Report to Buyer within five (5) days following the Effective Date. Within five (5) business days after Buyer's receipt of said Disclosure Report, Buyer shall deliver a duly countersigned copy of the same to Escrow Agent, with a copy to Seller and Seller's Broker. Escrow Agent shall be instructed that the Escrow shall not close unless and until Escrow Agent has received the Disclosure Report duly signed by Buyer.
- (b) If (1) the Property is located in the State of California, (2) the Improvements were constructed prior to 1975, and (3) the improvements include structures with (i) pre-cast (e.g., tilt-up) concrete or reinforced masonry walls together with wood frame floors or roofs or (ii) unreinforced masonry walls, California law requires that Seller or Seller's Broker provide Buyer with a copy of the Commercial Property Owner's Guide to Earthquake Safety (the "Booklet") published by the California Seismic Safety Commission. Seller and Seller's Broker hereby inform Buyer that the Property:  
 meets the foregoing requirements, and Seller and Seller's Broker are required to provide Buyer with a copy of the Booklet. Seller or Seller's Broker shall, within five (5) business days of the Effective Date, deliver to Buyer a copy of the Booklet and a completed "Commercial Property Earthquake Weakness

Disclosure Report" contained in the Booklet duly executed by Seller. Within five (5) business days of Buyer's receipt of said Disclosure Report, Buyer shall deliver a duly countersigned copy of the same to Escrow Agent, with a copy to Seller and Seller's Broker. Escrow Agent is hereby instructed that the Escrow shall not close unless and until Escrow Agent has received the Disclosure Report duly signed by both Seller and Buyer [or]

does not meet the foregoing requirements requiring the delivery of the Booklet [check one].

14. **AMERICANS WITH DISABILITIES ACT.** Buyer and Seller acknowledge and understand that an owner of real property may be subject to the Americans With Disabilities Act (the "ADA"), a federal law codified at 42 U.S.C. Section 12101, *et seq.* Among other requirements of the ADA that could apply to the Property, Title III of the ADA requires owners of "public accommodations" to remove barriers to access by disabled persons and provide auxiliary aids and services for hearing, vision or speech impaired persons by January 26, 1992. The regulations under Title III of the ADA are codified at 28 C.F.R. Part 35.
15. **SELLER'S DELIVERY OF DOCUMENTS INTO ESCROW.** Prior to the Close of Escrow, Seller shall deposit the following documents and instruments into Escrow:
- (a) A grant deed to the Real Property;
  - (b) A bill of sale for the Personal Property, and an assignment of all warranties covering the Personal Property;
  - (c) Originals of all documents delivered to Buyer pursuant to Paragraphs 8(a) and (b) above and a written assignment of Seller's interest in such documents, which assignment shall be in form and substance acceptable to Buyer;
  - (d) If all or any portion of the Real Property will remain leased to tenants after the Close of Escrow ("Existing Leases"), estoppel certificates for, and an assignment of Seller's interest in, such Existing Leases, all in form and substance mutually acceptable to Buyer and Seller;
  - ~~(e) If Buyer is to assume or acquire title to the Real Property subject to any Existing Financing, a beneficiary statement pursuant to California Civil Code Section 2943;~~
  - (f) All affidavits and forms required by Paragraph 12(g) above, in Title Company's standard form; and
  - (g) Such other documents as Title Company may require and as may be necessary to close the transaction in accordance with the terms of this Agreement.
16. **BUYER'S DELIVERY OF DOCUMENTS INTO ESCROW.** Prior to the Close of Escrow, Buyer shall deliver the following to Escrow Agent:
- (a) The cash balance of the Purchase Price plus additional sums as may be necessary to pay Buyer's share of the Closing Costs as set forth below;
  - (b) Executed acknowledgements of receipt of the Natural Hazards Disclosure Report and (if applicable) Commercial Property Earthquake Weakness Disclosure Report;
  - (c) Executed assumption of Seller's interest in and to all documents delivered to Buyer pursuant to Paragraphs 8(a) and (b) above;
  - (d) If all or any portion of the Real Property will remain leased to tenants after the Close of Escrow, an executed assumption of Seller's interest in such leases;
  - ~~(e) If Buyer is to assume any Existing Financing, an executed assumption agreement and such other and further documentation thereof as any existing lender may reasonably require; and~~
  - (f) Such other documents as Title Company may require and as may be necessary to close the transaction in accordance with the terms of this Agreement.
17. **PRORATIONS.** The following items shall be prorated as of the Close of Escrow, on the basis of a 360-day year; if applicable, rents under all leases in effect as of the Close of Escrow (with Buyer receiving a credit for all rentals required to have been paid for any period of time ending after the Close of Escrow, whether or not actually paid); real property taxes and assessments (if any); interest on the Existing Financing (if any); water, sewer and utility charges; amounts payable under any service contracts approved by Buyer; insurance premiums on policies approved and assumed by Buyer; and other expenses normal to the operation and maintenance of the Property. Buyer shall be entitled to a credit against the Purchase Price for the total sum of all security and other deposits paid to Seller by tenants under any leases affecting the Real Property. Buyer shall be debited against the Purchase Price for an amount equal to the balance in any impound account transferred to Buyer at Close of Escrow. Any item to be prorated that is not determined or determinable at the Closing shall be promptly adjusted by the Parties by appropriate cash payment outside of Escrow when the amount due has been determined.

Initials: 

18. CLOSING COSTS.

- (a) Fees of Title Company. Any and all costs of Title Company (other than the title insurance premium), including without limitation, escrow fees, recording fees, notary fees and document preparation costs, shall be paid by  Buyer] or  Seller] or  per custom in the County in which the property is located], or  60% by Seller and 50% by Buyer.
- (b) Loan Assumption Fees. Any fees required to be paid in order to assume the Existing Financing or to take the Real Property subject to the Existing Financing shall be paid by  Buyer (or)  Seller. (check one).
- (c) Title Insurance Premium. The premium for the standard coverage ALTA title insurance policy described in Paragraph 7 above shall be paid by  Buyer] or  Seller] or  shall be allocated between Buyer and Seller as follows: \_\_\_\_\_ . The extra premium attributable to an ALTA extended coverage policy shall be paid by  Buyer] or  Seller]. The cost of any survey that may be required in order to obtain an ALTA title policy shall be paid by  Buyer] or  Seller].
- (d) Transfer Tax. Any County transfer tax shall be paid \_\_\_\_\_ % by Buyer and 100% by Seller. Any City transfer tax shall be paid \_\_\_\_\_ % by Buyer and 100% by Seller.
- (e) Sales Tax. Any sales tax be paid by  Buyer] or  Seller].
- (f) Other. Any other closing costs shall be allocated between Buyer and Seller according to the custom then prevailing in the County in which the Real Property is located.

19. POSSESSION. Seller shall deliver all keys and possession of the Property to Buyer upon Close of Escrow, subject to any Existing Leases.

20. DESTRUCTION OF PROPERTY. If the Property is materially damaged or destroyed between the date the Buyer and Seller fully execute this Agreement and the Close of Escrow, then the Agreement shall, at Buyer's election, be terminated. If terminated, Buyer and Seller shall be relieved of any obligations created by this Agreement and all deposits made by Buyer and any interest earned thereon shall be returned to Buyer. If Buyer elects to accept the Property in its then condition, all proceeds of insurance payable to Seller by reason of such damage or destruction shall be paid to Buyer.

21. BROKERAGE COMMISSION.

(a) Commission. Seller shall pay to Broker a brokerage commission in accordance with the Schedule of Commission For Sale agreement entered into by the City of King and Cushman & Wakefield. However, if the Close of Escrow is prevented by a default of Buyer or Seller under this Agreement, then the defaulting party shall pay such brokerage commission to Broker on the date on which Escrow would have closed absent such default. Seller shall assign a portion of Seller's proceeds from escrow sufficient to pay Seller's commission obligation hereunder. This Offer, when accepted by Seller, shall constitute irrevocable instructions to Title Company to pay such brokerage commission to Broker as specified above, in cash through escrow upon the close of escrow or upon recordation of the deed or other evidence of file, whichever occurs first.

(b) No Other Commissions. Buyer and Seller represent and warrant to each other and to Broker that no commission or finder's fee is payable with regard to this transaction, other than the commission to Broker specified in Paragraph 21(a) above. Buyer and Seller shall indemnify, defend, protect and hold each other and Broker harmless from and against all costs, damages, claims, actions, causes of action, liabilities and expenses (including reasonable attorneys' fees) arising out of or related to the breach of the foregoing representation and warranty.

22. LIQUIDATED DAMAGES. IN THE EVENT THAT THE ESCROW AND THIS TRANSACTION FAIL TO CLOSE SOLELY AS A RESULT OF THE DEFAULT OF BUYER IN THE PERFORMANCE OF ITS OBLIGATIONS UNDER THIS AGREEMENT, BUYER AND SELLER AGREE THAT SELLER'S ACTUAL DAMAGES WOULD BE IMPRACTICABLE OR EXTREMELY DIFFICULT TO FIX. THE PARTIES THEREFORE AGREE THAT IN THE EVENT THAT ESCROW AND THIS TRANSACTION FAIL TO CLOSE SOLELY AS A RESULT OF THE DEFAULT OF BUYER IN THE PERFORMANCE OF ITS OBLIGATIONS HEREUNDER, AND SELLER IS READY, WILLING AND ABLE TO PERFORM ITS OBLIGATIONS HEREUNDER, SELLER, AS SELLER'S SOLE AND EXCLUSIVE REMEDY, IS ENTITLED TO LIQUIDATED DAMAGES  IN THE AMOUNT OF \$ \_\_\_\_\_ [OR:  EQUAL TO THE AMOUNT OF ALL DEPOSITS MADE PRIOR TO THE DATE OF DEFAULT]). IN THE EVENT THAT BUYER SUBSEQUENTLY REQUESTS ANY MODIFICATION OF THIS AGREEMENT WHICH IS

Initials: 

GRANTED BY SELLER SUBJECT TO RECEIPT OF AN ADDITIONAL DEPOSIT(S), BUYER EXPRESSLY UNDERSTANDS AND AGREES THAT THE AMOUNT OF SUCH ADDITIONAL DEPOSIT(S) IS REASONABLY INTENDED TO COMPENSATE SELLER IN THE EVENT OF A BREACH OF THIS AGREEMENT UNDER SUCH MODIFIED TERMS, AND THEREFORE SUCH ADDITIONAL DEPOSIT(S) SHALL LIKEWISE BE TREATED AS LIQUIDATED DAMAGES IN THE EVENT OF BUYER'S BREACH. IN THE EVENT ESCROW FAILS TO CLOSE SOLELY AS A RESULT OF BUYER'S DEFAULT AND SELLER IS READY, WILLING AND ABLE TO PERFORM ITS OBLIGATIONS HEREUNDER, THEN (A) THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF BUYER AND SELLER HEREUNDER AND THE ESCROW CREATED HEREBY SHALL TERMINATE, AND (B) ESCROW AGENT SHALL, AND IS HEREBY AUTHORIZED AND INSTRUCTED TO, RETURN PROMPTLY TO BUYER AND SELLER ALL DOCUMENTS AND INSTRUMENTS TO THE PARTIES WHO DEPOSITED THE SAME. THE PAYMENT OF SUCH AMOUNT PROVIDED HEREIN AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677. SELLER HEREBY WAIVES THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 3389. SELLER AND BUYER ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE PROVISIONS OF THIS PARAGRAPH 22, AND BY THEIR INITIALS IMMEDIATELY BELOW AGREE TO BE BOUND BY ITS TERMS.

  
Buyer's Initials

\_\_\_\_\_  
Seller's Initials

23. **NOTE:** The following paragraph is applicable **ONLY** if separately initialed by both parties. If Buyer initials and the Seller fails to initial, then [check one]  this Agreement shall be null and void and of no force or effect, or  this Agreement shall be effective but the following paragraph shall be deemed deleted by the parties.

**ARBITRATION OF DISPUTES.** Any dispute or claim, either at law or in equity, arising out of this contract or any resulting transaction shall be decided by neutral binding arbitration in accordance with the rules of the American Arbitration Association, and not by court action except as provided by California law for judicial review of arbitration proceedings. Judgment upon the award rendered in such arbitration proceeding may be entered in any court having jurisdiction thereof. In the arbitration proceeding, the parties shall have the right to discovery in accordance with California Code of Civil Procedure Section 1283.05. Notwithstanding the foregoing, the following matters are excluded from arbitration hereunder: (i) a judicial or non-judicial foreclosure or other action or proceeding to enforce a deed of trust, mortgage or real property sales contract as defined in California Civil Code Section 2985; (ii) an unlawful detainer action; (iii) the filing or enforcement of a mechanic's lien; (iv) any matter which is within the jurisdiction of a probate court; or (v) an action for bodily injury or wrongful death, or for latent or patent defects to which California Code of Civil Procedure Section 337.1 or Section 337.15 applies. The filing of a judicial action to enable the recording of a notice of pending action, or to request an order of attachment, receivership, preliminary injunction or other provisional remedy, shall not constitute a waiver of the right to arbitrate under this provision.

**NOTICE:** BY INITIALLING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALLING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

BY INITIALLING BELOW I/WE ACKNOWLEDGE THAT WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

  
Buyer's Initials

\_\_\_\_\_  
Seller's Initials

24. **BROKER DISCLOSURE.** Buyer, Seller and Broker acknowledge and agree as to the matters specified in



this Paragraph 24.

- (a) Condition of Property. Broker has not made, and is not making, any representations or warranties with respect to the physical condition of the Property, including without limitation the condition of the Property with respect to Hazardous Materials. Broker has not made an investigation of the Property or a determination regarding the physical or environmental condition of the Property, including without limitation the existence or nonexistence of underground tanks, sumps, piping or any other factors indicating the possible presence of Hazardous Materials on the Property. Broker has no expertise and is not qualified to evaluate the Property with respect to the presence of Hazardous Materials. Buyer acknowledges that it understands that there are substantial potential liabilities under environmental laws associated with the ownership, possession or control of real property on which Hazardous Materials are located. Broker hereby advises Buyer to obtain independent professional and technical advice in connection with the matters described in this Paragraph 24(a). Buyer acknowledges that it will rely solely on its own investigation of all matters pertaining to the condition of the Property, and is not relying upon Broker for any such matters.
- (b) Reports. Broker does not represent or warrant the accuracy or completeness of any documents or other information supplied to Buyer, except for those documents which Broker has itself prepared based on its own first-hand knowledge.
- (c) Indemnification. Buyer and Seller shall indemnify, defend, protect and hold Broker harmless from and against all costs, damages, claims, actions, causes of action, liabilities and expenses (including the reasonable attorneys' fees of counsel chosen by Broker), arising out of or related to the physical condition of the Property, any reports supplied to Buyer or any of the other matters described in this Paragraph 24.
- (d) Consult with Your Legal and Tax Counsel. Buyer and Seller acknowledge that they have been advised by Broker to consult and retain their own experts to advise and represent them concerning the legal and tax consequences of this Agreement, as well as the condition and legality of the Property (including, without limitation, the applicability of the ADA to the Property), the improvements and equipment located thereon, the soil thereof, the condition of title thereto, the environmental aspects thereof, the permitted use thereof, the existence and nature of any encumbrances therein, the existence and status of any other agreements relating to the Property, and the status of any existing or contemplated future financing affecting the Property. Broker is not responsible for pursuing the investigation of any such matters.
- (e) Disclosures Regarding the Nature of a Real Estate Agency Relationship. The parties and Broker agree that their relationships shall be interpreted under the principles set forth in California Civil Code, Section 2079.16, as summarized herein. When entering into a discussion with a real estate agent regarding a real estate transaction, a buyer or seller should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Buyer and Seller acknowledge being advised by Broker in this transaction, as follows:
- (1) Seller's Agent. A seller's agent under a listing agreement with the seller may act as the agent for the seller only. A seller's agent or subagent has the following affirmative obligations: (i) to the seller, a fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the seller; and (ii) to the buyer and the seller, diligent exercise of reasonable skill and care in performance of the agent's duties, a duty of honest and fair dealing and good faith, and a duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties. An agent is not obligated to reveal to either party any confidential information obtained from the other party which does not involve the affirmative duties set forth above.
- (2) Buyer's Agent. A selling agent can, with a buyer's consent, agree to act as agent for the buyer only. In these situations, the agent is not the seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the seller. An agent acting only for a buyer has the following affirmative obligations: (i) to the buyer, a fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the buyer; and (ii) to the buyer and the seller, diligent exercise of reasonable skill and care in performance of the agent's duties, a duty of honest and fair dealing and good faith, and a duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties. An agent is not obligated to reveal to either party any confidential information obtained from the other party which does not involve the affirmative duties set forth above.
- (3) Agent Representing Both Seller And Buyer. A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the seller and the buyer in a transaction, but only with the knowledge and consent of both the seller and the buyer. In a dual agency situation, the agent has the following affirmative obligations to both the seller and the buyer: (i) a fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either the seller or the buyer; and (ii) other duties to the seller and the buyer as stated above in their respective sections (1) or (2) of this Paragraph 24(a). In representing both the seller and buyer, the agent may not, without the express permission of the respective party, disclose to the other party that the seller

will accept a price less than the listing price or that the buyer will pay a price greater than the price offered.

(4) **Agent Not Competent to Give Professional Legal or Tax Advice.** The above duties of the agent in a real estate transaction do not relieve a seller or a buyer from the responsibility to protect their own interests. The buyer and the seller should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, a competent professional should be consulted.

(5) **Further Disclosures.** Throughout this transaction Buyer and Seller may receive more than one disclosure, depending upon the number of agents assisting in the transaction. Buyer and Seller should each read its contents each time it is presented, considering the relationship between them and the real estate agent in this transaction and that disclosure.

(f) **Dual Agent/ Broker Representation.** Buyer and Seller acknowledge that Broker in this transaction is representing only  Buyer or  only Seller or  is acting as a dual agent in this transaction [check one]. If Broker and its agents shall act as agents for both Buyer and Seller, Broker and its agents may have, or appear to have conflicting responsibilities because of their duties to both Buyer and Seller. Buyer and Seller understand and consent to Broker's and its agents' acting on behalf of both Buyer and Seller, and acknowledge that they have consented to such actual or potential conflict of interest.

25. **TAX-DEFERRED EXCHANGE.** If either party hereto (the "Exchanging Party") desires to effect a tax-deferred exchange pursuant to Internal Revenue Code Section 1031, then the other party (the "Cooperating Party") shall cooperate with the Exchanging Party, provided that: (i) the date for the Close of Escrow set forth in this Agreement shall not be delayed; (ii) the Cooperating Party shall incur no additional expense by reason of such cooperation; (iii) the Cooperating Party shall not be required to acquire title to any property in order to effect such exchange; and (iv) the Exchanging Party shall indemnify, defend, protect and hold the Cooperating Party harmless from and against all costs, damages, claims, actions, causes of action, liabilities and expenses (including the reasonable attorneys' fees of counsel chosen by the Cooperating Party), arising out of or related to the Cooperating Party's participation in such exchange.

26. **MISCELLANEOUS.**

(a) **Attorneys' Fees.** If Buyer or Seller sues to enforce an express provision of this Agreement, then the prevailing party shall be entitled to recover, in addition to any other relief, reasonable attorneys' fees and costs. If Broker sues Buyer and/or Seller to recover its brokerage commission, then Broker shall be entitled to recover from those parties, in addition to any other relief, Broker's reasonable attorneys' fees and costs.

(b) **Governing Law.** This Agreement shall be governed by and interpreted in accordance with the laws of the State of California.

(c) **Successors and Assigns.** This Agreement shall inure to the benefit of, and be binding upon, Buyer and Seller and their respective heirs, representatives, successors and assigns; provided, however, that Buyer shall have the right to assign this Agreement only with Seller's prior written consent. Notwithstanding anything to the contrary contained in this Agreement, Seller shall not unreasonably withhold its consent to Buyer's assignment of all of its rights and obligations under this Agreement to any partnership, corporation or other entity, a majority interest of which is owned or controlled by Buyer.

(c) **Notices.** The address of each party for the purposes of all notices permitted or required by this Agreement is as follows:

27. **CITY COUNCIL APPROVAL.** This Agreement is contingent upon approval of the City Council of the City of King. Should the City Council not approve of the transaction on or before February 8, 2017, Buyer and Seller shall be released from all obligations created by this Agreement, (except Buyer's obligations under Paragraph 9 above) and the Initial Deposit delivered to Title Company by Buyer, shall be returned to Buyer, and all documents delivered to Buyer by Seller, shall be returned to Seller.

Buyer: Mission Holdings TIC  
117 N. 1st Street  
King City, CA 93927  
Tel: (631) 882-3977      Fax:  
Attention: John Romans  
Email: jromans@missionholdings.com

Initials: AR



Seller: City of King  
212 S. Vandeventer Avenue  
King City, CA 93930  
Tel: 831-386-6917 Fax: \_\_\_\_\_  
Attention: Steve Adams  
Email: sadams@kingcity.com

Broker: Cushman & Wakefield U.S., Inc.  
328 B Main Street  
Salinas, CA 93901  
Tel: 831-737-1124 Fax: 821-769-0314  
Attention: Michael Bassetti / Leticia Bugarin  
Email: michael.bassetti@cushwake.com  
Email: leticia.bugarin@cushwake.com

The notice address of any party set forth above may be changed by written notice given not less than five (5) days prior to the date such change is to be effected. All notices under this Agreement shall be in writing, shall be properly addressed and shall be sent by (i) personal delivery, (ii) United States Mail (certified, return receipt requested and postage prepaid), or (iii) Federal Express or similar overnight courier delivery service. All such notices shall be considered delivered: (a) if personally delivered, on the date of delivery; (b) if sent by United States Mail in the manner prescribed above, on the date shown on the return receipt for acceptance or rejection; or (c) if sent by overnight courier delivery service, on the date of delivery as shown by the delivery record of such service. In the alternative, if a facsimile or email address is provided above, notices may be given by facsimile or electronic transmission, during regular business hours, addressed to the facsimile or email addresses above, provided that the notice is also deposited for delivery via one of the methods specified in (i), (ii), or (iii) above on the same day; and such notices shall be deemed delivered on the date of confirmed electronic or facsimile transmission or, if transmission occurs after business hours, on the first business day following the time of transmission.

- (e) Time of Essence. Time is of the essence of this Agreement and each and every provision hereof.
- (f) Survival. All representations, warranties, indemnities and other obligations contained in this Agreement shall survive the Close of Escrow and shall not be deemed merged into any instrument conveying title to Buyer.
- (g) Signing in Counterpart. This agreement and any supplement, addendum or modification relating hereto, including any photocopy or facsimile thereof, may be executed in two or more counterparts, all of which shall constitute one and the same writing.
- (h) Additional Provisions. If so indicated below, see the Addendum, attached hereto and incorporated herein by reference, containing additional Paragraphs \_\_ through \_\_. A separate Addendum  is [or]  is not [check one] attached hereto.

THIS FORM IS NOT INTENDED FOR USE IN CONNECTION WITH THE SALE OF RESIDENTIAL PROPERTY

IN WITNESS WHEREOF, Buyer and Broker have executed this Agreement as of the date first above written.

BUYER:

BY: Mission Holdings TIC  
 TITLE: Member  
 DATE: Dec 27, 2016

CUSHMAN & WAKEFIELD U.S., INC.

BY: \_\_\_\_\_  
 LICENSE #: \_\_\_\_\_  
 TITLE: \_\_\_\_\_  
 DATE: \_\_\_\_\_, 20\_\_\_\_



**ACCEPTANCE BY SELLER**

By signing in the space provided below, Seller hereby accepts the Agreement and agrees to be bound by all of the terms, covenants and conditions contained therein.

**SELLER:**

BY: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_, 20

**CUSHMAN & WAKEFIELD U.S., INC:**

BY: \_\_\_\_\_  
LICENSE #: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_, 20

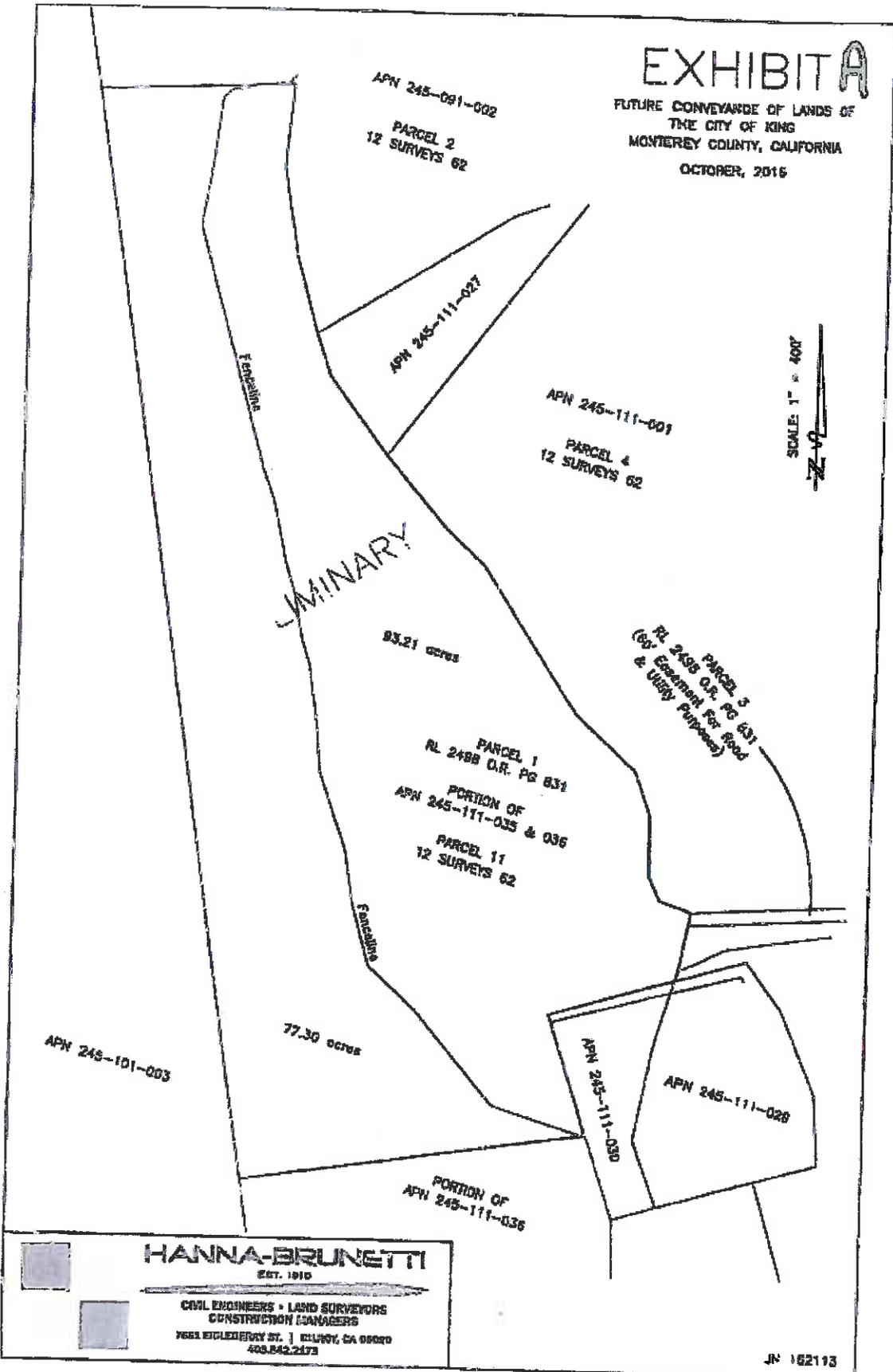
BY: \_\_\_\_\_  
LICENSE #: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_, 20

Initials: \_\_\_\_\_  
\_\_\_\_\_

# EXHIBIT A

FUTURE CONVEYANCE OF LANDS OF  
THE CITY OF KING  
MONTEREY COUNTY, CALIFORNIA  
OCTOBER, 2016

SCALE: 1" = 400'  
N



**HANNA-BRUNETTI**  
EST. 1910

CIVIL ENGINEERS • LAND SURVEYORS  
CONSTRUCTION MANAGERS  
7662 RIDGEBURY ST. | MILLIKEN, CA 95020  
408.842.2173



CUSHMAN &  
WAKEFIELD

## REAL PROPERTY DISCLOSURES

Cushman & Wakefield ("Broker") provides this Real Property Disclosure Notice ("Notice") in reference to a proposed transaction by and between City of King ("Seller") and Mission Holdings LLC ("Buyer") regarding real property identified as: APN 245-111-035 # a portion of 245-111-036 in the City of King, California (the "Property"). Dea

### Hazardous Materials

Comprehensive federal, state and local laws, regulations and ordinances ("Laws") control the disclosure, use, storage, handling, removal and disposal of Hazardous Materials. The term "Hazardous Materials" includes, but is not limited to, underground storage tanks, petroleum, paint, solvents, lead, cyanide, DDT, inks, acids, pesticides, ammonium, asbestos, heavy metals, PCBs, and any contaminated, hazardous or toxic substance. Hazardous Materials may be present at the Property due to current or prior use, or the use of adjacent properties. Except as expressly stated in this paragraph, Broker and its agents have not made and will not make any analysis, investigation, representation or warranty with respect to any Hazardous Materials matters, including without limitation the presence or absence of Hazardous Materials on or impacting the Property. Broker recommends that you consult your advisors with respect to all Hazardous Materials matters.

### Americans with Disabilities Act

The Americans with Disabilities Act ("ADA") requires, among other things, that owners of "public accommodations" remove barriers to access by disabled persons, and provide auxiliary aids and services for hearing, vision or speech impaired persons. Any change of use or alterations of the Property may trigger such requirements, even if existing use is in compliance with the ADA. Except as expressly stated in this paragraph, Broker and its agents have not made and will not make any analysis, investigation, representation or warranty with respect to any ADA matters. Broker recommends that you consult your advisors with respect to all ADA matters.

### Natural Hazards - Sale Only

Various Laws require a seller and its broker to disclose the existence of certain natural hazards to a buyer, including whether the property is located in an earthquake fault zone, a seismic hazard zone, a special flood hazard area, an area of potential flooding, a fire hazard severity zone, or a wildland fire area. If Broker represents the Seller, Broker will provide Buyer with a report prepared by an independent third party regarding such natural hazards during the due diligence period under the purchase contract.

### Commercial Property Owner's Guide to Earthquake Safety - Sale Only

The seller of a precast concrete or reinforced or unreinforced masonry building with wood frame floors or roof which was built before January 1, 1975 must deliver to the buyer a copy of "The Commercial Property Owner's Guide to Earthquake Safety" published by the California Seismic Safety Commission. Buyer acknowledges that Seller and/or Broker have disclosed whether such requirement applies to this Property, and if so, that Broker has delivered to Buyer a copy of that Guide.

### Water Heater Bracing Disclosure and Certification - Sale Only

Seller hereby certifies that all water heaters in or on the Property are braced, anchored or strapped to resist falling or horizontal displacement due to earthquake motions as required by state and applicable local codes.

### Lead Based Paint Pamphlet - Sale or Lease of Residential Property

The seller or lessor of any residential property built before 1978 must provide the buyer or lessee with a lead hazard information pamphlet, disclose the presence of any known lead-based paint and provide a statement to be signed by the buyer or lessee that the buyer or lessee has read the warning statement, has received the pamphlet, and has a 10-day opportunity to inspect before becoming obligated under the contract.

**Broker Disclaimer**

Broker has not made and will not make any analysis, investigation, representation or warranty regarding (a) the zoning of the Property or the legality of any present or future use of the Property; (b) the compliance of the Property with any Law; (c) the physical condition of the Property, including without limitation the structural, mechanical, or soils conditions of the Property or the presence or absence of wood-destroying organisms, mold, allergens, fungi, spores, pollens, insects or pests; (d) the financial condition or prospects of the Property or any of its tenants, including without limitation the accuracy or completeness of income and expense information and projections, or the intent or ability of any tenant to continue its tenancy; (d) the size, measurements or boundaries of the Property; or (e) pending or future action by any government or other entity or person that might impact the Property. Broker recommends that you consult your advisors with respect to each of these matters.

**Legal, Tax and Accounting Matters**

Broker and its agents are not qualified to provide legal, tax or accounting advice, and have not made and will not make any analysis, investigation, representation or warranty regarding any legal, tax or accounting matters. Broker recommends that you consult your advisors with respect to all legal, tax and accounting matters.

**Broker Multiple Representation**

Broker and its agents have a wide variety of clients, and may represent other buyers or lessees interested in the Property, or may represent other sellers or lessors with property similar to the Property. Buyer or Lessee understands and agrees that Broker and its agents may present multiple offers on the Property to the Seller or Lessor. Seller or Lessor understands and agrees that Broker and its agents may present multiple properties to the Buyer or Lessee.

**Non-Binding Proposal / Letter of Intent**

If this Disclosure Notice accompanies a proposal or Letter of Intent then it is a statement of the terms upon which the Buyer and Seller or Lessor and Lessee (the "Parties") may be interested in pursuing further negotiations concerning the Property, and is not intended to be a complete or binding agreement between the Parties. No binding agreements shall be created between the Parties until a full and final written agreement containing all material terms of the transaction is prepared, reviewed and approved by the Parties and their respective counsel, if any, and mutually executed and delivered.

Each Party acknowledges that it has incurred, and will incur, costs and expenses in connection with the transaction contemplated hereby, including but not limited to the costs of investigation and assessment of the economic and other merits of the proposal, as well as legal expenses in connection with the preparation of a final and binding agreement, all of which costs are incurred at such Party's sole cost and risk, and not in reliance upon any act or representations of the other Party or Broker. Either Party may terminate the negotiations at any time for any reason, or for no reason, without liability or obligation whatsoever.

Buyer's Initials



Seller's Initials





I am providing you with the enclosed form titled Disclosure Regarding Real Estate Agency Relationship. This form is an informational document generally explaining real estate agency laws. As of January 1, 2015, the California legislature requires that real estate agents provide this form to all real estate buyers, sellers, lessors and lessees. You will see at the bottom that we are asking you to sign the form. Your signature on this form is requested only to acknowledge that you have received the form, and does not impose any legal obligations upon you. Please review the form and let me know if you have any questions.

**DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIP**  
(As required by the California Civil Code Section 2079.16)

When you enter into a discussion with a real estate agent regarding a real estate transaction, you should from the outset understand what type of agency relationship or representation you wish to have with the agent in the transaction.

**SELLER'S AGENT**

A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or a subagent of that agent has the following affirmative obligations:

To the Seller: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Seller.

To the Buyer and the Seller:

- (a) Diligent exercise of reasonable skill and care in performance of the agent's duties.
- (b) A duty of honest and fair dealing and good faith.
- (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties. An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

**BUYER'S AGENT**

A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations:

To the Buyer: A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Buyer.

To the Buyer and the Seller:

- (a) Diligent exercise of reasonable skill and care in performance of the agent's duties.
- (b) A duty of honest and fair dealing and good faith.
- (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties. An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

**AGENT REPRESENTING BOTH SELLER AND BUYER**

A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer. In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer:

- (a) A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either the Seller or the Buyer.
- (b) Other duties to the Seller and the Buyer as stated above in their respective sections.

In representing both Seller and Buyer, the agent may not, without the express permission of the respective party, disclose to the other party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered.

The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect his or her own interests. You should carefully read all agreements to assure that they adequately express your understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

Throughout your real property transaction you may receive more than one disclosure form, depending upon the number of agents assisting in the transaction. The law requires each agent with whom you have more than a casual relationship to present you with this disclosure form. You should read its contents each time it is presented to you, considering the relationship between you and the real estate agent in your specific transaction.

This disclosure form includes the provisions of Sections 2079.13 to 2079.24, inclusive, of the Civil Code set forth on the reverse hereof. Read it carefully.

**I/WE ACKNOWLEDGE RECEIPT OF A COPY OF THIS DISCLOSURE AND THE PORTIONS OF THE CIVIL CODE PRINTED ON THE SECOND PAGE HEREOF.**

Buyer: (print & sign) X *Justin Roman* *[Signature]*

Date *12/27/16*

Agent *Cushman & Wakefield*  
(Brokerage Firm)

BRE Lic. No. *01880493*

By *Michael Bassetti*  
(Associate Licensee)

BRE Lic No. *01422049*

Date: *12/16/2016*

Note: as used herein "Seller" also means "Lessor" and "Buyer" also means "Lessee".

**CALIFORNIA CIVIL CODE SECTIONS 2079.13-2079.24**

**2079.13.** As used in Sections 2079.14 to 2079.24, inclusive, the following terms have the following meanings: (a) "Agent" means a person acting under provisions of Title 9 (commencing with Section 2295) in a real property transaction, and includes a person who is licensed as a real estate broker under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code, and under whose license a listing is executed or an offer to purchase is obtained. (b) "Associate licensee" means a person who is licensed as a real estate broker or salesperson under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code and who is either licensed under a broker or has entered into a written contract with a broker to act as the broker's agent in connection with acts requiring a real estate license and to function under the broker's supervision in the capacity of an associate licensee. The agent in the real property transaction bears responsibility for his or her associate licensees who perform as agents of the agent. When an associate licensee owes a duty to any principal, or to any buyer or seller who is not a principal, in a real property transaction, that duty is equivalent to the duty owed to that party by the broker for whom the associate licensee functions. (c) "Buyer" means a transferee in a real property transaction, and includes a person who executes an offer to purchase real property from a seller through an agent, or who seeks the services of an agent in more than a casual, transitory, or preliminary manner, with the object of entering into a real property transaction. "Buyer" includes vendee or lessee. (d) "Commercial real property" means all real property in the state, except single-family residential real property, dwelling units made subject to Chapter 2 (commencing with Section 1940) or Title 5, mobilehomes, as defined in Section 798.3, or recreational vehicles, as defined in Section 799.29. (e) "Dual agent" means an agent acting, either directly or through an associate licensee, as agent for both the seller and the buyer in a real property transaction. (f) "Listing agreement" means a contract between an owner of real property and an agent, by which the agent has been authorized to sell the real property or to find or obtain a buyer. (g) "Listing agent" means a person who has obtained a listing of real property to act as an agent for compensation. (h) "Listing price" is the amount expressed in dollars specified in the listing for which the seller is willing to sell the real property through the listing agent. (i) "Offering price" is the amount expressed in dollars specified in an offer to purchase for which the buyer is willing to buy the real property. (j) "Offer to purchase" means a written contract executed by a buyer acting through a selling agent that becomes the contract for the sale of the real property upon acceptance by the seller. (k) "Real property" means any estate specified by subdivision (1) or (2) of Section 761 in property that constitutes or is improved with one to four dwelling units, any commercial real property, any leasehold in these types of property exceeding one year's duration, and mobilehomes, when offered for sale or sold through an agent pursuant to the authority contained in Section 10131.6 of the Business and Professions Code. (l) "Real property transaction" means a transaction for the sale of real property in which an agent is employed by one or more of the principals to act in that transaction, and includes a listing or an offer to purchase. (m) "Sell," "sale," or "sold" refers to a transaction for the transfer of real property from the seller to the buyer, and includes exchanges of real property between the seller and buyer, transactions for the creation of a real property sales contract within the meaning of Section 2085, and transactions for the creation of a leasehold exceeding one year's duration. (n) "Seller" means the transferor in a real property transaction, and includes an owner who lists real property with an agent, whether or not a transfer results, or who receives an offer to purchase real property of which he or she is the owner from an agent on behalf of another. "Seller" includes both a vendor and a lessor. (o) "Selling agent" means a listing agent who acts alone, or an agent who acts in cooperation with a listing agent, and who sells or finds a buyer for the real property, or an agent who locates property for a buyer or who finds a buyer for a property for which no listing exists and presents an offer to purchase to the seller. (p) "Subagent" means a person to whom an agent delegates agency powers as provided in Article 5 (commencing with Section 2349) of Chapter 1 of Title 9. However, "subagent" does not include an associate licensee who is acting under the supervision of an agent in a real property transaction.

**2079.14.** Listing agents and selling agents shall provide the seller and buyer in a real property transaction with a copy of the disclosure form specified in Section 2079.16, and, except as provided in subdivision (c), shall obtain a signed acknowledgment of receipt from that seller or buyer, except as provided in this section or Section 2079.15, as follows: (a) The listing agent, if any, shall provide the disclosure form to the seller prior to entering into the listing agreement. (b) The selling agent shall provide the disclosure form to the seller as soon as practicable prior to presenting the seller with an offer to purchase, unless the selling agent previously provided the seller with a copy of the disclosure form pursuant to subdivision (a). (c) Where the selling agent does not deal on a face-to-face basis with the seller, the disclosure form prepared by the selling agent may be furnished to the seller (and acknowledgment of receipt obtained for the selling agent from the seller) by the listing agent, or the selling agent may deliver the disclosure form by certified mail addressed to the seller at his or her last known address, in which case no signed acknowledgment of receipt is required. (d) The selling agent shall provide the disclosure form to the buyer as soon as practicable prior to execution of the buyer's offer to purchase, except that if the offer to purchase is not prepared by the selling agent, the selling agent shall present the disclosure form to the buyer not later than the next business day after the selling agent receives the offer to purchase from the seller.

**2079.15.** In any circumstance in which the seller or buyer refuses to sign an acknowledgment of receipt pursuant to Section 2079.14, the agent, or an associate licensee acting for an agent, shall set forth, sign, and date a written declaration of the facts of the refusal.

**2079.16.** [The language of Section 2079.16 appears on the front of this form.]

**2079.17.** (a) As soon as practicable, the selling agent shall disclose to the buyer and seller whether the selling agent is acting in the real property transaction exclusively as the buyer's agent, exclusively as the seller's agent, or as a dual agent representing both the buyer and the seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller, the buyer, and the selling agent prior to or coincident with execution of that contract by the buyer and the seller, respectively. (b) As soon as practicable, the listing agent shall disclose to the seller whether the listing agent is acting in the real property transaction exclusively as the seller's agent, or as a dual agent representing both the buyer and seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller and the listing agent prior to or coincident with the execution of that contract by the seller. (c) The confirmation required by subdivisions (a) and (b) shall be in the following form:

Example, do not complete is the agent of (check one).

(Name of Listing Agent)

the seller exclusively, or  
 both the buyer and seller.

Example, do not complete is the agent of (check one).

(Name of Selling Agent if not the same as the Listing Agent)

the buyer exclusively, or  
 the seller exclusively, or  
 both the buyer and seller.

(d) The disclosures and confirmation required by this section shall be in addition to the disclosure required by Section 2079.14.

**2079.18.** No selling agent in a real property transaction may act as an agent for the buyer only, when the selling agent is also acting as the listing agent in the transaction.

**2079.19.** The payment of compensation or the obligation to pay compensation to an agent by the seller or buyer is not necessarily determinative of a particular agency relationship between an agent and the seller or buyer. A listing agent and a selling agent may agree to share any compensation or commission paid, or any right to any compensation or commission for which an obligation arises as the result of a real estate transaction, and the terms of any such agreement shall not necessarily be determinative of a particular relationship.

**2079.20.** Nothing in this article prevents an agent from selecting, as a condition of the agent's employment, a specific form of agency relationship not specifically prohibited by this article if the requirements of Section 2079.14 and Section 2079.17 are complied with.

**2079.21.** A dual agent shall not disclose to the buyer that the seller is willing to sell the property at a price less than the listing price, without the express written consent of the seller. A dual agent shall not disclose to the seller that the buyer is willing to pay a price greater than the offering price, without the express written consent of the buyer. This section does not alter in any way the duty or responsibility of a dual agent to any principal with respect to confidential information other than price.

**2079.22.** Nothing in this article precludes a listing agent from also being a selling agent, and the combination of these functions in one agent does not, of itself, make that agent a dual agent.

**2079.23.** (a) A contract between the principal and agent may be modified or altered to change the agency relationship at any time before the performance of the act which is the object of the agency with the written consent of the parties to the agency relationship. (b) A lender or an auction company retained by a lender to control aspects of a transaction of real property subject to this part, including validating the sales price, shall not require, as a condition of receiving the lender's approval of the transaction, the homeowner or listing agent to defend or indemnify the lender or auction company from any liability alleged to result from the actions of the lender or auction company. Any clause, provision, covenant, or agreement purporting to impose an obligation to defend or indemnify a lender or an auction company in violation of this subdivision is against public policy, void, and unenforceable.

**2079.24.** Nothing in this article shall be construed to either diminish the duty of disclosure owed buyers and sellers by agents and their associate licensees, subagents, and employees or to relieve agents and their associate licensees, subagents, and employees from liability for their conduct in connection with acts governed by this article or for any breach of a fiduciary duty or a duty of disclosure.

**AGENCY CONFIRMATION**  
(per California Civil Code Section 2079.17)

**Property Address:** Land near the City of King, CA (APN #245-111-035 & a portion of 245-111-035)

**The following agency relationship(s) is/are hereby confirmed for this specific transaction:**

Cushman & Wakefield U.S., Inc. is the agent of (check one):

the lessee exclusively; or

both the buyer and the seller.

**Acknowledged:**

**Seller :** \_\_\_\_\_

**Date** \_\_\_\_\_

**Buyer:** X  \_\_\_\_\_

**Date** 12/27/16

**Lessor Agent:** Cushman & Wakefield U.S., Inc.  
(Brokerage Firm)

**BRE Lic. No.** 01880493

**By:** Michael Bassetti

**BRE Lic. No.** 01422049

(Associate Licensee)

**Date:** December 16, 2016

**Buyer Agent:** Cushman & Wakefield U.S., Inc.  
(Brokerage Firm)

**BRE Lic. No.** 01880493

**By:** Leticia Bugarin

**BRE Lic. No.** 01978668

(Associate Licensee)

**Date:** December 16, 2016



Item No. 9 (1)

**REPORT TO THE CITY COUNCIL**

**DATE: JANUARY 10, 2017**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: STEVEN ADAMS, CITY MANAGER**

**RE: CONSIDERATION OF MINOR BUILDING, ELECTRICAL AND PLUMBING PERMIT FEE**

**RECOMMENDATION:**

It is recommended the City Council adopt a Resolution approving the Master Fee Schedule with a Minor Building, Electrical and Plumbing Permit fee.

**BACKGROUND:**

Currently, the State Building Code requires building permits for most improvements to a structure. The City has received complaints regarding requirements for permits for minor items. The process and expense often creates a disincentive for property owners to adequately maintain their building, makes basic repairs cost prohibitive for some people, and results in non-compliance by many individuals.

As a result, the City's Building Official recently coordinated a review with building officials from a number of other jurisdictions in the area. The objective was to share information and develop common practices on how small building related code requirements are handled and enforced. In response to that review, the City is now recommending some changes to fees and procedures.

**DISCUSSION:**

Currently, the City charges permits fees of \$127 to \$245 for minor building related permit items. It is proposed to replace this fee with a Minor Building, Electrical and Plumbing Permit fee of \$60 for the following items:

- Residential water heater change out;
- Residential wall furnace change out;

**CITY COUNCIL  
CONSIDERATION OF MINOR BUILDING, ELECTRICAL AND PLUMBING  
PERMIT FEE  
JANUARY 10, 2017  
PAGE 2 OF 2**

- Residential electric service change out up to and including 125 amp service;
- Commercial toilet change out; and
- Commercial window or wall air conditioner installation.

These minor permits will now be issued over the counter by front counter staff to make the process both faster and easier. Additional items may be classified as Minor Permits in the future. In addition, it is proposed that the City will no longer proactively enforce requirements for permits for replacement of residential toilets.

**COST ANALYSIS:**

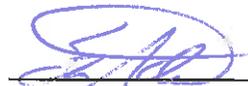
A minor reduction in fees is projected. However, staff believes an increase in compliance in obtaining permits will minimize this impact. Therefore, the permit fee amount will be reduced, but an increase in permits is anticipated.

**ALTERNATIVES:**

The following alternatives are provided for City Council consideration:

1. Adopt a Resolution approving the Master Fee Schedule;
2. Modify the proposed fee change and approve the Master Fee Schedule;
3. Do not approve the change; or
3. Provide staff other direction.

Prepared and Approved by:



\_\_\_\_\_  
Steven Adams, City Manager

RESOLUTION NO. \_\_\_\_\_

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KING  
APPROVING A REVISED MASTER FEE SCHEDULE  
TO REDUCE THE FEE FOR MINOR BUILDING, ELECTRICAL AND PLUMBING PERMITS**

**WHEREAS**, the City of King maintains a Master Fee Schedule of all user fees; and

**WHEREAS**, the purpose of user fees is for users of services to pay the cost of providing that service; and

**WHEREAS**, the City Council adopted a Master Fee Schedule for 2017 on November 22, 2016, which went into effect on January 1, 2017; and

**WHEREAS**, the City Council desires to reduce the fee for Minor Building, Electrical and Plumbing Permits in order for the fee to more accurately reflect City costs required to process permits for specified items, to simplify the process for applicants, and to seek an increase in compliance; and

**WHEREAS**, Minor Building, Electrical and Plumbing Permits shall include, but not be limited to: residential water heater change out; residential wall furnace change out; residential electric service change out up to and including 125 amp service; commercial toilet change out; and commercial window or wall air conditioner installation.

**NOW, THEREFORE, BE IT HEREBY RESOLVED** that the City Council of the City of King hereby approves the Master Fee Schedule attached and included herein as Exhibit A.

This resolution was passed and adopted this 10<sup>th</sup> day of **January, 2017** by the following vote:

**AYES**, Council Members:

**NAYS**, Council Members:

**ABSENT**, Council Members:

**ABSTAIN**, Council Members:

**APPROVED:**

\_\_\_\_\_  
Michael LeBarre, Mayor

**ATTEST:**

\_\_\_\_\_  
Steven Adams, City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Shannon Chaffin, Interim City Attorney

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

Fee	Per Unit	Fee	Minimum
<b>Franchise Fees</b>			
PG&E Electric Franchise Fee		2.00%	
CATV Franchise Fee		5.00%	
Refuse Franchise Fee		16.50%	
Cal Water Franchise Fee		2.00%	
<b>City Hall Front Counter Fees</b>			
Bicycle License		\$10.00	
Garage Sale Permit		\$15.00	
Returned Check Charge		\$40.00	
Rebiling Fee		\$5.00	
Copies - Black and White		\$.25 per page	
Copies - Color		\$1.50 per page	
San Antonio Park Vendor Fee	Annual	\$450.00	
Fireworks Sales Application	Annual	\$35.00	
Fireworks Stand Inspection (normal business hours)	As required	\$147.00	
Fireworks Stand Inspection (outside normal business hours)	As required	\$294.00	
Fireworks Sales Stand Deposit	Annual	\$1,000.00	
<b>Public Works Permit Fees</b>			
Staff Time		Actual Cost Plus 5% Administrative Fee	
Encroachment Permit - General		\$375.00	
Encroachment Permit - Electric and Gas Utilities	Annual/Service Improvements	\$5,000.00	
Encroachment Permit - Water Utilities	Annual/Service Improvements	\$7,500.00	
Encroachment Permit - Utilities	Major Trunkline Replacements	Actual Cost	
Administration Services		Actual Cost	
Curb/Sidewalk/Driveway Review		Actual Cost	\$300.00
Encroachment Permit - Sidewalk Repairs Due to Tree Damage		No Charge	

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

Fee	Per Unit	Fee	Minimum
<b>Police Department Fees</b>			
Police Special Services			
False Alarm Fee	Third false alarm in 12 months	Actual Cost	\$200.00
	Fourth false alarm in 12 months		\$300.00
	Fifth false alarm in 12 months		\$400.00
	Additional false alarms in 12 months		\$500.00
Finger Printing			\$20.00
Tow Provider Application			\$75.00
Vehicle Releases			\$150.00
Immigration Letters			\$20.00
Citation Sign Offs			\$15.00
Room Rental	First hour		\$25.00
	Each additional hour		\$15.00
Special Event Permits			\$27.00
DUI Response Charges			\$256.00
Police Reports	First three pages		\$15.00
	Each additional page		\$2.50
	Maximum charge per report		\$30.00
	Initial		\$125.00
	Renewal		\$25.00
<b>Concealed Weapon Permit</b>			
<b>Animal Control Fees</b>			
Licensing Fees (Spayed/Neutered)	1 month to 1 year		\$10.00
	13 months to 2 years		\$15.00
	25 months to 3 years		\$30.00
	Seniors over 60 up to 3 years		\$9.00
Licensing Fees (Not Spayed/Neutered)	1 month to 1 year		\$40.00
	13 months to 2 years		\$50.00
	25 months to 3 years		\$60.00

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

Fee	Per Unit	Fee	Minimum
<b>Animal Control Fees (Continued)</b>			
Impound Fees (Spayed/Neutered)	First time	\$25.00	
	Second time	\$40.00	
	Third time	\$55.00	
Impound Fees (Not Spayed/Neutered)	First time	\$35.00	
	Second time	\$50.00	
	Third time	\$80.00	
		\$10.00	
Reclaiming of Impound			
Care and Feeding of Animals (Excludes medical care)			
Dog	Per day	\$10.00	
Cat	Per day	\$10.00	
Late fee for renewal license		\$20.00	
Euthanasia & Disposing of Animal	25 lbs. or less	\$63.00	
	26-50 lbs.	\$71.00	
	51 - 75 lbs.	\$79.00	
	76 - 100 lbs.	\$86.00	
	101 lbs. or more	\$94.00	
Adoption Charges (Does Not Include Spay/Neuter Surgery)			
Dog		\$10.00	
Cat		\$10.00	
Medical Care		Actual Cost	
Surrender Fee		\$50.00	

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

<b>Fee</b>	<b>Per Unit</b>	<b>Fee</b>	<b>Minimum</b>
<b>Community Development Department Fees</b>			
Staff Time		Actual Cost Plus 5% Administrative Fee	
Annexation		Actual Cost	\$3,000.00
Appeals			
City Council		Actual Cost	\$250.00
Planning Commission		Actual Cost	\$250.00
Architectural Review			
New		Actual Cost	\$600.00
Amendment		Actual Cost	\$400.00
Certificate of Compliance		Actual Cost	\$300.00
Conditional Use Permit			
New		Actual Cost	\$850.00
Amendment		Actual Cost	\$650.00
Special Event Use Permit		Actual Cost	\$300.00
Temporary Use Permit		Actual Cost	\$300.00
Mural Permit		Actual Cost	\$300.00
Condominium Conversion		Actual Cost	\$650.00
Development Agreement			
New		Actual Cost	\$5,000.00
Amendment		Actual Cost	\$3,000.00
Environmental Review			
Categorical Exemption		Actual Cost	\$100.00
Environmental Impact Report Admin		Actual Cost	\$500.00
Environmental Impact Report		Actual Cost	\$2,000.00
	Residential - Per Lot		
	Other - Per Lot	Actual Cost	\$250.00
Environmental Impact Report Review			
Negative Declaration Fee		Actual Cost	\$600.00
Mitigated Negative Declaration Fee		Actual Cost	\$800.00
Negative Declaration Fish & Game		Actual Cost	\$100.00
Filing Fee with County Clerk		Actual Cost	
General Plan Amendment		Actual Cost	\$1,200.00

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

Fee	Per Unit	Fee	Minimum
<b>Community Development Department Fees (continued)</b>			
General Plan Consistency Review		Actual Cost	\$300.00
Home Occupation Permit		\$150.00	
Interpretation from City Council of Planning Commission		Actual Cost	\$300.00
Landscaping Plan Review		Actual Cost	\$300.00
Lot Line Adjustment		Actual Cost	\$500.00
Medical Cannabis Cult./Nursery/Manufact./Testing License			
Application Fee		\$11,000	
License	Annual	\$7,500	
<b>Miscellaneous Items</b>			
Fence/Wall Review		Actual Cost	\$100.00
Radius Map and Mailing (Noticing)		Actual Cost	\$250.00
Records Research Fee		Actual Cost	\$100.00
Plot Plan Review			
Major Plot Plan Review		Actual Cost	\$600.00
Minor Plot Plan Review		Actual Cost	\$300.00
Pre Application Review		Actual Cost	\$300.00
<b>Specific Plan and Planned Development</b>			
New			
Amendment		Actual Cost	\$3,200.00
Planned Development		Actual Cost	\$1,000.00
Sign Permit		Actual Cost	\$1,000.00
Individual Permanent Sign		Actual Cost	\$300.00
Master Sign Program		Actual Cost	\$462.00
Temporary Sign Permit		Actual Cost	\$100.00
Penalty for No Sign Permit		Actual Cost	\$300.00
Sphere of Influence Amendment		Actual Cost	\$3,200.00
Tentative Tract Map and Parcel Maps			
Vesting		Actual Cost	\$1,100.00
			Plus \$30.00 per lot

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

Fee	Per Unit	Fee	Minimum
<b>Community Development Department Fees (continued)</b>			
<b>Tentative Tract Map and Parcel Maps (continued)</b>			
Non-Vesting			
Time Extensions		Actual Cost	\$1,100.00
Variance		Actual Cost	Plus \$50.00 per lot
Zoning Change Text & Map		Actual Cost	\$300.00
New		Actual Cost	\$500.00
Pre-Zoning Request		Actual Cost	\$1,200.00
		Actual Cost	\$600.00
<b>Building Department Fees</b>			
Staff Time			
Minimum Permit Fee	Per Permit	Actual Cost Plus 5% Administrative Fee	\$100.00
Certificate of Occupancy			\$180.00
Building Permit Fees	2015 International Code Council		110.00%
Plan Check Fees	2015 International Code Council		110.00%
Permit Issuance Fee	Per Permit		\$100.00
Building Permit Training Surcharge	Per Permit		\$15.00
Minor Building, Electrical and Plumbing Permit	Per Permit		\$60.00
Re-Roof Fee			
Buildup, Shingle or Wood Shake			\$170.00
Concrete Tile, Clay Tile or Metal			\$285.00
Fence or Wall Over 6 Feet High	Linear foot		\$5.00
Property Inquiry Fee	Per Inquiry		\$65.00
Annual Fire Inspection	Per Inspection		\$250.00
Demolition Permit		Actual Cost	\$150.00
Building Moving Fee		Actual Cost	\$350.00
Street Address Change		\$50.00	
Waste Reduction and Recycling Plan Fee	Per Building	\$125.00	
	Per Subdivision	\$300.00	

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

Fee	Per Unit	Fee	Minimum
<b>Recreation Department Fees</b>			
Raquetball (Access up to four)	Year	\$110.00	
	Quarter	\$30.00	
	Month	\$10.00	
	Day	\$2.00	
<b>Aquatic Center</b>			
Open Rec Swim			
6 years and under	Day	\$2.50	
6 years and older	Day	\$3.00	
Pass	10 visits	\$25.00	
Lap Swim (16 years and older)			
Daily	Daily	\$3.00	
Pass	10 visits	\$25.00	
Summer Swim Pass			
Individual	Season	\$75.00	
Family (immediate family up to 4)	Season	\$250.00	
Each individual family member over 4		\$25.00	
<b>Swim Lessons</b>			
Private	45 minutes	\$30.00	
Semi-private	45 minutes	\$20.00	
Group	45 minutes	\$50.00	
Late Fee - Swim Lesson Registration	Percent of registration fee	20.00%	
Summer Day Camp (6-13 year olds)	Day	\$10.00	
	Week	\$50.00	
Soccer			
	Child per season	\$60.00	
	2 children per season	\$100.00	
	3 children per season	\$130.00	
Girls Softball			
	Child per season	\$60.00	
	2 children per season	\$100.00	
	3 children per season	\$130.00	

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

Fee	Per Unit	Fee	Minimum
<b>Recreation Department Fees (continued)</b>			
Girls and Boys Basketball	Child per season	\$60.00	
	2 children per season	\$100.00	
	3 children per season	\$130.00	
After School Sports Club	Year	\$10.00	
	Drop-in	\$1.00	
	Late Fee - Percentage of Registration	20.00%	
Adult Sports			
Men's Basketball	Season per team	\$420.00	
CoEd Volleyball	Season per team	\$200.00	
	Individual per season	\$18.00	
CoEd Softball	Season per team	\$295.00	
	Individual per season	\$18.00	
Adult Recreation League	Month	\$20.00	
	Drop-in	\$5.00	
Facility/Amenity Rentals			
Recreation Center	Hour Non-Profit	\$15.00	
	Hour Private	\$55.00	
Security Deposit	Event	\$200.00	
Set Up Fee	Day	\$75.00	
Security Fee Per Guard	Hour	\$25.00	
Joint Facility Agreement With Other Public Agencies	Day	\$0	
Concession Stands - Centennial/Arena/SAP	Day Private	\$102.00	
Equipment			
Dunk Tank	Day Non-Profit	\$50.00	
	Day Private	\$60.00	
Aquatic Complex			
Wade Pool	Hour Non-Profit	\$40.00	
	Hour Private	\$52.00	
Dive Pool	Hour Non-Profit	\$80.00	
	Hour Private	\$100.00	

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

Fee	Per Unit	Fee	Minimum
<b>Recreation Department Fees (continued)</b>			
Lap Pool	Hour Non-Profit	\$80.00	
	Hour Private	\$100.00	
Slide Pool	Hour Non-Profit	\$100.00	
	Hour Private	\$120.00	
Additional Supervision	Hour	Actual Cost	
Field Reservations			
Ballfields w/o Lights - Games/Tournaments	Hour Non-Profit	\$20.00	
	Hour Private	\$25.00	
Ballfields w/Lights - Games/Tournaments	Hour Non-Profit	\$28.00	
	Hour Private	\$30.00	
Ballfields w/o Lights - Practice	Hour Non-Profit	\$3.50	
	Hour Private	\$6.00	
Ballfields w/Lights - Practice	Hour Non-Profit	\$12.00	
	Hour Private	\$20.00	
Soccer-Multi-Sports Fields w/o Lights	Hour Non-Profit	\$20.00	
	Hour Private	\$25.00	
Soccer-Multi-Sports Fields w/Lights	Hour Non-Profit	\$25.00	
	Hour Private	\$30.00	
Shelter/Picnic Reservations			
Picnic Shelters	Day Non-Profit	\$40.00	
	Day Private	\$80.00	
Electricity	Event Non-Profit	\$7.00	
	Event Private	\$12.00	
Park Open Spaces	Day Non-Profit	\$12.00	
	Day Private	\$125.00	
Volleyball Court	Day Non-Profit	\$6.00	
	Day Private	\$30.00	
<b>Miscellaneous Fees</b>			
Personnel	Hour	Actual Cost Plus 5% Administrative Fee	

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

<b>Fee</b>	<b>Per Unit</b>	<b>Fee</b>	<b>Minimum</b>
<b>Airport Fees</b>			
T-Hanger	Monthly	\$130.00	
Tie Down	Monthly	\$42.00	
Office Space	Monthly	\$54.00	
Commercial Operators	Monthly	\$54.00	
	Each additional aircraft	\$42.00	
Crop Dusting	Monthly	\$68.00	
	Daily	\$12.00	
Crop Dusting Storage Area	Monthly	\$54.00	
Airplane/Helicopter Transit Fee	Daily	\$8.00	
Vehicle Transit Fee	Monthly	\$22.00	
Major Temporary Staging Operation	Daily	\$200.00	

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/1/17

Impact Fees for Projects Vested as of August 21, 2010	Fee	Per Unit	Fee	Minimum
<b>Law Enforcement Facilities</b>				
Single Family Dwelling		Unit	\$881.22	
Multiple Family Dwelling		Unit	\$249.16	
Mobile Home Dwelling		Unit	\$251.45	
Commercial Lodging Unit		Unit	\$2,130.47	
Commercial		Square foot	\$0.40	
Industrial		Square foot	\$0.01	
<b>Fire Protection Facilities</b>				
Single Family Dwelling		Unit	\$865.22	
Multiple Family Dwelling		Unit	\$692.64	
Mobile Home Dwelling		Unit	\$692.64	
Commercial Lodging Unit		Unit	\$376.03	
Commercial		Square foot	\$0.57	
Industrial		Square foot	\$0.16	
<b>Bridges Signals and Thoroughfares</b>				
Single Family Dwelling		Unit	\$2,181.91	
Multiple Family Dwelling		Unit	\$1,385.26	
Mobile Home Dwelling		Unit	\$1,098.38	
Commercial Lodging Unit		Unit	\$1,160.10	
Commercial		Square foot	\$5.30	
Industrial		Square foot	\$0.87	

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/1/17

Fee	Per Unit	Fee	Minimum
<b>Impact Fees for Projects Vested as of August 21, 2010 (continued)</b>			
<b>Storm Drainage Facilities</b>			
Single Family Dwelling	Unit	\$521.29	
Multiple Family Dwelling	Unit	\$246.92	
Mobile Home Dwelling	Unit	\$289.22	
Commercial Lodging Unit	Unit	\$181.77	
Commercial	Square foot	\$0.30	
Industrial	Square foot	\$0.25	
<b>General Government Facilities</b>			
Single Family Dwelling	Unit	\$757.79	
Multiple Family Dwelling	Unit	\$757.79	
Mobile Home Dwelling	Unit	\$757.79	
Commercial Lodging Unit	Unit	\$757.79	
Commercial	Square foot	\$0.32	
Industrial	Square foot	\$0.32	
<b>Library Expansion Facilities</b>			
Single Family Dwelling	Unit	\$500.61	
Multiple Family Dwelling	Unit	\$533.76	
Mobile Home Dwelling	Unit	\$494.90	
Commercial Lodging Unit	Unit		
Commercial	Square foot		
Industrial	Square foot		

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

Fee	Per Unit	Fee	Minimum
<b>Impact Fees for Projects Vested as of August 21, 2010 (continued)</b>			
Public Meeting Facilities			
Single Family Dwelling	Unit	\$705.21	
Multiple Family Dwelling	Unit	\$754.35	
Mobile Home Dwelling	Unit	\$697.21	
Commercial Lodging Unit	Unit	-	
Commercial	Square foot	-	
Industrial	Square foot	-	
Aquatic Center Facilities			
Single Family Dwelling	Unit	\$697.21	
Multiple Family Dwelling	Unit	\$746.35	
Mobile Home Dwelling	Unit	\$690.35	
Commercial Lodging Unit	Unit	-	
Commercial	Square foot	-	
Industrial	Square foot	-	
Park and Open Space Acquisition			
Single Family Dwelling	Unit	\$3,675.75	
Multiple Family Dwelling	Unit	\$3,932.91	
Mobile Home Dwelling	Unit	\$3,639.17	
Commercial Lodging Unit	Unit	-	
Commercial	Square foot	-	
Industrial	Square foot	-	

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/1/17

Fee	Per Unit	Fee	Minimum
<b>Impact Fees for Projects Vested as of August 21, 2010 (continued)</b>			
<b>Total Impact Fees</b>			
Single Family Dwelling	Unit	\$11,152.92	
Multiple Family Dwelling	Unit	\$9,615.32	
Mobile Home Dwelling	Unit	\$8,903.88	
Commercial Lodging Unit	Unit	\$4,762.77	
Commercial	Square foot	\$7.13	
Industrial	Square foot	\$1.66	
<b>Impact Fees for Projects Vested after August 21, 2010</b>			
<b>Law Enforcement Facilities</b>			
Single Family Dwelling	Unit	\$1,695.28	
Multiple Family Dwelling	Unit	\$269.75	
Mobile Home Dwelling	Unit	\$170.15	
Commercial Lodging Unit	Unit	\$386.99	
Commercial	Square foot	\$0.745	
Industrial	Square foot	\$0.005	
Storage Units	Square foot	\$0.411	
<b>Fire Protection Facilities</b>			
Single Family Dwelling	Unit	\$1,387.14	
Multiple Family Dwelling	Unit	\$1,067.59	
Mobile Home Dwelling	Unit	\$703.43	
Commercial Lodging Unit	Unit	\$0.432	
Commercial	Square foot	\$0.320	
Industrial	Square foot	\$0.019	
Storage Units	Square foot	\$0.020	

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

Fee	Per Unit	Fee	Minimum
<b>Impact Fees for Projects Vested after August 21, 2010 (continued)</b>			
<b>Bridges Signals and Thoroughfares</b>			
Single Family Dwelling	Unit	\$7,658.83	
Multiple Family Dwelling	Unit	\$5,112.80	
Mobile Home Dwelling	Unit	\$4,006.83	
Commercial Lodging Unit	Unit	\$4,028.61	
Commercial	Square foot	\$9.269	
Industrial	Square foot	\$5.003	
Storage Units	Square foot	\$2.191	
<b>Storm Drainage Facilities</b>			
Single Family Dwelling	Unit	\$1,321.50	
Multiple Family Dwelling	Unit	\$475.00	
Mobile Home Dwelling	Unit	\$526.00	
Commercial Lodging Unit	Unit	\$240.50	
Commercial	Square foot	\$0.452	
Industrial	Square foot	\$0.365	
Storage Units	Square foot	\$0.246	
<b>General Government Facilities</b>			
Single Family Dwelling	Unit	\$582.50	
Multiple Family Dwelling	Unit	\$582.50	
Mobile Home Dwelling	Unit	\$582.50	
Commercial Lodging Unit	Unit	\$161.50	
Commercial	Square foot	\$0.204	
Industrial	Square foot	\$0.204	
Storage Units	Square foot	\$0.204	

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

Fee	Per Unit	Fee	Minimum
<b>Impact Fees for Projects Vested after August 21, 2010 (continued)</b>			
Wastewater Collection System			
Single Family Dwelling	Unit	\$2,463.03	
Multiple Family Dwelling	Unit	\$1,458.73	
Mobile Home Dwelling	Unit	\$1,458.73	
Commercial Lodging Unit	Unit	\$552.99	
Commercial	Square foot	\$0.668	
Industrial	Square foot	\$1.002	
Storage Units	Square foot	\$0.362	
Wastewater Treatment Plant			
Single Family Dwelling	Unit	\$4,523.50	
Multiple Family Dwelling	Unit	\$2,679.86	
Mobile Home Dwelling	Unit	\$2,679.86	
Commercial Lodging Unit	Unit	\$1,014.68	
Commercial	Square foot	\$1.227	
Industrial	Square foot	\$1.841	
Storage Units	Square foot	\$0.666	
Public Meeting Facilities			
Single Family Dwelling	Unit	\$946.500	
Multiple Family Dwelling	Unit	\$1,027.000	
Mobile Home Dwelling	Unit	\$980.500	
Commercial Lodging Unit	Unit	-	
Commercial	Square foot	-	
Industrial	Square foot	-	
Storage Units	Square foot	-	

**KING CITY MASTER FEE SCHEDULE**  
Effective 1/11/17

Fee	Per Unit	Fee	Minimum
<b>Impact Fees for Projects Vested after August 21, 2010 (continued)</b>			
<b>Aquatic Center Facilities</b>			
Single Family Dwelling	Unit	\$343.00	
Multiple Family Dwelling	Unit	\$371.00	
Mobile Home Dwelling	Unit	\$355.00	
Commercial Lodging Unit	Unit		
Commercial	Square foot		
Industrial	Square foot		
Storage Units	Square foot		
<b>Park and Open Space Acquisition</b>			
Single Family Dwelling	Unit	\$3,323.50	
Multiple Family Dwelling	Unit	\$3,602.50	
Mobile Home Dwelling	Unit	\$3,442.00	
Commercial Lodging Unit	Unit		
Commercial	Square foot		
Industrial	Square foot		
Storage Units	Square foot		
<b>Total Impact Fees</b>			
Single Family Dwelling	Unit	\$24,244.78	
Multiple Family Dwelling	Unit	\$16,646.73	
Mobile Home Dwelling	Unit	\$14,905.00	
Commercial Lodging Unit	Unit	\$6,385.70	
Commercial	Square foot	\$12.89	
Industrial	Square foot	\$8.44	
Storage Units	Square foot	\$4.10	



Item No. 9 (J)

**REPORT TO THE CITY COUNCIL**

**DATE: JANUARY 10, 2017**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: OCTAVIO HURTADO, HANNA & BRUNETTI, CITY ENGINEERS**

**RE: CONSIDERATION OF NOTICE OF COMPLETION – MESA DEL REY AIRPORT, VISUAL AID IMPROVEMENTS – FAA AIP PROJECT NO 3-06-0113-011-2014**

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**RECOMMENDATION:**

It is recommended the City Council: 1) approve a Resolution accepting completion of the Mesa Del Rey Airport – Visual Aid Improvements AIP No. 3-06-0113-011-2014, and 2) authorize City Manager to execute and file a Notice of Completion with the Monterey County Recorder's Office, and submit the closeout packet to the FAA.

**BACKGROUND:**

The Visual Aid Improvements ("VISAID") project at Mesa Del Rey Airport included the following items:

- Improvements and modifications to the Regulator Room;
- Installation of new Precision Approach Path Indicator (PAPI) lights;
- Installation of new lighted Wind Sock; and
- Installation of new Runway End Identifier Lights (REILS) on Runway 29, a Radio Controlled Lighting Unit.

The City has completed installation of the project. The Federal Aviation Administration conducted a flight test on January 22, 2016 to test the precision approach path indicator (PAPI) lights. The PAPI lights passed the flight test, allowing the City to process the Notice of Completion.

**DISCUSSION:**

This project has been programmed as part of the Airport Administration (FAA AIP Project No 3-06-0113-011-2014). Improvement Plans and Specifications were put out to bid. The project was awarded to Lee Wison Electric Co. Inc. in the

**CITY COUNCIL  
CONSIDERATION OF NOTICE OF COMPLETION – MESA DEL REY  
AIRPORT, VISUAL AID IMPROVEMENTS – FAA AIP PROJECT NO 3-06-  
0113-011-2014  
JANUARY 10, 2017  
PAGE 2 OF 2**

amount of \$156,795.40. The project was successfully completed and will enhance the overall safety features of the Mesa Del Rey Airport.

**COST ANALYSIS:**

Funding on this project was provided by the Federal Aviation Administration (FAA AIP Project No 3-06-0113-011-2014)

**ALTERNATIVES:**

The following alternatives are provided for Council consideration:

1. Approve the Resolution, authorize the recording of the Notice of Completion and submit a closeout packet to the FAA;
2. Do not approve the Resolution, authorize the recording of the Notice of Completion nor submit a closeout packet to the FAA; or
3. Provide other direction to staff.

**Exhibits:**

1. Resolution 2017-4565.

Submitted by:   
Octavio Hurtado, Hanna & Brunetti, City Engineers

Approved by:   
Steven Adams, City Manager

**RESOLUTION No. 2017-4565**

**ACCEPTANCE OF COMPLETION OF  
MESA DEL REY VISUAL AID IMPROVEMENT PROJECT**

**RESOLVED**, by the City Council of the City of King, California, that

**WHEREAS**, the Project Engineer of said City has filed with the City Manager of the City of King a Recommendation of Acceptance as to the completion of all the work provided to be done under and pursuant to contract between said City and Lee Wilson Electric Co. Inc., Arroyo Grande, California dated January 28, 2016; and

**WHEREAS**, it appears to the satisfaction of the City Council that said work under said contract has been fully completed and done as provided in said contract and the plans and specifications therein referred to.

**NOW, THEREFORE, IT IS ORDERED AS FOLLOWS:**

1. That acceptance of completion of said work be, and is hereby, made and ordered.
2. That the City Manager is directed to execute and file with the recorder of the County of Monterey, notice of acceptance of completion thereof, as required by law.

**PASSED AND ADOPTED** by the City Council of the City of King at a regular meeting duly held on the 10th day of January, 2017 by the following vote:

AYES, and in favor thereof,

NOES,

ABSENT,

ABSTAIN,

\_\_\_\_\_  
Michael Lebarre, Mayor

ATTEST:

\_\_\_\_\_  
Steve Adams, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Shannon Chaffin, City Attorney



Item No. 10 (A)

REPORT TO THE CITY COUNCIL

**DATE:** JANUARY 10, 2017  
**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL  
**FROM:** STEVEN ADAMS, CITY MANAGER  
**RE:** CONSIDERATION OF ORDINANCE ESTABLISHING 20-MINUTE RESTRICTED PARKING AT 416 LYNN STREET

**RECOMMENDATION:**

It is recommended the City Council introduce, and conduct the first reading by title only, an Ordinance establishing 20-minute restricted parking at 416 Lynn Street.

**BACKGROUND:**

The City has painted the curb to provide 20-minute restricted parking at 416 Lynn Street for over 10 years to accommodate the need of guests checking in to the Bed and Breakfast at that location. However, staff recently determined that the restricted parking zone was never formally approved. Therefore, the Police Department is unable to enforce the restrictions.

**DISCUSSION:**

Staff does not recommend creating parking restrictions unique to individual properties in the future. However, since this one has been in place for an extended period of time, staff is recommending appropriate steps be taken to establish the legality of the parking restriction. The attached Ordinance would add this location to other street locations within King City that have restricted time limits on parking.

If adopted, the Police Department would enforce the site on a complaint basis. The City does not currently have dedicated parking enforcement staff.

**CITY COUNCIL  
CONSIDERATION OF ORDINANCE ESTABLISHING 20-MINUTE  
RESTRICTED PARKING AT 416 LYNN STREET  
JANUARY 10, 2017  
PAGE 2 OF 2**

**COST ANALYSIS:**

There will be minor staffing costs to the City to periodically paint and enforce the parking restriction.

**ALTERNATIVES:**

The following alternatives are provided for City Council consideration:

1. Introduce the Ordinance;
2. Do not introduce the Ordinance and remove the parking restriction from the curb at that location; or
3. Provide staff other direction.

Prepared and Approved by:

  
\_\_\_\_\_  
Steven Adams, City Manager



1           **Section 3.**     If any provision of this Ordinance is held invalid, such invalidity shall not affect  
2 the remaining provisions of this Ordinance, which shall remain in effect absent the provision held to  
3 be invalid, and to this end, the provisions of this Ordinance are declared to be severable.

4           **Section 4.**     The City Clerk shall certify to the adoption of this Ordinance, and cause the  
5 same to be published in the local newspaper, and the same shall take effect thirty (30) days after its  
6 date of adoption.

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PASSED, APPROVED AND ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2016.

\_\_\_\_\_  
Michael LeBarre, Mayor

ATTEST:

\_\_\_\_\_  
Steven Adams, City Clerk

APPROVED AS TO FORM

\_\_\_\_\_  
Shannon Chaffin, Interim City Attorney

1 STATE OF CALIFORNIA )  
2 COUNTY OF MONTEREY) ss  
3 CITY OF KING )

4  
5 I, Steven Adams, City Clerk of the City of King, do hereby certify that the foregoing  
6 Ordinance No. \_\_\_\_\_ was duly passed and adopted at a regular meeting of the City Council of  
7 the City of King held on the \_\_\_\_\_ day of \_\_\_\_\_, 2017.

8 Upon motion of Councilmember \_\_\_\_\_, seconded by Councilmember  
9 \_\_\_\_\_, the foregoing Ordinance No. \_\_\_\_\_ was duly passed and adopted.

10 Vote on the Motion:  
11 AYES:  
12 NOES:  
13 ABSENT:

14 IN WITNESS WHEREOF, I have hereunto set my hand and the Official Seal of the  
15 City of King, this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

16  
17  
18  
19 \_\_\_\_\_  
20 Steven Adams, City Clerk



Item No. 11 (A)

**REPORT TO THE CITY COUNCIL**

**DATE: JANUARY 10, 2016**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: STEVEN ADAMS, CITY MANAGER**

**RE: CONSIDERATION OF DOWNTOWN STREETScape  
CONCEPTUAL PLAN**

**RECOMMENDATION:**

It is recommended the City Council approve the proposed Downtown Streetscape Conceptual Plan with Bulb-Out Option 1A.

**BACKGROUND:**

At the August 9, 2016 meeting, the City Council approved a contract with RRM Design Group to prepare a Downtown Streetscape Plan. The intent is to prepare a plan that will be ready to submit a Regional Surface Transportation Program (RSTP) grant application to the Transportation Agency of Monterey County (TAMC) when their call for projects is due in June 2017. The objectives of the project are: 1) to enhance the downtown area to help stimulate private economic development investment; and 2) to create a pedestrian oriented and vibrant downtown area that will attract more people to visit, shop and eat.

Staff has identified the Downtown Streetscape Conceptual Plan as a key first step in the City's economic development efforts. Staff believes that if the City can help improve and make the downtown more successful, it will also help attract investment and new businesses to other areas of the City.

Two public workshops were conducted. The workshops were advertised through articles in the Rustler, news and commercials on KRKC, flyers personally delivered to each business in the downtown area, the City's website, and announcements at Rotary, King City in Bloom, etc. The purpose of the first workshop was to explain the objectives of the plan and to solicit ideas and input from the public, which was used by the consultants to develop recommendations. At the second workshop, the consultants presented the recommendations,

**CITY COUNCIL  
CONSIDERATION OF DOWNTOWN STREETScape CONCEPTUAL PLAN  
JANUARY 10, 2017  
PAGE 2 OF 5**

answered questions, and received feedback. The consultants also held individual meetings with key stakeholders.

**DISCUSSION:**

Attached is the recommended plan, which consists of Broadway Street from First Street to San Lorenzo Avenue. The consultants will provide a detailed presentation at the City Council meeting.

The following is a summary of the key features of the plan:

- Redesign and expansion of the corner bulb-outs, which includes three alternatives. The recommended alternative includes removal of the existing olive trees and redesign of the bulb-out, increasing the size to reduce the crossing distance and improve pedestrian use by adding a seat wall, benches, planters, trees, landscaping and receptacles. The second alternative maintains the olive trees, but expands the bulb-outs to provide some increased landscaping, seating and street furniture. The third option is a lower cost alternative, which maintains the olive trees and enhances the bulb-out within the existing footprint.
- Decorative crosswalks utilizing stamped asphalt.
- A downtown plaza at the northeast corner of Broadway Street and Vanderhurst Avenue.
- New streetlights and accent lights on the street trees.
- An arch at the entry to the downtown area.
- Creation of incentives to remove the wood awning and roof overhangs on the 300 block of Broadway Street and installation of new decorative and functional cloth awnings.
- Creation of incentives for addition of outdoor dining and seating.
- Metal trellises and wind sculptures in the medians on the 200 and 100 blocks of Broadway Street.
- Replacement of the liquid amber trees and installation of additional street trees in missing locations to complete the streetscape.
- Addition of angled parking on cross streets adjacent to Broadway Street.

**CITY COUNCIL  
CONSIDERATION OF DOWNTOWN STREETScape CONCEPTUAL PLAN  
JANUARY 10, 2017  
PAGE 3 OF 5**

Most of the public feedback received has focused on the trees, particularly the corner bulb-out trees. The original recommendation of the consultant included a selection of date palms for the bulb-outs. However, feedback received from the community has been generally negative with regard to use of palms in the downtown area. As a result, staff is no longer recommending that alternative and the consultants have proposed several options including Chinese Pistache, Crape Myrtle, and Virginia Oak as an alternative.

Feedback has been more mixed on the decision of whether to maintain or remove the existing olive trees, although the majority of responses have been supportive of removal. Comments received have tended to focus on the problems created by the fruit and personal preference regarding olive trees. If the olive trees are maintained, staff believes the appearance can be improved through trimming and treatment to reduce the fruit production. Therefore, staff encourages Council to broaden the deliberation to focus more on the goals and priorities of the bulb-out design.

Staff recommends the olive trees be removed, but primarily because it will substantially increase the ability to expand utilization of the bulb-out areas. Currently, the trees have overgrown the bulb-out areas and limit the space primarily to a landscape feature with little or no active use by pedestrians. Since the goal of the overall project is to increase pedestrian activity, staff believes this is best achieved through the design option that fully reconstructs the bulb-outs to create a much more inviting space for people to walk, sit, eat, and interact. Trees remain important to the design, but their purpose would be creating a space appealing for people to be rather than being the primary occupant of the space.

Most of the other existing street trees are proposed to remain except for the liquid ambers on the 300 block of Broadway Street. Virginia Oak, Chitalpa, Chinese Pistache, and/or Golden Rain trees are proposed to be added in a variety of locations where trees are absent and to replace the liquid ambers. The recommended street and bulb-out trees both match species included in the Downtown Addition Specific Plan. Therefore, the purpose of their selection is to create a connection and continuity with the streetscape of the future extension of Broadway Street.

The design of the bulb-outs also include natural improvements to drainage that will reduce flooding and damage over time, in addition to making the project more competitive for grants because these are features included in what are commonly referred to as "complete streets." Furniture proposed will include matching benches, receptacles, bike racks and planters. The intent of the planters will be to provide an opportunity for King City In Bloom to showcase flowers and other colorful plants on an ongoing basis.

**CITY COUNCIL  
CONSIDERATION OF DOWNTOWN STREETScape CONCEPTUAL PLAN  
JANUARY 10, 2017  
PAGE 4 OF 5**

The bulb-outs will require the loss of one parking space at each corner. However, the increase in angled parking included in the plan will result in a net increase in parking.

**COST ANALYSIS:**

The total construction cost estimate for the project is \$3,349,148, which does not include costs for the downtown plaza. Exhibit 4 includes a cost estimate detail. Therefore, in order to be feasible, staff recommends phasing the project. Phase I is proposed to be limited to improvements on the 200 and 300 blocks of Broadway Street, which would include an estimated construction cost of \$1,816,292. When adding design related expenses, the total cost is projected to be in the range of close to \$2 million. Staff believes some additional items could potentially be reduced, eliminated, delayed, and value engineered with a goal of reducing the cost to \$1.7 million for the first phase. The proposed funding strategy is as follows:

Funding allocated from sale of Rule 20A Credits	\$100,000
FY 2016-17 funding to be allocated from sale of property	\$300,000
FY 2017-18 funding to be allocated from sale of property	\$400,000
Grant funding	<u>\$900,000</u>
Total	\$1,700,000

**ALTERNATIVES:**

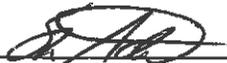
The following alternatives have been identified for City Council consideration:

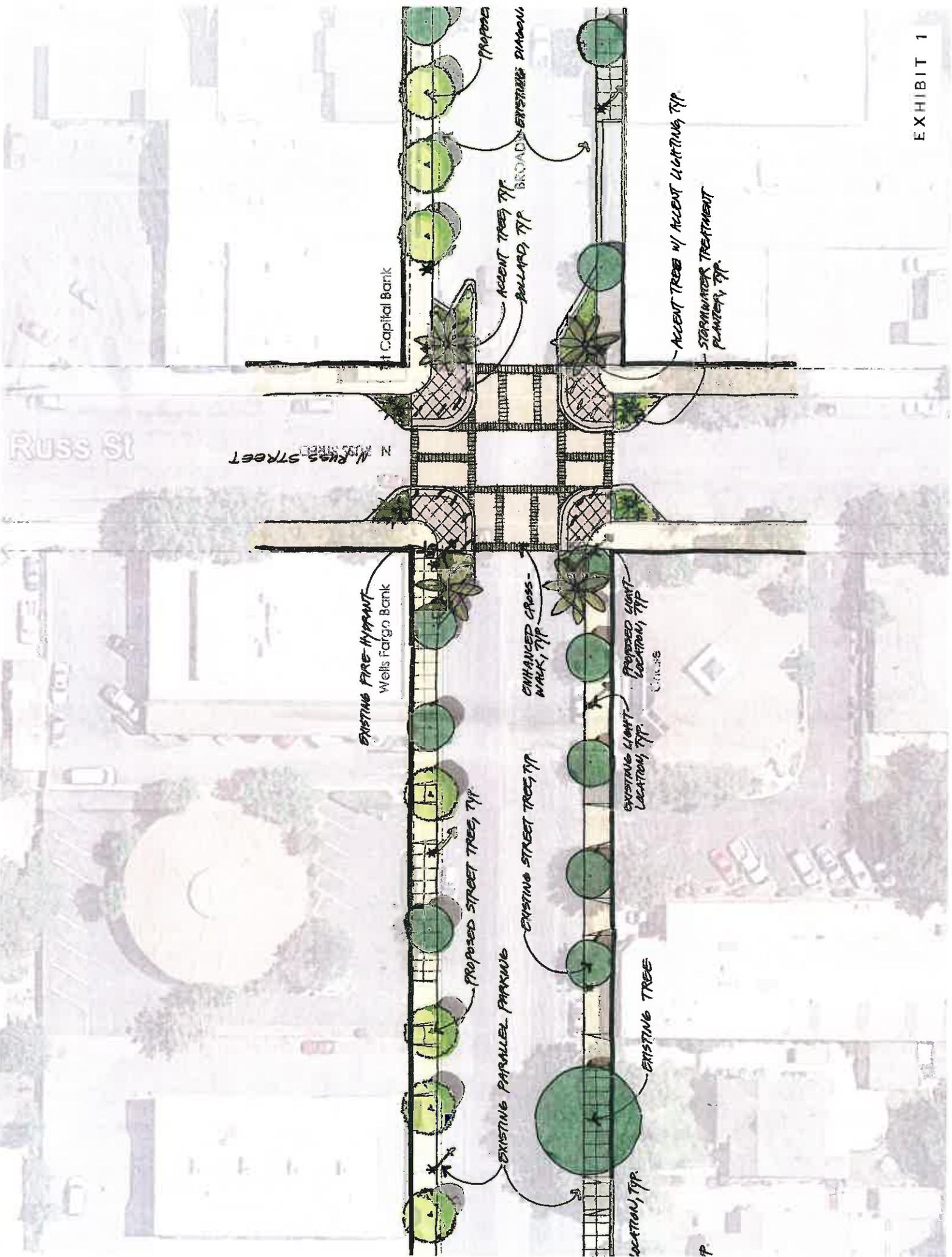
- 1) Approve the recommended Downtown Streetscape Conceptual Plan with Bulb-Out Option 1A;
- 2) Modify the bulb-out design to include an alternative tree species and approve the Downtown Streetscape Conceptual Plan;
- 3) Modify the bul-bout design to maintain the olive trees and approve the Downtown Streetscape Conceptual Plan;
- 4) Make other changes to the Downtown Streetscape Conceptual Plan;
- 5) Do not approve the Downtown Streetscape Conceptual Plan; or
- 6) Provide staff other direction.

Exhibits:

- 1) Concept Plan
- 2) Downtown Plaza Concept Plan
- 3) Bulb-out Treatment Alternatives
- 4) Cost Estimate

**CITY COUNCIL  
CONSIDERATION OF DOWNTOWN STREETScape CONCEPTUAL PLAN  
JANUARY 10, 2017  
PAGE 5 OF 5**

Prepared and Approved by:  \_\_\_\_\_  
Steven Adams, City Manager



Russ St

N Russ Street

EXISTING FIRE HYDRANT  
Wells Fargo Bank

Capital Bank

PROPOSED STREET TREE, TIP

EXISTING PARALLEL PARKING

EXISTING STREET TREE, TIP

ENHANCED CROSS-WALK, TIP

PROPOSED LIGHT LOCATION, TIP

EXISTING LIGHT LOCATION, TIP

EXISTING TREE

LOCATION, TIP

PROPOSED

ACCENT TREE, TIP

BOLLARD, TIP

BROADWAY EXISTING DIAGONAL

ACCENT TREES w/ ACCENT LIGHTING, TIP

STORMWATER TREATMENT PLANTER, TIP

TOWN SQUARE  
CINEMA

King City Town Square  
Cinema

STORMWATER TREATMENT PLANTER, TYP  
EXISTING FIRE APPARATUS  
SALLARDS, TYP  
PROPOSED LIGHT LOCATIONS PLANTERS

WIND SCULPTURE

ACCENT TREES TYP W/ ACCENT LIGHTING  
ENHANCED CROSSWALK, TYP  
EXISTING LIGHT LOCATIONS, TYP

EXISTING BIKE  
CSD DEGREE

PROPOSED BIKE  
CSD DEGREE

OUTDOOR  
SHADED DINING

N 3rd St

3RD STREET

CHURCH Pacific Valley  
Bank

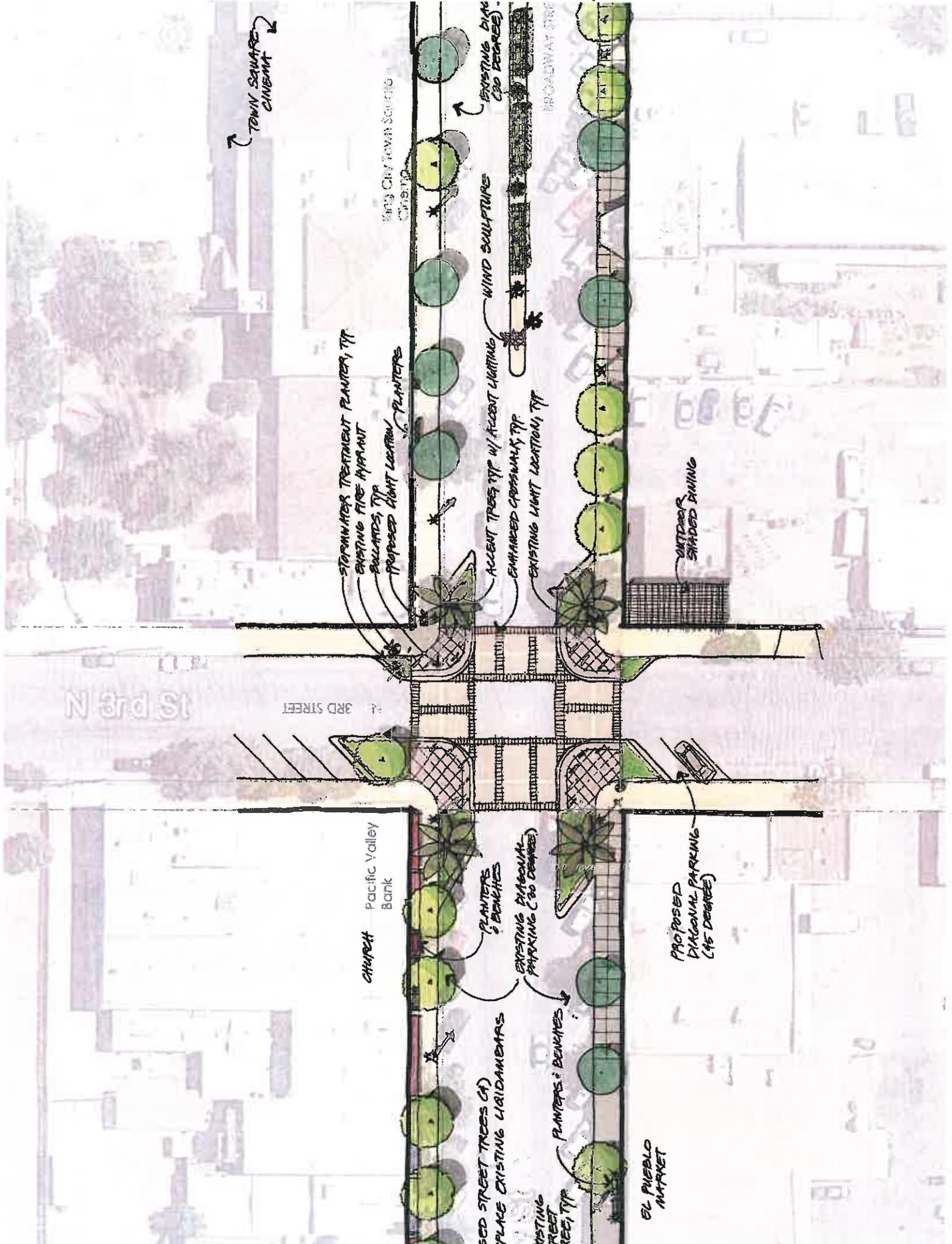
PLANTERS + BENCHES  
EXISTING DIAGONAL  
PARKING (45 DEGREE)

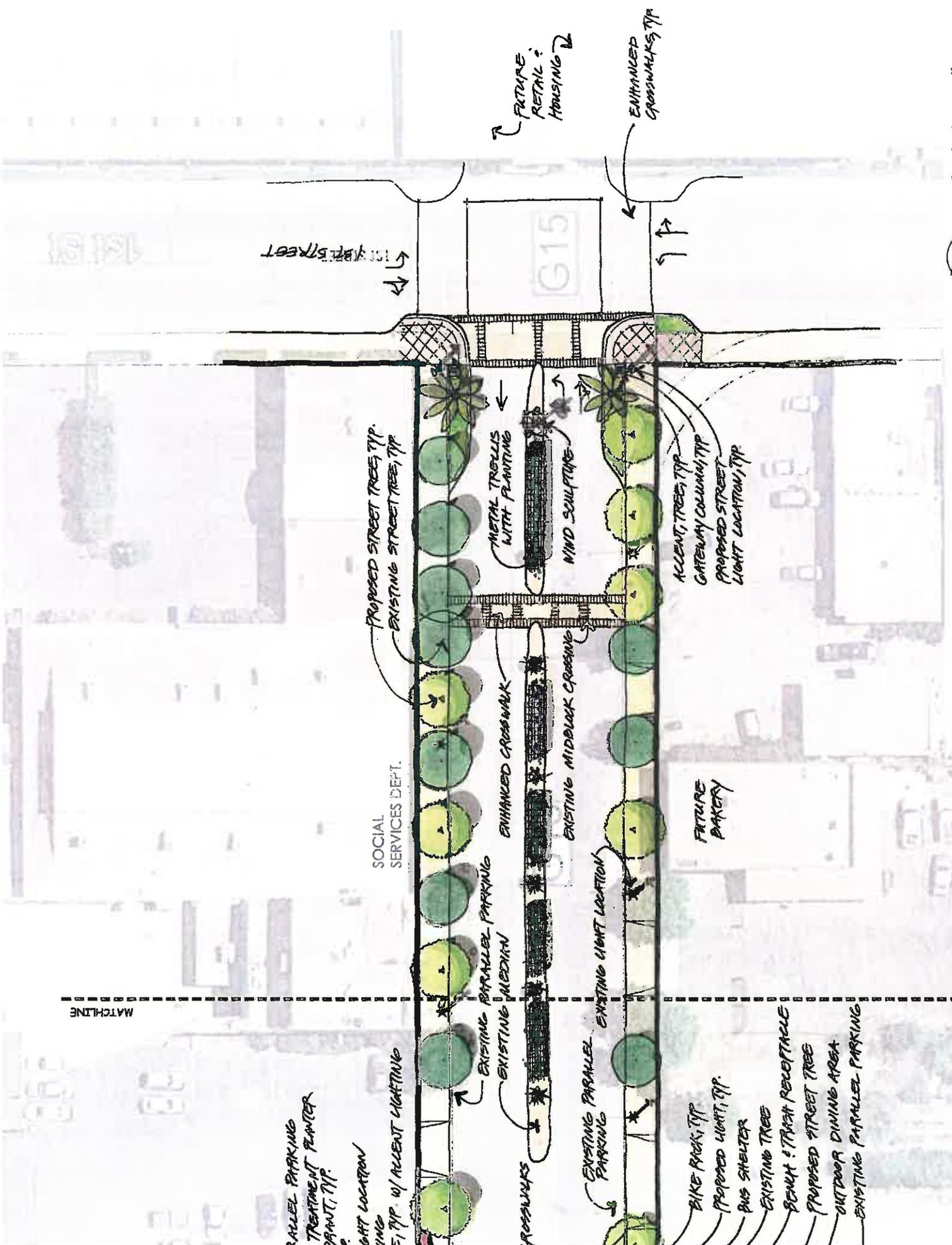
PROPOSED  
DIAGONAL PARKING  
(45 DEGREE)

3RD STREET TREES (A)  
PLACE EXISTING UMBRELLAS

EXISTING  
TREE  
REEL, TYP  
PLANTERS + BENCHES

EL PUEBLO  
MARKET





PARALLEL PARKING  
TREATMENT PLANTER  
FRONT, TYP

LIGHT LOCATION  
5', TYP. W/ ACCENT LIGHTING

ROSSWALKS

EXISTING PARALLEL PARKING

BIKE RACK, TYP

PROPOSED LIGHT, TYP.

BUS SHELTER

EXISTING TREE

BENCH & TRASH RECEPTACLE

PROPOSED STREET TREE

OUTDOOR DINING AREA

EXISTING PARALLEL PARKING

SOCIAL SERVICES DEPT.

PROPOSED STREET TREES, TYP.  
EXISTING STREET TREES, TYP.

EXISTING PARALLEL PARKING  
EXISTING MEDIAN

ENHANCED CROSSWALK

EXISTING MIDDLEBLOCK CROSSING

METAL TROLLIS WITH PLANTING

MIND SCULPTURE

FUTURE BAKERY

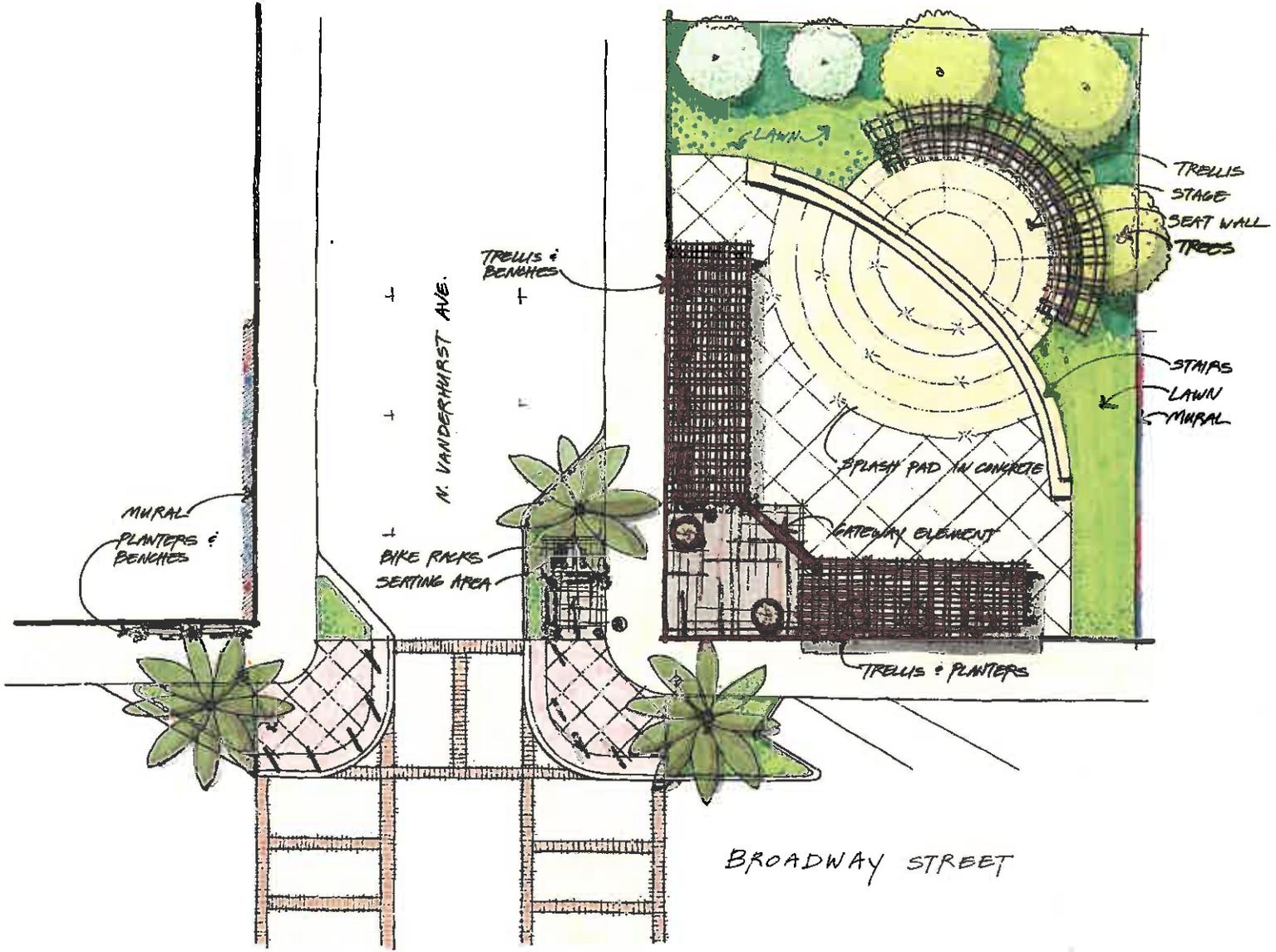
ACCENT TREES, TYP.  
GATEWAY COLUMN, TYP.  
PROPOSED STREET LIGHT LOCATION, TYP.

FUTURE RETAIL: HOUSING

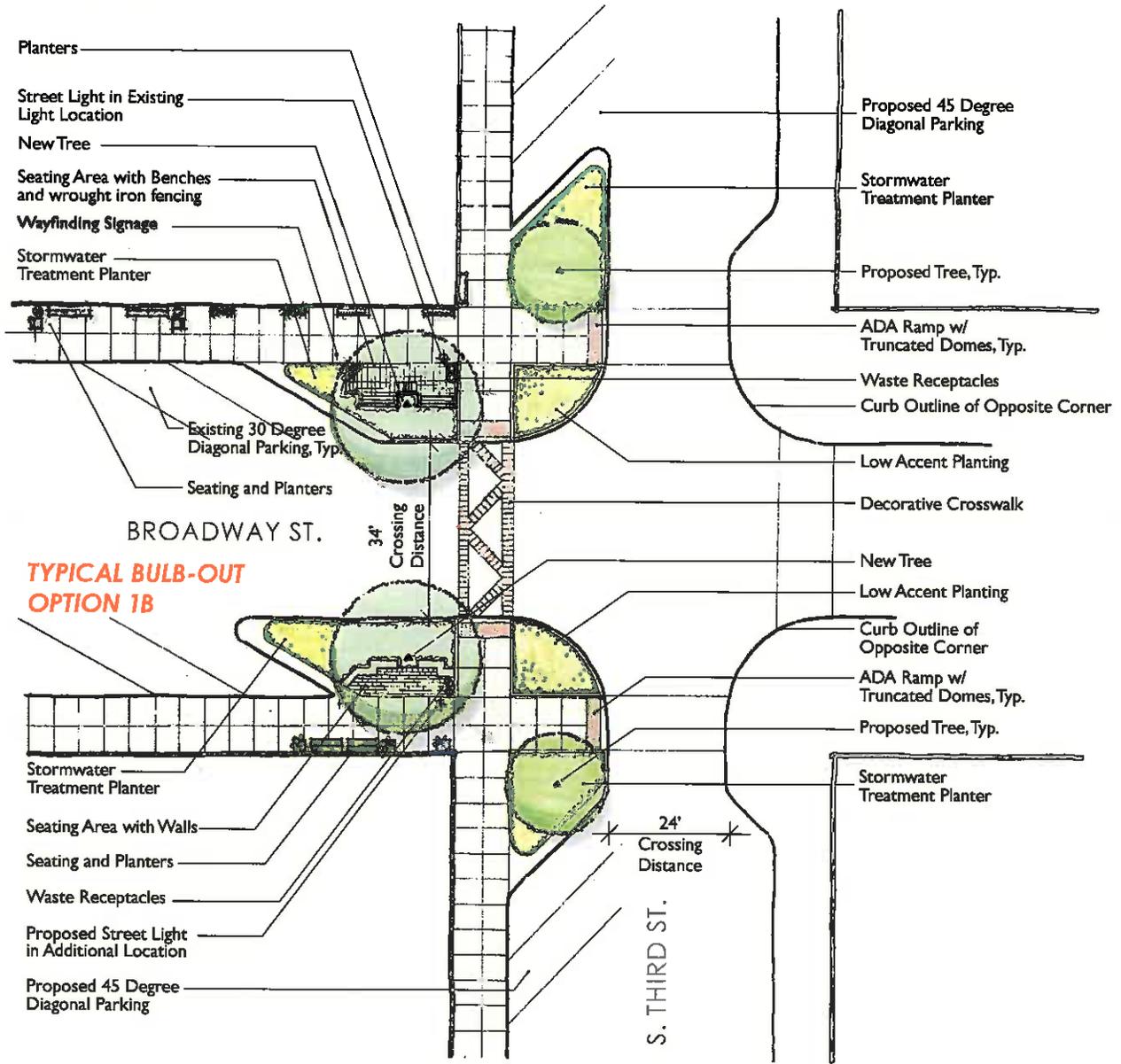
ENHANCED CROSSWALKS, TYP.

MATCHLINE

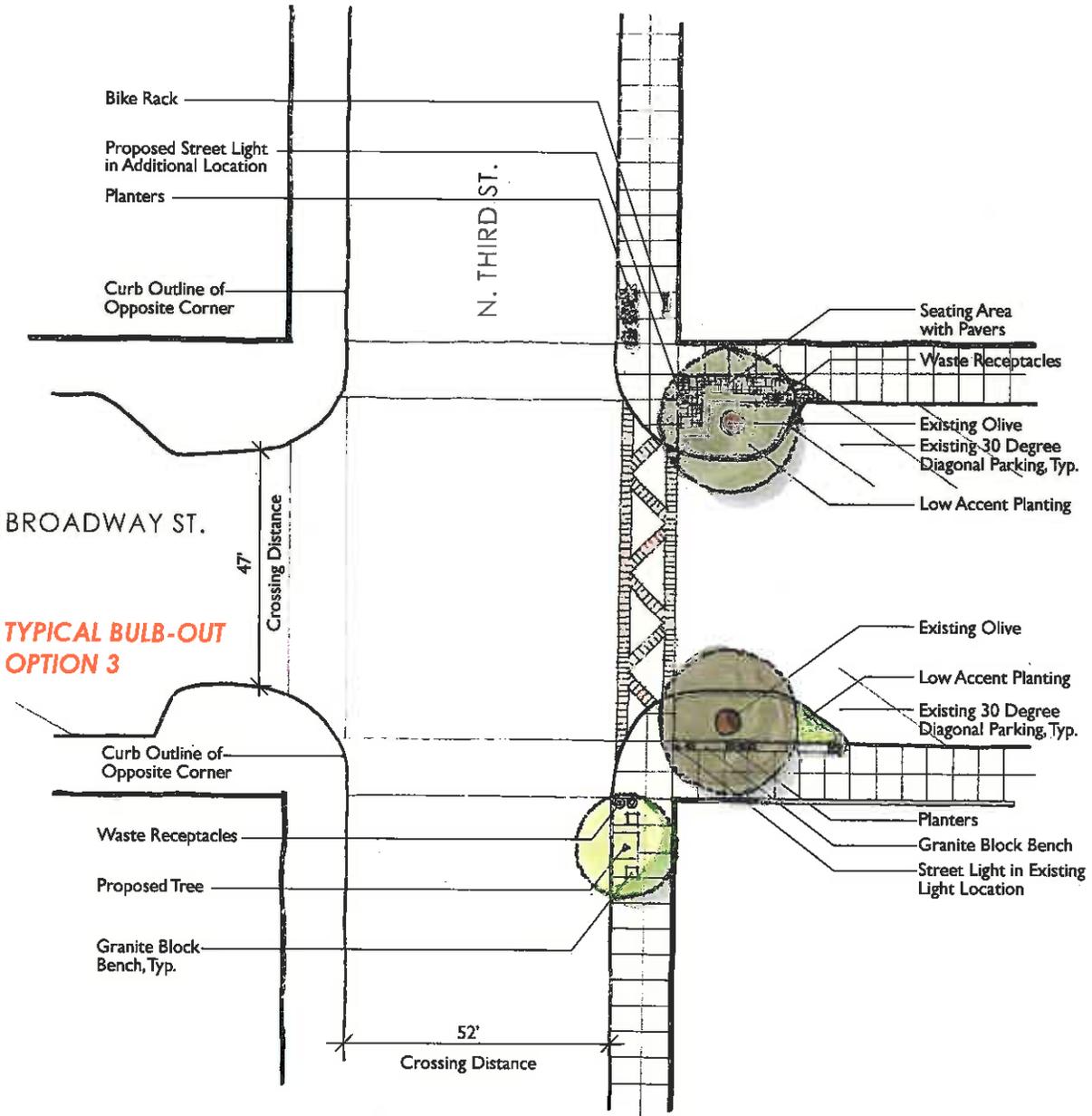




**TYPICAL BULB-OUT  
OPTION 1A**



**TYPICAL BULB-OUT  
OPTION 2**



DATE: Dec 12, 2016  
 JOB No.: 0597-01-JR16  
 JOB NM: King City Downtown Streetscape Conceptual Plan  
 CALC BY: AM  
 CHK BY:

**rrm design group**  
 123 Estudillo Ave. Suite 200  
 San Leandro, CA 94577  
 Ph: (510) 751-4910 www.rmdesign.com

ITEM	DESCRIPTION	QUANT	UNIT	COST/UNIT	COST	DESCRIPTION
<b>INTERSECTION 1</b>						
	DEMOLITION & SITE PREPARATION	1	ALLOW	\$30,000	\$30,000	
	STORM DRAINAGE & SITE UTILITIES	1	ALLOW	\$17,500	\$17,500	
	ASPHALT PATCHBACK & RESTRIPIING	1	LS	\$3,700	\$3,700	
	RELOCATE BUS SHELTER & STREET SIGNS	1	LS	\$2,800	\$2,800	
	STREETLIGHTS	3	EA	\$12,000	\$36,000	
	WAYFINDING SIGNAGE	4	EA	\$1,000	\$4,000	
	SEAT WALL	66	LF	\$175	\$11,550	
	ART CROSSWALK	1,275	SF	\$25	\$31,875	EXCLUDES ARTIST'S DESIGN FEES
	PAVING	1	ALLOW	\$96,970	\$96,970	
	STREET FURNISHINGS	1	ALLOW	\$58,400	\$58,400	CAFÉ TABLES TO BE PROVIDED BY OTHERS
	LANDSCAPING & IRRIGATION	1	ALLOW	\$17,870	\$17,870	
	ACCENT TREE LIGHTING	4	EA	\$1,000	\$4,000	EXCLUDES ASSOCIATED ELECTRICAL
				<b>Subtotal:</b>	<b>\$314,665</b>	
<b>INTERSECTION 2</b>						
	DEMOLITION & SITE PREPARATION	1	ALLOW	\$30,000	\$30,000	
	STORM DRAINAGE & SITE UTILITIES	1	ALLOW	\$17,500	\$17,500	
	ASPHALT PATCHBACK & RESTRIPIING	1	LS	\$3,700	\$3,700	
	RELOCATE STREET SIGNS	1	LS	\$300	\$300	
	STREETLIGHTS	2	EA	\$12,000	\$24,000	
	WAYFINDING SIGNAGE	4	EA	\$1,000	\$4,000	
	GRANITE BLOCK SEATING	24	LF	\$600	\$14,400	
	ART CROSSWALK	1,275	SF	\$25	\$31,875	EXCLUDES ARTIST'S DESIGN FEES
	PAVING	1	ALLOW	\$96,970	\$96,970	
	STREET FURNISHINGS	1	ALLOW	\$55,750	\$55,750	
	LANDSCAPING & IRRIGATION	1	ALLOW	\$17,870	\$17,870	
	ACCENT TREE LIGHTING	4	EA	\$1,000	\$4,000	EXCLUDES ASSOCIATED ELECTRICAL
				<b>Subtotal:</b>	<b>\$296,385</b>	
				<b>Subtotal for 3 Intersections:</b>	<b>\$889,095</b>	
<b>INTERSECTION 3</b>						
	DEMOLITION & SITE PREPARATION	1	ALLOW	\$55,000	\$55,000	
	ASPHALT PATCHBACK & STRIPING	1	ALLOW	\$3,000	\$3,000	
	WAYFINDING SIGNAGE	10	EA	\$1,000	\$10,000	
	ART CROSSWALK - THERMOPLASTIC	761	SF	\$25	\$19,025	EXCLUDES ARTIST'S DESIGN FEES
	SIDEWALK REPLACEMENT	9,300	SF	\$7	\$65,100	
	CONCRETE CURB & GUTTER	250	LF	\$30	\$7,500	
	STREET FURNISHINGS	1	ALLOW	\$93,000	\$93,000	EXCLUDES CAFÉ TABLES
	TREE GRATES	88	EA	\$2,500	\$220,000	
	LANDSCAPING & IRRIGATION	1	ALLOW	\$36,405	\$36,405	
				<b>Subtotal:</b>	<b>\$509,030</b>	
<b>INSET MECHANICAL</b>						
	DEMOLITION & SITE PREPARATION	1	ALLOW	\$15,000	\$15,000	DEMO PAVING, VEGETATION; EXCLUDES DEMO OF CURB & GUTTER
	PUBLIC ART - WIND SCULPTURES	1	ALLOW	\$100,000	\$100,000	2 SCULPTURES
	TRELLISES	1	ALLOW	\$200,000	\$200,000	8 3-POST TRELLISES, 1 5-POST TRELLIS
	PAVING	1	ALLOW	\$6,150	\$6,150	
	LANDSCAPING & IRRIGATION	1	ALLOW	\$1,463	\$1,463	
				<b>Subtotal:</b>	<b>\$322,613</b>	
<b>INSET STREETWAY</b>						
	DEMOLITION & SITE PREPARATION	1	ALLOW	\$15,000	\$15,000	EXISTING PAVING, VEGETATION,
	STORM DRAINAGE & SITE UTILITIES	1	ALLOW	\$17,500	\$17,500	
	ASPHALT PATCHBACK & RESTRIPIING	1	ALLOW	\$1,996	\$1,996	
	RELOCATE STREET SIGNS	1	EA	\$150	\$150	
	GATEWAY COLUMNS	1	ALLOW	\$6,500	\$6,500	EXCLUDES ASSOCIATED ELECTRICAL
	STREETLIGHTS	1	EA	\$12,000	\$12,000	
	WAYFINDING SIGNAGE	2	EA	\$1,000	\$2,000	
	CUSTOM ART CROSSWALK - THERMOPLASTIC	1,020	SF	\$25	\$25,500	EXCLUDES ARTIST'S DESIGN FEES
	PAVING	1	ALLOW	\$21,670	\$21,670	
	STREET FURNISHINGS	1	ALLOW	\$11,300	\$11,300	
	LANDSCAPING & IRRIGATION	1	ALLOW	\$7,840	\$7,840	
	ACCENT TREE LIGHTING	4	EA	\$1,000	\$4,000	EXCLUDES ASSOCIATED ELECTRICAL
				<b>Subtotal:</b>	<b>\$125,456</b>	

CONTINUED ON PAGE 2

DATE: Dec 12, 2016  
 JOB No.: 0597-01-UR16

JOB NM: King City Downtown Streetscape Conceptual Plan  
 CALC BY: AM  
 CHK BY:



123 Estudillo Ave. Suite 200  
 San Leandro, CA 94577  
 Ph: (510) 751-4910 www.rmmdesign.com

DEMOLITION & SITE PREPARATION	1	ALLOW	\$15,000	\$15,000	EXISTING PAVING, CLEARING & GRUBBING,
STORM DRAINAGE & SITE UTILITIES	1	ALLOW	\$17,500	\$17,500	
ASPHALT PATCHBACK & RESTRIPIING	1	ALLOW	\$1,624	\$1,624	
RELOCATE STREET SIGNS	1	LS	\$150	\$150	
OVERHEAD GATEWAY SIGNAGE & BASE	1	ALLOW	\$18,000	\$18,000	EXCLUDES ASSOCIATED ELECTRICAL
PEDESTRIAN GATEWAY	1	ALLOW	\$4,500	\$4,500	EXCLUDES BUSINESS SIGNAGE
STREETLIGHTS	1	EA	\$12,000	\$12,000	
WAYFINDING SIGNAGE	2	EA	\$1,000	\$2,000	
CUSTOM ART CROSSWALK - THERMOPLASTIC	397	SF	\$25	\$9,925	EXCLUDES ARTIST'S DESIGN FEES
PAVING	1	ALLOW	\$24,875	\$24,875	
STREET FURNISHINGS	1	ALLOW	\$6,800	\$6,800	
LANDSCAPING & IRRIGATION	1	ALLOW	\$11,688	\$11,688	
ACCENT TREE LIGHTING	4	EA	\$1,000	\$4,000	EXCLUDES ASSOCIATED ELECTRICAL
			<b>Subtotal:</b>	<b>\$128,062</b>	
			<b>Total:</b>	<b>\$2,288,920</b>	

GENERAL CONDITIONS	6%	OF	\$2,288,920	\$137,335	
BONDS	2%	OF	\$2,288,920	\$45,778	
CONTRACTORS FEES	10%	OF	\$2,288,920	\$228,892	
			<b>Subtotal:</b>	<b>\$2,700,926</b>	
DESIGN CONTINGENCY	20%	OF	\$2,700,926	\$540,185	
ESCALATION (PER YEAR)	4%	OF	\$2,700,926	\$108,037	
			<b>Subtotal:</b>	<b>\$648,222</b>	
			<b>GRAND TOTAL:</b>	<b>\$3,349,148</b>	

EXCLUSIONS: BUILDING AWNINGS, REPLACEMENT COST FOR EXISTING STREETLIGHTS, CAFÉ TABLES

NOTE: THIS ESTIMATE WAS PREPARED USING STANDARD COST AND/OR QUANTITY ESTIMATE PRACTICES. IT IS UNDERSTOOD AND AGREED THAT THIS IS AN ESTIMATE ONLY, AND THAT THE ARCHITECT SHALL NOT BE LIABLE TO THE OWNER OR TO A THIRD PARTY FOR ANY FAILURE TO ACCURATELY ESTIMATE THE COST AND/OR QUANTITIES FOR THE PROJECT, OR ANY PART THEREOF.

NOTE: THIS ARCHITECT'S ESTIMATE IS PREPARED AS A GUIDELINE AND DOES NOT CONSTITUTE THE BASIS FOR BID. THE CONTRACTOR IS TO PERFORM HIS/HER OWN QUANTITY TAKE-OFF AND TO BID ACCORDINGLY. IN THE EVENT THAT ERRORS OR OMISSIONS ARE ENCOUNTERED THROUGH THE BIDDING PROCESS, PLEASE CONTACT THE ARCHITECT FOR CLARIFICATION.

DATE PALMS	19	EA	\$6,000	\$114,000	
LANDSCAPE TREE CREDIT FOR LINE ITEM	19	EA	\$500	-\$9,500	
			<b>Subtotal:</b>	<b>\$104,500</b>	
GENERAL CONDITIONS	6%	OF	\$104,500	\$6,270	
BONDS	2%	OF	\$104,500	\$2,090	
CONTRACTORS FEES	10%	OF	\$104,500	\$10,450	
			<b>Subtotal:</b>	<b>\$123,310</b>	
DESIGN CONTINGENCY	20%	OF	\$123,310	\$24,662	
ESCALATION (PER YEAR)	4%	OF	\$123,310	\$4,932	
			<b>Subtotal:</b>	<b>\$29,594</b>	
			<b>ADD TO GRAND TOTAL:</b>	<b>\$152,904</b>	

DATE: Dec 12, 2016  
 JOB No: 0567-01-UR16  
 JOB NM: King City Downtown Streetscape Conceptual Plan  
 CALC BY: AM  
 CHK BY:



123 Estudillo Ave. Suite 200  
 San Leandro, CA 94577  
 Ph: (510) 751-4010 www.rmmdesign.com

ITEM	DESCRIPTION	QUANT	UNIT	COST/UNIT	COST	DESCRIPTION
	DEMOLITION & SITE PREPARATION	1	ALLOW	\$30,000	\$30,000	
	STORM DRAINAGE & SITE UTILITIES	1	ALLOW	\$17,500	\$17,500	
	ASPHALT PATCHBACK & RESTRIPIING	1	LS	\$3,700	\$3,700	
	RELOCATE BUS SHELTER & STREET SIGNS	1	LS	\$2,800	\$2,800	
	STREETLIGHTS	3	EA	\$12,000	\$36,000	
	WAYFINDING SIGNAGE	4	EA	\$1,000	\$4,000	
	SEAT WALL	66	LF	\$175	\$11,550	
	CUSTOM ART CROSSWALK	1,275	SF	\$25	\$31,875	EXCLUDES ARTIST'S DESIGN FEES
	PAVING	1	ALLOW	\$96,970	\$96,970	
	STREET FURNISHINGS	1	ALLOW	\$58,400	\$58,400	CAFÉ TABLES TO BE PROVIDED BY OTHERS
	LANDSCAPING & IRRIGATION	1	ALLOW	\$17,870	\$17,870	
	ACCENT TREE LIGHTING	4	EA	\$1,000	\$4,000	EXCLUDES ASSOCIATED ELECTRICAL
				<b>Subtotal:</b>	\$310,665	

	DEMOLITION & SITE PREPARATION	1	ALLOW	\$30,000	\$30,000	
	STORM DRAINAGE & SITE UTILITIES	1	ALLOW	\$17,500	\$17,500	
	ASPHALT PATCHBACK & RESTRIPIING	1	LS	\$3,700	\$3,700	
	RELOCATE STREET SIGNS	1	LS	\$300	\$300	
	STREETLIGHTS	2	EA	\$12,000	\$24,000	
	WAYFINDING SIGNAGE	4	EA	\$1,000	\$4,000	
	GRANITE BLOCK SEATING	24	LF	\$600	\$14,400	
	CUSTOM ART CROSSWALK	1,275	SF	\$25	\$31,875	EXCLUDES ARTIST'S DESIGN FEES
	PAVING	1	ALLOW	\$96,970	\$96,970	
	STREET FURNISHINGS	1	ALLOW	\$55,400	\$55,400	
	LANDSCAPING & IRRIGATION	1	ALLOW	\$17,870	\$17,870	
	ACCENT TREE LIGHTING	4	EA	\$1,000	\$4,000	EXCLUDES ASSOCIATED ELECTRICAL
				<b>Subtotal:</b>	\$296,015	

	DEMOLITION & SITE PREPARATION	1	ALLOW	\$30,000	\$30,000	
	STORM DRAINAGE & SITE UTILITIES	1	ALLOW	\$17,500	\$17,500	
	ASPHALT PATCHBACK & RESTRIPIING	1	LS	\$3,700	\$3,700	
	RELOCATE STREET SIGNS	1	LS	\$300	\$300	
	STREETLIGHTS	2	EA	\$12,000	\$24,000	
	WAYFINDING SIGNAGE	4	EA	\$1,000	\$4,000	
	GRANITE BLOCK SEATING	24	LF	\$600	\$14,400	
	CUSTOM ART CROSSWALK	1,275	SF	\$25	\$31,875	EXCLUDES ARTIST'S DESIGN FEES
	PAVING	1	ALLOW	\$96,970	\$96,970	
	STREET FURNISHINGS	1	ALLOW	\$56,400	\$56,400	
	LANDSCAPING & IRRIGATION	1	ALLOW	\$17,870	\$17,870	
	ACCENT TREE LIGHTING	4	EA	\$1,000	\$4,000	EXCLUDES ASSOCIATED ELECTRICAL
				<b>Subtotal:</b>	\$297,015	

	DEMOLITION & SITE PREPARATION	1	ALLOW	\$29,500	\$29,500	DEMO PAVING, VEGETATION; EXCLUDES DEMO OF CURB & GUTTER
	ASPHALT PATCHBACK & STRIPING	1	ALLOW	\$1,980	\$1,980	INCLUDES STRIPING ANGLED PARKING ON 2ND & 3RD ST.
	WAYFINDING SIGNAGE	4	EA	\$1,000	\$4,000	
	SIDEWALK REPLACEMENT	4,450	SF	\$7	\$31,150	
	CONCRETE CURB & GUTTER	250	LF	\$30	\$7,500	
	STREET FURNISHINGS	1	ALLOW	\$18,600	\$18,600	CAFÉ TABLES TO BE PROVIDED BY OTHERS
	TREE GRATES	34	EA	\$2,500	\$85,000	
	LANDSCAPING & IRRIGATION	1	ALLOW	\$14,900	\$14,900	2 PLANTER, 19 SIDEWALK TREES, 2 PLANTER TREES
	ACCENT TREE LIGHTING	4	EA	\$1,000	\$4,000	EXCLUDES ASSOCIATED ELECTRICAL
	PUBLIC ART - WIND SCULPTURES	1	ALLOW	\$50,000	\$50,000	1 SCULPTURE
	STREET MEDIAN TRELLISES	1	ALLOW	\$88,000	\$88,000	4 3-POST TRELLISES
	STREET MEDIAN PAVING	1	ALLOW	\$2,290	\$2,290	
	STREET MEDIAN LANDSCAPING & IRRIGATION	1	ALLOW	\$700	\$700	
				<b>Subtotal:</b>	\$337,620	
				<b>Total:</b>	\$1,241,315	

	GENERAL CONDITIONS	6%	OF	\$1,241,315	\$74,479	
	BONDS	2%	OF	\$1,241,315	\$24,826	
	CONTRACTORS FEES	10%	OF	\$1,241,315	\$124,132	
				<b>Subtotal:</b>	\$1,464,752	
	DESIGN CONTINGENCY	20%	OF	\$1,464,752	\$292,950	
	ESCALATION (PER YEAR)	4%	OF	\$1,464,752	\$58,590	
				<b>Subtotal:</b>	\$351,540	

**PHASE 1 GRAND TOTAL: \$1,816,292**

EXCLUSIONS: BUILDING AWNINGS, REPLACEMENT COST FOR EXISTING STREETLIGHTS, CAFÉ TABLES

NOTE: THIS ESTIMATE WAS PREPARED USING STANDARD COST AND/OR QUANTITY ESTIMATE PRACTICES. IT IS UNDERSTOOD AND AGREED THAT THIS IS AN ESTIMATE ONLY, AND THAT THE ARCHITECT SHALL NOT BE LIABLE TO THE OWNER OR TO A THIRD PARTY FOR ANY FAILURE TO ACCURATELY ESTIMATE THE COST AND/OR QUANTITIES FOR THE PROJECT, OR ANY PART THEREOF.

NOTE: THIS ARCHITECT'S ESTIMATE IS PREPARED AS A GUIDELINE AND DOES NOT CONSTITUTE THE BASIS FOR BID. THE CONTRACTOR IS TO PERFORM HIS/HER OWN QUANTITY TAKE-OFF AND TO BID ACCORDINGLY. IN THE EVENT THAT ERRORS OR OMISSIONS ARE ENCOUNTERED THROUGH THE BIDDING PROCESS, PLEASE CONTACT THE ARCHITECT FOR CLARIFICATION.



Item No. 11 (B)

**REPORT TO THE CITY COUNCIL**

**DATE: JANUARY 10, 2017**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: MIKE HOWARD, FINANCE DIRECTOR**

**RE: ACCEPTANCE OF THE CITY AND CDA SUCCESSOR AGENCY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2015-2016**

---

**RECOMMENDATION:**

It is recommended that the City Council and the Board of Directors of the King City Successor Agency accept the City and Successor Agency's Audited Financial Statements for Fiscal Year Ended June 30, 2016.

**BACKGROUND:**

The State of California Government code (sections 25250 & 25253) require all general-purpose local government to issue an annual report on the financial position and activities of that government. The report must be presented in conformance with generally accepted accounting principles (GAAP) and must be audited by an independent firm of certified public accountants (CPA) in conformance with generally accepted auditing standards (GAGAS). The goal of the audit by an independent firm is to provide reasonable assurance that the accounting transactions, practices, and procedures result in fair presentation of the financial position of the organization. In addition, the audit provides the same type of assurance about management's assertions about the adequacy of internal accounting controls to safeguard the assets of the entities.

**DISCUSSION:**

The independent auditor has rendered an unqualified audit opinion indicating that the City and Successor Agency are materially in compliance and has accounting records that properly reflect the financial position of those entities.

The final numbers for FY 2015-16 demonstrate positive movement for the City, particularly in the General Fund. The General Fund ended the year with a positive net change of approximately \$578,000 for the year versus the amended budget estimate of a \$362,819 deficit. Our current negative fund balance for the

**CITY COUNCIL  
ACCEPTANCE OF THE CITY AND CDA SUCCESSOR AGENCY'S AUDITED  
FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2015-2016  
JANUARY 10, 2017  
PAGE 2 OF 2**

General Fund is \$4,169,000 versus the prior year of \$4,747,000. Other funds are performing as expected.

**COST ANALYSIS:**

There is no financial impact to this item.

**ALTERNATIVES:**

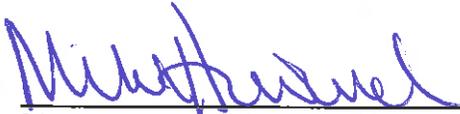
The following alternatives are provided for Council consideration:

1. Receive and file the audited financial statements for FY 2015-16;
2. Postpone the acceptance of the audited report pending clarification if any; or
3. Provide other direction to staff.

**Exhibits:**

1. City of King Independent Auditor's Report and Financial Statements FY 2015-16
2. City of King Management Report FY 2015-16

Submitted by:

  
\_\_\_\_\_  
Mike Howard, Finance Director

Approved by:

  
\_\_\_\_\_  
Steven Adams, City Manager

**CITY OF KING CITY**  
**INDEPENDENT AUDITOR'S REPORT**  
**AND**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of King City, California

**Report on the Financial Statements**

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 King City, California, (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

As discussed in Note 13, the City has not estimated and reported a liability for landfill post-closure care costs or included the related note disclosures as required by accounting principles generally accepted in the United States of America.

In our opinion, except as noted in the preceding paragraph, 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 of King City, California, as of June 30, 2016, 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.

### **Emphasis of Matter – Change in Accounting Principles**

As discussed in Note 1 to the financial statements, effective July 1, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 42 through 43 and the Schedule of the City's Proportionate Share of Net Pension Liability and the Schedule of Contributions pages 44 and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

#### **Other 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the City of King 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of King City's internal control over financial reporting and compliance.

December 20, 2016



# CITY OF KING CITY

## STATEMENT OF NET POSITION JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,487,172	\$ 4,543,644	\$ 6,030,816
Restricted cash and investments	-	340,167	340,167
Accounts receivable	687,540	211,852	899,392
Due from other governments	609,306	-	609,306
Interest receivable	2,135	3,183	5,318
Notes receivable	3,000,000	-	3,000,000
Internal balances	(5,000,000)	5,000,000	-
Deferred charges	-	85,371	85,371
Capital assets (net of allowance for depreciation)	12,155,583	6,398,144	18,553,727
Total assets	<u>12,941,736</u>	<u>16,582,361</u>	<u>29,524,097</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<u>443,086</u>	<u>8,699</u>	<u>451,785</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expense	501,172	564,631	1,065,803
Accrued interest	-	78,970	78,970
Deposits	20,257	-	20,257
Compensated absences	420,670	-	420,670
Noncurrent liabilities			
Due within one year	22,146	100,000	122,146
Due in more than one year	48,324	4,350,000	4,398,324
Net pension liability	3,856,308	228,821	4,085,129
Total liabilities	<u>4,868,877</u>	<u>5,322,422</u>	<u>10,191,299</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	<u>673,789</u>	<u>47,712</u>	<u>721,501</u>
<b>NET POSITION</b>			
Net investment in capital assets	12,174,395	1,948,144	14,122,539
Restricted for debt service	-	340,167	340,167
Restricted for capital projects	1,382,438	-	1,382,438
Restricted for long-term notes receivable	3,000,000	-	3,000,000
Restricted for specific projects and programs	242,557	-	242,557
Unrestricted (deficit)	(8,957,234)	8,932,615	(24,619)
Total net position	<u>\$ 7,842,156</u>	<u>\$ 11,220,926</u>	<u>\$ 19,063,082</u>

# CITY OF KING CITY

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

Functions/Programs	Net Revenue/(Expense) and Changes in Net Position						
	Program Revenue			Primary Government			
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ 1,136,455	\$ 21,954	\$ 68,001	\$ -	\$ (1,046,500)	\$ -	\$ (1,046,500)
Public safety	2,954,289	96,468	193,181	-	(2,664,640)	-	(2,664,640)
Public works	1,577,498	196,328	513,028	-	(868,142)	-	(868,142)
Culture and recreation	491,179	145,622	13,967	-	(331,590)	-	(331,590)
Community development	1,321,740	320,633	-	-	(1,001,107)	-	(1,001,107)
Total governmental activities	7,481,161	781,005	788,177	-	(5,911,979)	-	(5,911,979)
Business-type activities							
Sewer	1,102,016	2,432,043	-	-	-	1,330,027	1,330,027
Total business-type activities	1,102,016	2,432,043	-	-	-	1,330,027	1,330,027
<b>Total primary government</b>	<b>\$ 8,583,177</b>	<b>\$ 3,213,048</b>	<b>\$ 788,177</b>	<b>\$ -</b>	<b>(5,911,979)</b>	<b>1,330,027</b>	<b>(4,581,952)</b>
<b>General Revenue</b>							
Property taxes					833,293		833,293
Franchise taxes					392,813		392,813
Sales taxes					1,831,252		1,831,252
Transient occupancy taxes					429,947		429,947
Utility users tax					261,208		261,208
Business licenses					84,996		84,996
Motor vehicle in-lieu					965,457		965,457
Investment income					11,875	79,599	91,474
Gain on sale of property					641,284	-	641,284
Other revenues					96,871	7,143	104,014
Transfers					350,000	(350,000)	-
Total general revenue and transfers					5,898,996	(263,258)	5,635,738
<b>Change in Net Position</b>					(12,983)	1,066,769	1,053,786
<b>Net Position</b>							
Beginning of year					7,855,139	10,154,157	18,009,296
End of year					<b>\$ 7,842,156</b>	<b>\$ 11,220,926</b>	<b>\$ 19,063,082</b>

# CITY OF KING CITY

## BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2016

	General	HOME Grant	Development Impact Fees	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 89,410	\$ -	\$ 1,032,876	\$ 364,886	\$ 1,487,172
Accounts receivable	663,514	-	-	24,026	687,540
Due from other governments	566,332	-	-	42,974	609,306
Interest receivable	40	-	1,493	602	2,135
Due from other funds	-	-	283,458	-	283,458
Notes receivable	-	3,000,000	-	-	3,000,000
Total assets	\$ 1,319,296	\$ 3,000,000	\$ 1,317,827	\$ 432,488	\$ 6,069,611
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>					
Accounts payable and accrued expense	\$ 468,434	\$ -	\$ 10,823	\$ 21,915	\$ 501,172
Deposits	20,257	-	-	-	20,257
Due to other funds	-	-	89,941	193,517	283,458
Advance from other funds	5,000,000	-	-	-	5,000,000
Total liabilities	5,488,691	-	100,764	215,432	5,804,887
<b>Deferred inflows of resources</b>					
Deferred loans	-	3,000,000	-	-	3,000,000
Total deferred inflows of resources	-	3,000,000	-	-	3,000,000
<b>FUND BALANCE</b>					
Restricted					
Circulation improvements	-	-	-	46,342	46,342
Capital improvement projects	-	-	1,217,063	119,033	1,336,096
Public safety	-	-	-	196,702	196,702
Landscape maintenance	-	-	-	45,855	45,855
Unassigned	(4,169,395)	-	-	(190,876)	(4,360,271)
Total fund balance	(4,169,395)	-	1,217,063	217,056	(2,735,276)
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,319,296	\$ 3,000,000	\$ 1,317,827	\$ 432,488	\$ 6,069,611

See accompanying notes.

# CITY OF KING CITY

## RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2016

---

Total governmental fund balances	\$ (2,735,276)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the governmental funds	12,155,583
Certain revenues in Governmental Funds are deferred because they are not collected within the prescribed time period after fiscal year end. Those revenues are recognized on the accrual basis in Governmental Activities	3,000,000
Net pension liability applicable to Governmental Activities are not due and payable in the current period and accordingly is not reportable in the Governmental Funds	(3,856,308)
Deferred inflows/outflows of resources related to net pension liability, represent an acquisition/consumption of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow/outflow of resources (revenue/expenditure) until that time	(230,703)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the Governmental Funds	<u>(420,670)</u>
Net position of governmental activities	<u>\$ 7,842,156</u>

# CITY OF KING CITY

## STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2016

	General	HOME Grant	Development Impact Fees	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Taxes	\$ 4,452,738	\$ -	\$ -	\$ 543,381	\$ 4,996,119
Intergovernmental	94,707	-	-	379,906	474,613
Charges for services	17,335	-	17,630	102,921	137,886
Licenses, permits and impact fees	508,970	-	178,725	-	687,695
Fines and forfeitures	40,994	-	-	2,449	43,443
Interest and rent	30,984	-	6,596	2,690	40,270
Other	96,871	-	-	-	96,871
Total revenue	<u>5,242,599</u>	-	<u>202,951</u>	<u>1,031,347</u>	<u>6,476,897</u>
<b>Expenditures</b>					
Current					
General government	1,180,326	-	-	-	1,180,326
Public safety	2,851,473	-	-	94,439	2,945,912
Public works	343,959	-	-	706,733	1,050,692
Culture and recreation	282,471	-	-	-	282,471
Community development	1,285,995	-	45,790	-	1,331,785
Capital outlay	-	-	-	143,880	143,880
Debt Service	-	-	-	-	-
Principal	-	-	-	26,339	26,339
Total expenditures	<u>5,944,224</u>	-	<u>45,790</u>	<u>971,391</u>	<u>6,961,405</u>
Revenue over/(under) expenditures	(701,625)	-	157,161	59,956	(484,508)
<b>Other Financing Sources/(Uses)</b>					
Sale of property	660,096	-	-	-	660,096
Loan proceeds	-	-	-	96,809	96,809
Transfers in/(out) - net	619,485	-	-	(269,485)	350,000
Total other financing sources/(uses)	<u>1,279,581</u>	-	-	<u>(172,676)</u>	<u>1,106,905</u>
<b>Change in Fund Balance</b>	577,956	-	157,161	(112,720)	622,397
<b>Fund Balance</b>					
Beginning of year	(4,747,351)	-	1,059,902	329,776	(3,357,673)
End of year	<u>(4,169,395)</u>	\$ -	<u>1,217,063</u>	<u>217,056</u>	<u>(2,735,276)</u>

# CITY OF KING CITY

## RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

---

Net change in fund balance - total governmental funds \$ 622,397

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

In the Statement of Activities interest is accrued on long-term debt, whereas, in governmental funds interest expenditure is reported when due

Issuance of long-term debt is an other financing source in the Governmental Funds, but a long-term liability in the Statement of Net Position (96,809)

Repayment of long-term debt is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position 26,339

Governmental Funds report sale of property as other financing resources. However, in the Statement of Activities only the original cost of the property is reported as a reduction in capital assets (18,812)

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are capitalized as an asset and depreciated over the period of service 143,880

Pension 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 Governmental Funds 312,114

Compensated absence costs in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in Governmental Funds (64,852)

Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not recorded as expenditures in Governmental Funds (937,240)

Change in net position of governmental activities \$ (12,983)

# CITY OF KING CITY

## STATEMENT OF NET POSITION – PROPRIETARY FUND JUNE 30, 2016

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Sewer</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and investments	\$ 4,543,644
Restricted cash and investments	340,167
Accounts receivable	211,852
Interest receivable	3,183
Total current assets	<u>5,098,846</u>
<b>Non-current assets</b>	
Deferred charges	85,371
Advance to other funds	5,000,000
Property, plant and equipment (net of allowance for depreciation)	<u>6,398,144</u>
Total noncurrent assets	<u>11,483,515</u>
Total assets	<u>16,582,361</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<u>8,699</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable and accrued expense	564,631
Accrued interest	78,970
Current portion of long-term debt	100,000
Total current liabilities	<u>743,601</u>
<b>Noncurrent Liabilities</b>	
Long-term debt	4,350,000
Net pension liability	<u>228,821</u>
Total liabilities	<u>5,322,422</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	<u>47,712</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,948,144
Restricted for debt service	340,167
Unrestricted	<u>8,932,615</u>
Total net position	<u>\$ 11,220,926</u>

See accompanying notes.

**CITY OF KING CITY**

**STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION –  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2016**

	<b>Business-Type Activities - Enterprise Fund</b>
	<u>Sewer</u>
<b>Operating Revenue</b>	
Charges for services	\$ 2,432,043
Rents and concessions	59,693
Total operating revenue	<u>2,491,736</u>
<b>Operating Expense</b>	
Contractual services and utilities	97,577
Personnel	182,977
Supplies and materials	412,741
Depreciation	167,707
Total operating expense	<u>861,002</u>
Operating income/(loss)	<u>1,630,734</u>
<b>Nonoperating Revenue/(Expense)</b>	
Interest income	27,049
Interest expense	(237,449)
Amortization expense	(3,565)
Total nonoperating revenue/(expense)	<u>(213,965)</u>
Net income/(loss) before transfers	1,416,769
<b>Operating Transfers In/(Out)</b>	<u>(350,000)</u>
<b>Change in Net Position</b>	<u>1,066,769</u>
<b>Net Position</b>	
Beginning of year	10,154,157
End of year	<u>\$ 11,220,926</u>

**CITY OF KING CITY**

**STATEMENT OF CASH FLOW - PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Sewer</b>
<b>Operating Activities</b>	
Receipts from customers and users	\$ 2,467,929
Payments for contractual services and utilities	436,983
Payments to employees	(189,172)
Payments to suppliers	(412,741)
Net cash provided by (used in) operating activities	<u>2,302,999</u>
<b>Non-capital Financial Activities</b>	
Cash received from (paid to) other funds	<u>(574,472)</u>
Net cash provided by (used in) noncapital financing activities	<u>(574,472)</u>
<b>Capital and Related Financing Activities</b>	
Purchase of property, plant, and equipment	(3,684,351)
Principal paid on long-term debt	(95,000)
Interest paid on long-term debt	(238,526)
Net cash provided by (used in) capital and related financing activities	<u>(4,017,877)</u>
<b>Investing Activities</b>	
Interest received	<u>27,152</u>
Net cash provided by (used in) investing activities	<u>27,152</u>
<b>Net Decrease in Cash</b>	<b>(2,262,198)</b>
<b>Cash</b>	
Beginning of year	7,146,009
End of year	<u>\$ 4,883,811</u>
<b>Reconciliation of Cash to Financial Statements</b>	
Cash and investments	\$ 4,543,644
Restricted cash and investments	<u>340,167</u>
Total cash and investments	<u>\$ 4,883,811</u>

# CITY OF KING CITY

## STATEMENT OF CASH FLOW - PROPRIETARY FUND (CONTINUED) YEAR ENDED JUNE 30, 2016

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### Cash Flows from Operating Activities

Operating income (loss)	\$ 1,630,734
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	167,707
(Increase) Decrease in Deferred Outflow of Resources	14,350
(Increase) Decrease in Accounts Receivable	(23,807)
Increase (Decrease) in Deferred Inflows of Resources	(9,342)
Increase (Decrease) in Net Pension Liability	(11,203)
Increase (Decrease) in Accounts Payable and Accrued Expense	<u>534,560</u>

### Net Cash Provided by Operating Activities

\$ 2,302,999

### Noncash Investing, Capital, and Financing Activities

Amortization of bond discount	\$ <u>3,565</u>
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# CITY OF KING CITY

## STATEMENT OF FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2016

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### Assets

Cash and investments	
Cash and investments	\$ 2,243,692
Cash and investments with fiscal agent	4,166,355
Land held for resale	<u>620,000</u>
Total assets	<u>7,030,047</u>

### Liabilities

Accounts payable and accrued liabilities	6,191
Interest payable	235,527
Long-term debt	
Due within one year	443,736
Due in more than one year	<u>10,875,000</u>
Total liabilities	<u>11,560,454</u>

### Net Position

Held in trust for other governments	<u>\$ (4,530,407)</u>
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# CITY OF KING CITY

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2016

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### Additions

Property taxes	\$ 1,345,565
Investment earnings and other	25,016
Sale of land held for resale	<u>669,650</u>
Total additions	<u>2,040,231</u>

### Deductions

Administrative costs	71,322
Program expenses of former redevelopment agency	32,466
Bond issuance related costs	121,035
Interest and fiscal agency expenses of former redevelopment agency	<u>586,996</u>
Total deductions	<u>811,819</u>

### Change In Net Position

1,228,412

### Net Position

Beginning of year	<u>(5,758,819)</u>
End of year	<u>\$ (4,530,407)</u>

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of King City (the City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### Reporting Entity

The City of King City, State of California (the "City"), was incorporated as a general law city in 1911. The City is governed by a City Council of five members. The City's major operations include public safety; highways and streets; sewer services; parks and recreation; building inspection; public improvements; planning and zoning, and general administrative services.

#### Basis of Presentation – Fund Accounting

**Government-Wide Financial Statements** - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information of all of the nonfiduciary activities of the primary government and its component units. For the most part, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component unit. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Net position are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Governmental Fund Financial Statements** - The Governmental Fund Financial Statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 1 – Summary of Significant Accounting Policies (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

*General Fund* – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police and fire protection, planning and general administrative services.

*HOME Grant Fund* – The fund is used to account for receipts and expenditures for the Home Investment Partnerships Program for the City to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people.

*Development Impact Fees Fund* – The fund is used to account for mitigation fees received from new construction which are to be used according to the City’s approved Master Facilities Plan.

The City reports the following major proprietary fund:

*Sewer Fund* – The fund accounts for the maintenance, operation and capital improvements of the municipal sewage system. Financing is provided by user fees from residences, businesses, and industries.

The City reports the following additional fund types:

*Private-Purpose Trust Fund* - The Private-Purpose Trust Fund accounts for assets held by the City as trustee for the Successor Agency.

### **Basis of Accounting**

The Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

#### **Financial Statement Amounts**

*Cash and Investments* - Cash and investments represent the City's cash bank accounts including but not limited to certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows.

The City maintains a cash and investment pool that is available for use by all funds, except for assets held by fiscal agents. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month end cash balances in each fund.

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in the State of California Local Agency Investment Fund and certificates of deposit. Investments are recorded at amortized cost or fair value. Fair value is based upon quoted market prices.

*Accounts Receivable* - Billed but unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable. The Proprietary Funds include a year end accrual for services through June 30, 2016, which have not yet been billed. Accounts receivable are reported net of an allowance for uncollectibles.

Monterey County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is March 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 1 – Summary of Significant Accounting Policies (Continued)

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

*Interfund Receivables/Payables* - Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

*Advances To/From Other Funds* - This classification represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

*Restricted Assets* – Certain proceeds of the King City Public Financing Authority's Certificates of Participation, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by debt covenants.

*Capital Assets* - Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold are met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 1 – Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Infrastructure	20 - 50
Structures and Improvements	10 - 50
Equipment	5 - 30

*Compensated Absences* – Vacation time may be accumulated up to two years entitlement plus the current years' leave allowance. Cash compensation for accrued vacations is generally not payable until the employee terminates employment with the City. Sick leave may be accumulated to a maximum of 960 hours. Cash compensation for unused sick leave is payable to an employee only upon termination of employment with the City. At that time, the employee is compensated at the rate of 50% of their daily rate.

All accumulated vacation leave and applicable sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured; for example, as a result of employee resignations and retirements. Leave benefits are generally liquidated by the general fund.

*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. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, however, debt principal payments of Governmental Funds are recognized as expenditures when paid. Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Pension* – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employee Retirement System (CalPERS) plan and additions to/deduction from the Plan's 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.

*Non-Current Governmental Assets/Liabilities* - GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-Wide Statement of Net Position.

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 1 – Summary of Significant Accounting Policies (Continued)

*Net Position/Fund Equity* - The government-wide and business-type activities fund financial statements utilize a net position presentation. Net position are categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position - This category presents external restrictions on net position imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This category represents net position of the City, not restricted for any project or other purpose.

*Fund Equity* – In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.
- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.
- Assigned fund balance are amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 1 – Summary of Significant Accounting Policies (Continued)

*Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### **New Effective Accounting Pronouncements**

For the year ended June 30, 2016, the City implemented GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application*. The primary objective of GASB 72 is to provide guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. There was no material impact on the City's financial statements as a result of the implementation of Statement No. 72. All required disclosures were added to Note 3.

### Note 2 – Stewardship, Compliance and Accountability

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit of time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

In accordance with applicable sections of the California Government Code and the King City Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during June of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council. All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

### Note 3 – Cash and Investments

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 3 – Cash and Investments (Continued)

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

#### Statement of Net Position:

Cash and Investments	\$ 6,030,816
Restricted Cash and Investments	340,167
Fiduciary Funds:	
Cash and Investments	2,243,692
Cash and Investments with fiscal agent	4,166,355
Total Cash and Investments	<u>\$ 12,781,030</u>

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	\$ 972
Deposits with Financial Institutions	4,419,709
Local Agency Investment Fund	3,853,826
Held by Fiscal Agent:	
Money Market Mutual Funds	1,153,900
US Government Issues	3,352,623
Total Cash and Investments	<u>\$ 12,781,030</u>

#### Fair Value Measurements

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

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

### Note 3 – Cash and Investments (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value.

LAIF is valued based on the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (Level 2 input).

The City had the following recurring fair value measurements as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2016 Balance</u>
<b>Investments by fair value level:</b>				
Debt Securities:				
U.S. Treasury Obligations	\$ -	\$ 3,352,623	\$ -	\$ 3,352,623
Total Debt Securities	<u>-</u>	<u>3,352,623</u>	<u>-</u>	<u>3,352,623</u>
Equity Securities:				
LAIF	-	3,853,826	-	3,853,826
Total Equity Securities	<u>-</u>	<u>3,853,826</u>	<u>-</u>	<u>3,853,826</u>
<b>Investments carried at amortized cost:</b>				
Deposits				4,420,681
Money Market Mutual Funds				<u>1,153,900</u>
Total Investments amortized at cost				<u>5,574,581</u>
<b>Total Investments</b>				<u>\$ 12,781,030</u>

### Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

**CITY OF KING CITY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

**Note 3 -- Cash and Investments (Continued)**

Authorized Investment Type	Maximum Maturity	Minimum Percentage of Portfolio	Maximum Percentage of Portfolio
Local Agency Bonds	1 year	None	None
U.S. Treasury Obligations	1 year	A	None
U.S. Agency Securities	1 year	None	None
Banker's Acceptances	180 days	None	40%
Commercial Paper	270 days	None	25%
Negotiable Certificates of Deposit	1 year	None	30%
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	92 days	None	20% of base value
Medium-Term Notes	5 years	A	30%
Mutual Funds	N/A	A	20%
Money Market Mutual Funds	N/A	A	20%
Mortgage Pass-Through Securities	5 years	AA	20%

**Investments Authorized by Debt Agreements**

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	AAA	None
Banker's Acceptances	1 year	None	None
Commercial Paper	None	A-1	None
Money Market Mutual Funds	None	A	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	A-1	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

### Note 3 – Cash and Investments (Continued)

#### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2016 the City had the following investments:

Investment Type	12 Months or less	13 to 24 Months	25 to 84 Months	Total
LAIF	\$ 3,853,826	\$ -	\$ -	\$ 3,853,826
Money Market Mutual Funds	1,153,900	-	-	1,153,900
US Government Issues	3,352,623	-	-	3,352,623
Total Investments	\$ 8,360,349	\$ -	\$ -	8,360,349
Cash in bank and on hand				4,420,681
Total Cash and Investments				\$ 12,781,030

#### Disclosures Relating to Credit Risk

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

	Rating as of Year-End			Total
	AAA	A	Ba	
<b>Investments</b>				
Money Market Mutual Funds	\$ 1,153,900	\$ -	\$ -	\$ 1,153,900
<b>Total Investments</b>	\$ 1,153,900	\$ -	\$ -	1,153,900
<b>Not rated:</b>				
LAIF				3,853,826
US Government Issues				3,352,623
Cash in bank and on hand				4,420,681
<b>Total Cash and Investments</b>				\$ 12,781,030

#### Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments.

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 3 – Cash and Investments (Continued)

#### Custodial Credit Risk

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

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

GASB Statement No. 40 requires that the following disclosures be made with respect to custodial credit risks relating to deposits and investments: The City did not have any deposits with financial institutions in excess of federal depository insurance limits and held in uncollateralized accounts. As of June 30, 2016, the City investments in the following investment types were held by the broker-dealer that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Money Market Mutual Funds	\$ 1,153,900
US Government Issues	3,352,623

#### Investment in State Investment Pool

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

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 4 – Advances To and From, Interfund Receivables and Payables, and Transfers

#### Advances To and From

Advances to and from consist of long-term loans between funds. On February 9, 2016, the Sewer Fund loaned the General Fund \$5,000,000 at .275% to be repaid back in 7 years.

Advances to and from balances as of June 30, 2016 are as follows:

	<u>Advance To</u>	<u>Advance From</u>
Sewer Fund	\$ 5,000,000	\$ -
General Fund	-	5,000,000
	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

#### Interfund Receivables and Payables

Interfund receivables and payables consist of short-term loans resulting from regular transactions. These loans are expected to be repaid as soon as the borrowing fund has cash, and carry an interest rate equal to the rate earned on pooled cash.

Individual fund interfund receivables and payables balances as of June 30, 2016 are as follows:

	<u>Due From</u>	<u>Due To</u>
Gas Tax Fund	\$ -	\$ 104,362
Development Impact Fees Fund	283,458	89,941
Airport Operations Fund	-	89,155
	<u>\$ 283,458</u>	<u>\$ 283,458</u>

The interfund payable balance due to the Development Impact Fees Fund is a result of deficits in certain funds and temporary cash flow assistance in others. The balances due will be repaid as funds are available. However, it is not expected that any of the above amounts will be repaid within one year.

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 4 – Advances To and From, Interfund Receivables and Payables, and Transfers (Continued)

#### Transfers

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds' that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due. In general, the effect of the interfund activity has been eliminated from the government-wide financial statements.

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Governmental Funds:</b>		
General Fund	\$ 619,485	\$ -
<b>Enterprise Funds:</b>		
Sewer Fund	-	(350,000)
<b>Nonmajor Governmental Funds:</b>		
Airport Operations Fund	-	(7,500)
UUT-Public Safety Fund	-	(261,985)
	<u>\$ 619,485</u>	<u>\$ (619,485)</u>

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

### Note 5 – Capital Assets

Capital asset activities for the year ended June 30, 2016 were as follows:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
<b><u>Governmental Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 213,539	\$ -	\$ (18,812)	\$ 194,727
Total capital assets, not being depreciated	<u>213,539</u>	<u>-</u>	<u>(18,812)</u>	<u>194,727</u>
Capital assets, being depreciated				
Buildings and improvements	8,581,044	-	-	8,581,044
Infrastructure	14,034,131	-	-	14,034,131
Machinery and equipment	2,855,702	143,880	-	2,999,582
Total capital assets, being depreciated	<u>25,470,877</u>	<u>143,880</u>	<u>-</u>	<u>25,614,757</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,790,625)	(226,747)	-	(6,017,372)
Infrastructure	(4,359,725)	(623,645)	-	(4,983,370)
Machinery and equipment	(2,566,311)	(86,848)	-	(2,653,159)
Total accumulated depreciation	<u>(12,716,661)</u>	<u>(937,240)</u>	<u>-</u>	<u>(13,653,901)</u>
Total capital assets, being depreciated, net	<u>12,754,216</u>	<u>(793,360)</u>	<u>-</u>	<u>11,960,856</u>
Governmental activities capital assets, net	<u>\$ 12,967,755</u>	<u>\$ (793,360)</u>	<u>\$ (18,812)</u>	<u>\$ 12,155,583</u>
<b><u>Business-Type Activities</u></b>				
Capital assets, not being depreciated				
Land	\$ 764,093	\$ -	\$ -	\$ 764,093
Construction in progress	-	3,661,392	-	3,661,392
Total capital assets, not being depreciated	<u>764,093</u>	<u>3,661,392</u>	<u>-</u>	<u>4,425,485</u>
Capital assets, being depreciated				
Building and improvements	6,312,912	-	-	6,312,912
Plant and equipment	1,183,279	22,959	-	1,206,238
Total capital assets, being depreciated	<u>7,496,191</u>	<u>22,959</u>	<u>-</u>	<u>7,519,150</u>
Less: accumulated depreciation	<u>(5,378,784)</u>	<u>(167,707)</u>	<u>-</u>	<u>(5,546,491)</u>
Total capital assets, being depreciated, net	<u>2,117,407</u>	<u>(144,748)</u>	<u>-</u>	<u>1,972,659</u>
Business-type activities capital assets, net	<u>\$ 2,881,500</u>	<u>\$ 3,516,644</u>	<u>\$ -</u>	<u>\$ 6,398,144</u>

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

### Note 5 – Capital Assets (Continued)

Depreciation expense was charged to the following functions in the Statement of Activities:

#### Governmental Functions:

General Government	\$ 34,842
Public Safety	141,665
Public Works	544,829
Culture and Recreation	215,904
	<u>\$ 937,240</u>

#### Business-Type Functions:

Sewer	<u>\$ 167,707</u>
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### Note 6 – Notes Receivables

Notes receivable and deferred loans consisted of the following at June 30, 2016:

**King City Pacific Associates, L.P.** - The HOME Investment Partnership Grant program approved \$3,000,000 of grant funds to be made available for local development of an affordable housing project. The City entered into an agreement with King City Pacific Associates, L.P. to loan such funds for the construction of the San Antonio Apartments. Funds were provided in the form of a deferred payment loan. If not paid sooner, the unpaid principal balance of this note, plus any unpaid interest thereon shall be due and payable in full fifty-five years from the date of the note. The note bears 3% interest and the face amount of the note at June 30, 2016 was \$3,000,000.

### Note 7 – Long-Term Debt

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt. The City's debt transactions are summarized below and discussed in detail thereafter:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion</u>
<b><u>Governmental Activities Long Term Debt</u></b>					
2016 Police Vehicles Capital Lease	\$ -	\$ 96,809	\$ (26,339)	\$ 70,470	\$ 22,146
Total Governmental Activities Long-term Debt	<u>\$ -</u>	<u>\$ 96,809</u>	<u>\$ (26,339)</u>	<u>\$ 70,470</u>	<u>\$ 22,146</u>
<b><u>Business-Type Activities Long Term Debt</u></b>					
2009 Refunding Certificates of Participation	\$ 4,545,000	\$ -	\$ (95,000)	\$ 4,450,000	\$ 100,000
Total Business-Type Activities Debt	<u>\$ 4,545,000</u>	<u>\$ -</u>	<u>\$ (95,000)</u>	<u>\$ 4,450,000</u>	<u>\$ 100,000</u>
<b><u>Compensated Absences</u></b>					
Governmental Activities	<u>\$ 355,818</u>	<u>\$ 64,852</u>	<u>\$ -</u>	<u>\$ 420,670</u>	

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

### Note 7 – Long-Term Debt (Continued)

Long-term debt payable at June 30, 2016 was comprised of the following individual issues:

**2009 Refunding Certificates of Participation** – In May of 2009, the King City Public Financing Authority (the “Authority”) (a component unit of the City of King City) issued the 2009 Refunding Certificates of Participation in the principal amount of \$4,990,000. The Certificates were issued to refund the \$4,000,000 2007 Certificates of Participation, Series A and to satisfy reserve requirements. As a result, the 2007 Certificates of Participation, Series A are considered to be defeased and the liability for those certificates has been removed from the City’s books. The Authority refunded the 2007 Certificates of Participation to extend the maturity date of the certificates from September 2010 to September 2039. The refunding increases the total debt services payments over the next 29 years by \$5,947,974 and results in an economic loss of \$328,763.

The Certificates bear an interest rate of 3% to 5.6% payable semi-annually on March 1 and September 1, beginning September 1, 2009 and matures on September 1, 2039. The Certificates are a special obligation of the Authority, payable solely from certain pledged revenues under the Trust Agreement, and do not constitute a pledge of the full faith and credit or taxing power of the Authority or City. “Revenues” are derived of installment payments to be made by the City pursuant to an Installment Sale Agreement dated April 1, 2009 between the City and the Authority. Installment payments are payable from net revenues, defined generally as gross revenues received from the sewer system, less maintenance and operation costs.

Per the bond covenants, the Authority is required to maintain certain amounts on deposit in a reserve fund. Also, the Authority is required to maintain certain net income ratios. For the 2015-16 fiscal year, the Authority was in compliance with these bond covenants.

**2016 Police Vehicles Capital Lease** – On October 1, 2015, the City entered into a lease agreement for two police vehicles. The lease bears an interest rate of 5.95% and terminates on October 1, 2018.

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2016 was:

Years ending June 30,	Government-Wide Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 22,146	\$ 4,193	\$ 100,000	\$ 235,061
2018	23,464	2,875	105,000	231,111
2019	24,860	1,479	110,000	226,756
2020	-	-	115,000	221,986
2021	-	-	120,000	216,770
2022-2026	-	-	685,000	987,825
2027-2031	-	-	880,000	779,215
2032-2036	-	-	1,155,000	499,100
2037-2040	-	-	1,180,000	136,920
	<u>\$ 70,470</u>	<u>\$ 8,547</u>	<u>\$ 4,450,000</u>	<u>\$ 3,534,744</u>

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 7 – Long-Term Debt (Continued)

**Conduit Debt Obligations** - To provide financing for health facilities of Southern Monterey County Memorial Hospital (the "Corporation"), the City has issued \$5,265,000 aggregate principal amount of Health Facilities Revenue Certificates of Participation, 1998 Series A, and \$7,735,000 aggregate principal amount of Health Facilities Revenue Certificates of Participation, 1999 Series B (the "COPS"). These COPS are payable solely from purchase payments received by the City from the Corporation pursuant to an installment purchase agreement. The COPS do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements. At June 30, 2016 the outstanding balance on both COPS Series was \$9,168,949. As of June 30, 2016 the Corporation is paying interest only through a forbearance agreement through December 31, 2017.

### Note 8 – Deficit Fund Balances

**Fund Balance Deficits** - The following is a summary of deficit fund balances as of June 30, 2016:

Governmental Funds	
General	\$(4,169,395)
Airport Operations	(66,657)
Gas Tax	<u>(124,219)</u>
	<u><u>\$(4,360,271)</u></u>

These deficits are are expected to be relieved from future revenues or transfers from other funds.

### Note 9 – Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the following deferred outflow of resources related to net pension liability in the Statement of Net Position:

Fiscal year 2015-16 pension contributions subsequent to measurement date	\$ 439,781
Difference between expected and actual experience	<u>12,004</u>
Total deferred outflows of resources	<u><u>\$ 451,785</u></u>

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 9 – Deferred Outflows and Deferred Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports the following deferred inflows related to net pension in the Statement of Net Position:

Net differences between projected and actual earnings on pension plan investments	\$ 122,280
Changes in assumptions	242,508
Adjustment due to differences in proportions	271,859
Difference between projected and actual contributions	56,821
Difference between expected and actual experience	<u>28,033</u>
Total deferred inflows of resources	<u>\$ 721,501</u>

The City also has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting as deferred inflows of resources. Accordingly, that item, deferred loans, is reported only in the governmental funds balance sheet. The City reports in the HOME Grant fund, \$3,000,000, deferred loans.

### Note 10 – City Employees' Retirement Plan (Defined Benefit Pension Plan)

**Plan Description** - The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

**Funding Policy** – The City pays 7% of annual covered salary for active plan members in the City's defined pension plan. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of plan members are established by State statute and the employer contribution is established and may be amended by PERS.

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

### Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)

The Plans’ provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
	Prior to January 1, 2013	Prior to January 1, 2013
Hire Date		
Benefit Formula	2.0% at 55; maximum 2% COLA	2.0% at 50; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	55	50
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	7.00%	9.00%
Required Employer Contribution Rates	29.690%	19.584%
	<u>PEPRA</u>	
	<u>Miscellaneous</u>	<u>PEPRA Safety</u>
	On or after January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit Formula	2.0% at 55; maximum 2% COLA	2.7% at 57; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	55	57
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	6.25%	11.50%
Required Employer Contribution Rates	29.690%	11.153%

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**CITY OF KING CITY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

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**Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)**

For the year ended June 30, 2016, the contributions recognized as part of the pension expense is as follows:

Contributions – employer	\$ 439,781
Contributions – employee	\$ 154,443

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

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$2,431,259
Safety	\$1,653,870

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plan is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2014	0.09668%	0.04336%
Proportion - June 30, 2015	<u>0.08862%</u>	<u>0.04014%</u>
Change	-0.00806%	-0.00322%

**CITY OF KING CITY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

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**Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)**

For the year ended June 30, 2016, the City recognized pension expense of \$403,260. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 439,781	\$ -
Differences in expected and actual experience	12,004	(28,033)
Adjustment due to differences in proportions	-	(271,859)
Changes in assumptions or other inputs	-	(242,508)
Differences in projected and actual contributions	-	(56,821)
Net differences between projected and actual earnings on pension plan investments	-	(122,280)
Total	<u>\$ 451,785</u>	<u>\$ (721,501)</u>

The \$439,781 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2017	\$ (206,159)
2018	(206,381)
2019	(192,047)
2020	(104,910)
Total	<u>\$ (709,497)</u>

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)

**Actuarial Assumptions** – The total pension liability in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
<b>Actuarial Assumptions:</b>	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership <sup>1</sup> Date for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter
Investment Rate of Return	7.50%

<sup>1</sup> The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for fiscal years 1997-2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website under Forms and Publications.

**Change of assumptions** – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.5 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

**CITY OF KING CITY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

**Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)**

**Discount rate** – The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained on CalPERS’ website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected rate of 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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees’ Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected nominal rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS’ Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
<b>Total</b>	100%		

<sup>1</sup> An expected inflation of 2.5% used for this period

<sup>2</sup> An expected inflation of 3.0% used for this period

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)

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

The following presents the City’s proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Miscellaneous	\$ 4,077,393	\$ 2,431,259	\$ 1,072,186
Safety	\$ 2,651,844	\$ 1,653,870	\$ 835,689

**Pension Plan Fiduciary Net Position** – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

#### Payable to the Pension Plan

At June 30, 2016, the City has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

### Note 11 – Risk Management

The City participates in the Monterey Bay Area Self-Insurance Authority (MBASIA), a joint powers agency comprising the City and nine other local jurisdictions, created pursuant to California law for liability and workers compensation insurance services. The MBASIA’s Board of Directors is elected from representatives of the member governments and controls operations of the fund, including selection of management and approval of operating budgets. It is independent of the individual member influence, except for their representation on the board, and is therefore not a component unit of the City for reporting purposes.

The City is exposed to various risks including worker injuries, tort liability, theft, damage or destruction of assets, errors and omissions, and natural disasters. With respect to risks other than workers’ compensation, the City and other pool participants pay an annual premium estimated by the pool administrator to be sufficient to cover all liability claims for which the pool is obligated. If a covered entity’s losses exceed its premiums, there is no individual supplemental assessment, and if a covered entity’s losses are lower than its assessment, it does not receive a refund. However, annual budget appropriations are experienced-based. The pool views its activities in the aggregate and makes overall adjustments to the premiums charged and is, therefore, intended to be self-sustaining through member contributions (premiums). Risk of loss is retained by the City for general liability claims up to \$10,000 per occurrence. The fund carries excess loss coverage for general liability claims between \$990,000 and \$20,000,000 per insured event, and is uninsured for losses in excess of \$20,000,000 per event. Unpaid claims at fiscal year end, as reported by the fund, were not material. There was no reduction in the City’s insurance coverage as compared to the previous fiscal year, nor have there been any losses exceeding coverage during any of the three previous years.

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 11 – Risk Management (Continued)

Premium payment amounts are determined by the fund's Board and are charged to the City's general fund as expenditures when paid.

In the proper course of operation, the MBASIA issued debt in the aggregate principal amount of \$5,150,000 on October 1, 2004. The MBASIA is required to collect and disburse the loan premiums in accordance with the loan agreement, Article VI, Section 6.03. The Member Agencies are required by the Amended and Restated Joint Powers Agreement Relating to the MBASIA, Article 20 to pay the MBASIA their individual debt service amount and associated expenses, as determined by the MBASIA. Furthermore, the member Agencies contribution will be payable from any source of available funds of the Member, including amounts on deposit in the general fund of the Member.

### Note 12 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through December 20, 2016, the date which these financial statements were available to be issued.

On August 2, 2016, the California Department of Finance approved the Successor Agency Series 2016 Tax Allocation Refunding Bonds to refinance the King City Tax Refunding Bonds Series 2011. It did not change the maturity date, but reduced the interest rate on the bonds from 7.250% to 3.280% - 4.510%. This resulted in a cost savings of \$742,000 over the life of the bonds.

### Note 13 - Contingencies

**Federal and State Government Programs** - The City participates in several federal and state grant programs. These programs have been audited, as needed, in accordance with the provisions of the federal Single Audit Act of 1984 and applicable state requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**Landfill Postclosure Costs** – Since the closure of the City's landfill in previous fiscal years, the City has been incurring postclosure care costs. In accordance with generally accepted accounting principles, the City was required to estimate and recognize and accrued liability for both closure and postclosure costs related to the landfill. Because the City accounts for the postclosure costs in a governmental fund, this liability of total estimated costs should be reported in the government-wide statement of net position, and be adjusted each year as necessary. However, the City has not estimated and recorded this liability as required. In addition, certain note disclosures relating to the landfill postclosure costs have not been included in these financial statements.

# CITY OF KING CITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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### Note 14 – Commitments

Starting July 10, 2016, the City will start making payments on a solar lease arrangement. The amount financed was \$2,369,187. Annual payments are from \$80,876 to \$143,734 and terminates on January 10, 2030. Interest rate is 2%.

On June 14, 2016, the City entered into 60-month phone equipment lease for a monthly payment of \$920.31 at 10.370% interest rate. Annual payments are from \$4,602 to \$11,044 and terminates on July 1, 2016.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF KING CITY**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive/ (Negative)</u>
<b>Revenue</b>				
Taxes	\$ 4,529,500	\$ 4,340,400	\$ 4,452,738	\$ 112,338
Intergovernmental	143,500	133,500	94,707	(38,793)
Charges for services	23,600	23,600	17,335	(6,265)
Licenses and permits	452,750	452,750	508,970	56,220
Fines and forfeitures	119,000	119,000	40,994	(78,006)
Interest and rents	38,281	38,281	30,984	(7,297)
Other	25,000	25,000	96,871	71,871
Total revenue	<u>5,331,631</u>	<u>5,132,531</u>	<u>5,242,599</u>	<u>110,068</u>
<b>Expenditures</b>				
Current				
General government	1,131,875	946,875	1,180,326	(233,451)
Public safety	3,111,250	3,241,750	2,851,473	390,277
Public works	359,125	359,125	343,959	15,166
Culture and recreation	213,250	270,750	282,471	(11,721)
Community development	1,118,350	1,229,350	1,285,995	(56,645)
Total expenditures	<u>5,933,850</u>	<u>6,047,850</u>	<u>5,944,224</u>	<u>103,626</u>
Revenue over (under) expenditures	(602,219)	(915,319)	(701,625)	213,694
<b>Other Financing Sources</b>				
Sale of property	-	-	660,096	660,096
Transfers in (out), net	<u>552,500</u>	<u>552,500</u>	<u>619,485</u>	<u>66,985</u>
Total other financing sources/(uses)	<u>552,500</u>	<u>552,500</u>	<u>1,279,581</u>	<u>727,081</u>
<b>Net Change in Fund Balance</b>	<u>\$ (49,719)</u>	<u>\$ (362,819)</u>	<u>577,956</u>	<u>\$ 280,679</u>
<b>Fund Balance</b>				
Beginning of year			<u>(4,747,351)</u>	
End of year			<u>\$ (4,169,395)</u>	

**CITY OF KING CITY**

**BUDGETARY COMPARISON SCHEDULE  
DEVELOPMENT IMPACT FEES FUND  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenue</b>				
Charges for services	\$ 5,000	\$ 5,000	\$ 17,630	\$ 12,630
* Licenses, permits and impact fees	26,000	26,000	178,725	152,725
Interest and rent	-	-	6,596	6,596
Total revenue	<u>31,000</u>	<u>31,000</u>	<u>202,951</u>	<u>171,951</u>
<b>Expenditures</b>				
Current				
Community development	9,000	9,000	45,790	(36,790)
Total expenditures	<u>9,000</u>	<u>9,000</u>	<u>45,790</u>	<u>(36,790)</u>
Revenue over/(under) expenditures	<u>\$ 22,000</u>	<u>\$ 22,000</u>	157,161	<u>\$ 135,161</u>
<b>Fund Balance</b>				
Beginning of year			<u>1,059,902</u>	
End of year			<u>\$ 1,217,063</u>	

**CITY OF KING CITY**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
LAST 10 YEARS\*  
YEAR ENDED JUNE 30, 2016**

	Miscellaneous		Safety	
	2015	2016	2015	2016
Proportion of the net pension liability	0.09668%	0.08862%	0.04336%	0.04014%
Proportionate share of the net pension liability	\$ 2,389,457	\$ 2,431,259	\$ 1,626,559	\$ 1,653,870
Covered - employee payroll	\$ 834,582	\$ 936,886	\$ 1,087,897	\$ 939,684
Proportionate share of the net pension liability as a percentage of covered-employee payroll	286.31%	259.50%	149.51%	176.00%
Plan's fiduciary net position	\$ 7,090,204	\$ 8,223,238	\$ 6,567,188	\$ 6,832,315
Plan's fiduciary net position as a percentage of the Total Pension Liability	77.58%	77.18%	80.15%	80.51%

\* Fiscal year 2014-15 was the first year of implementation, therefore only two years are shown.

**CITY OF KING CITY**

**SCHEDULE OF CONTRIBUTIONS  
LAST 10 YEARS\*  
YEAR ENDED JUNE 30, 2016**

	Miscellaneous		Safety	
	2015	2016	2015	2016
Contractually required contribution (actuarially determined)	\$ 145,093	\$ 187,302	\$ 279,368	\$ 213,094
Contributions in relation to the actuarially determined contributions	(145,093)	(187,302)	(279,368)	(213,094)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 834,582	\$ 936,886	\$ 1,087,897	\$ 939,684
Contributions as a percentage of covered-employee payroll	17.39%	19.99%	25.68%	22.68%

\* Fiscal year 2014-15 was the first year of implementation, therefore only two years are shown

**Notes to Schedule of Contributions**

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry Age Normal

Actuarial Assumptions:

Discount Rate 7.65%

Inflation 2.75%

Salary Increases Varies by Entry Age and Service

Investment Rate of Return 7.50%, net of pension plan investment and administrative expenses, including inflation

Retirement Age The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007

Mortality The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries

Payroll Growth 3.00%

**SUPPLEMENTAL ONLY INFORMATION**

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**CITY OF KING CITY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	Special Revenue Funds					
	Traffic		Riverview		Airport	
	SLESF/COPS Grant	Congestion Relief	Asset Seizure	Gardens Landscape	Operations	Operations
<b>ASSETS</b>						
Cash and investments	\$ 131,454	\$ -	\$ 11,048	\$ 45,813	\$ -	\$ 178
Accounts receivable	-	-	-	-	-	24,026
Interest receivable	183	-	13	52	-	-
Due from other governments	17,589	-	-	-	-	210
Total assets	<u>\$ 149,226</u>	<u>\$ -</u>	<u>\$ 11,061</u>	<u>\$ 45,865</u>	<u>\$ -</u>	<u>\$ 24,414</u>
<b>LIABILITIES</b>						
Accounts payable and accrued expense	\$ 132	\$ -	\$ -	\$ 10	\$ -	\$ 1,916
Due to other funds	-	-	-	-	-	89,155
Total liabilities	<u>132</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>91,071</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>						
Restricted						
Circulation improvements	-	-	-	-	-	-
Capital improvement projects	-	-	-	-	-	-
Public safety	149,094	-	11,061	-	-	-
Landscape maintenance	-	-	-	45,855	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>149,094</u>	<u>-</u>	<u>11,061</u>	<u>45,855</u>	<u>-</u>	<u>(66,657)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 149,226</u>	<u>\$ -</u>	<u>\$ 11,061</u>	<u>\$ 45,865</u>	<u>\$ -</u>	<u>\$ 24,414</u>

CITY OF KING CITY

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)  
JUNE 30, 2016

	Special Revenue Funds					Total
	Traffic Safety	CDBG Grant	Gas Tax	UUT-Public Safety	Non-major Governmental Funds	
<b>ASSETS</b>						
Cash and investments	\$ 46,229	\$ 118,898	\$ -	\$ 11,266	\$ 364,886	
Accounts receivable	-	-	-	-	24,026	
Interest receivable	52	135	-	167	602	
Due from other governments	61	-	-	25,114	42,974	
Total assets	\$ 46,342	\$ 119,033	\$ -	\$ 36,547	\$ 432,488	
<b>LIABILITIES</b>						
Accounts payable and accrued expense	\$ -	\$ -	\$ 19,857	\$ -	\$ 21,915	
Due to other funds	-	-	104,362	-	193,517	
Total liabilities	-	-	124,219	-	215,432	
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues	-	-	-	-	-	
Total deferred inflows of resources	-	-	-	-	-	
<b>FUND BALANCE</b>						
Restricted						
Circulation improvements	46,342	-	-	-	46,342	
Capital improvement projects	-	119,033	-	-	119,033	
Public safety	-	-	-	36,547	196,702	
Landscape maintenance	-	-	-	-	45,855	
Unassigned	-	-	(124,219)	-	(190,876)	
Total fund balance	46,342	119,033	(124,219)	36,547	217,056	
Total liabilities, deferred inflows of resources, and fund balance	\$ 46,342	\$ 119,033	\$ -	\$ 36,547	\$ 432,488	

**CITY OF KING CITY**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds					
	SLESE/COPS Grant	Traffic Congestion Relief	Asset Seizure	Riverview Gardens Landscape	Airport Operations	
<b>Revenue</b>						
Taxes	\$ -	\$ -	\$ -	\$ 24	\$ -	
Intergovernmental	137,478	-	-	-	60,602	
Charges for services	-	-	-	-	102,707	
Fines and forfeitures	-	-	1,048	-	-	
Interest and rent	802	-	55	229	-	
<b>Total revenue</b>	<b>138,280</b>	<b>-</b>	<b>1,103</b>	<b>253</b>	<b>163,309</b>	
<b>Expenditures</b>						
Public safety	94,439	-	-	-	-	
Public works	-	-	-	-	-	
Capital outlay	143,880	-	-	132	165,761	
Debt service	-	-	-	-	-	
Principal	26,339	-	-	-	-	
<b>Total expenditures</b>	<b>264,658</b>	<b>-</b>	<b>-</b>	<b>132</b>	<b>165,761</b>	
Revenue over (under) expenditures	(126,378)	-	1,103	121	(2,452)	
<b>Other financing sources/(uses)</b>						
Loan proceeds	96,809	-	-	-	-	
Transfers in/(out), net	-	(211,633)	-	-	(7,500)	
<b>Total other financing sources (uses)</b>	<b>96,809</b>	<b>(211,633)</b>	<b>-</b>	<b>-</b>	<b>(7,500)</b>	
<b>Change in Fund Balance</b>	<b>(29,569)</b>	<b>(211,633)</b>	<b>1,103</b>	<b>121</b>	<b>(9,952)</b>	
<b>Fund Balance</b>						
Beginning of year	178,663	211,633	9,958	45,734	(56,705)	
End of year	\$ 149,094	\$ -	\$ 11,061	\$ 45,855	\$ (66,657)	

**CITY OF KING CITY**

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds				Total
	Traffic Safety	CDBG Grant	Gas Tax	UUT-Public Safety	
<b>Revenue</b>					
Taxes	\$ -	\$ -	\$ 282,149	\$ 261,208	\$ 543,381
Intergovernmental	-	11,662	170,164	-	379,906
Charges for services	-	214	-	-	102,921
Fines and forfeitures	1,401	-	-	-	2,449
Interest and rent	231	596	-	777	2,690
<b>Total revenue</b>	<b>1,632</b>	<b>12,472</b>	<b>452,313</b>	<b>261,985</b>	<b>1,031,347</b>
<b>Expenditures</b>					
Public safety	-	-	-	-	94,439
Public works	-	-	540,840	-	706,733
Capital outlay	-	-	-	-	143,880
Debt service	-	-	-	-	26,339
Principal	-	-	540,840	-	971,391
<b>Total expenditures</b>					
	1,632	12,472	(88,527)	261,985	59,956
<b>Revenue over (under) expenditures</b>					
	-	-	-	-	96,809
<b>Other financing sources/(uses)</b>					
Loan proceeds	-	-	-	-	(269,485)
Transfers in/(out), net	-	-	211,633	(261,985)	(172,676)
<b>Total other financing sources (uses)</b>					
	-	-	211,633	(261,985)	(112,720)
<b>Change in Fund Balance</b>	1,632	12,472	123,106	-	(112,720)
<b>Fund Balance</b>					
Beginning of year	44,710	106,561	(247,325)	36,547	329,776
End of year	46,342	119,033	(124,219)	36,547	217,056

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

To the Honorable Mayor and City Council  
City of King City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King City, California, (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 20, 2016.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

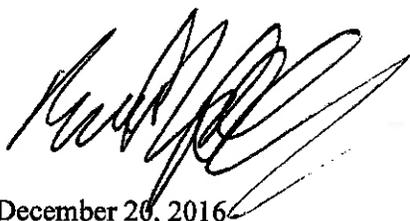
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the the deficiency described in item 2012-02 in the accompany schedule of findings to be a material weakness.

## Compliance and Other Matters

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

## Purpose of this Report

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

A handwritten signature in black ink, appearing to be 'K. J. ...', is written over the date.

December 20, 2016

**CITY OF KING CITY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2016**

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**Summary Schedule of Prior Audit Findings**

**2012-02 Landfill Postclosure Costs – Not Implemented. See Finding 2012-02.**

**CITY OF KING CITY**  
**MANAGEMENT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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# BRYANT L. JOLLEY

CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.  
Ryan P. Jolley C.P.A.  
Darryl L. Smith C.P.A.  
Jaribu Nelson C.P.A.  
Lan T. Kimoto  
Jeffrey M. Schill

To the Honorable Mayor and City Council  
City of King City, California

In planning and performing our audit of the basic financial statements of the City of King City (City) for the year ended June 30, 2016, in accordance with generally accepted auditing standards in the United States, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified a certain deficiency in internal control over financial reporting, described in our schedule of findings dated December 20, 2016, that we consider to be a material weakness in internal control over financial reporting. Please refer to that communication for a more detailed explanation of the deficiency 2012-02.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness (2012-02).

This report is intended for the use of management, the City Council, and others within the organization, and it's not intended to be and should not be used by anyone other than these specified parties. We thank the City's staff for its cooperation during our audit.

December 20, 2016



# BRYANT L. JOLLEY

CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley C.P.A.  
Ryan P. Jolley C.P.A.  
Darryl L. Smith C.P.A.  
Jaribu Nelson C.P.A.  
Lan T. Kimoto  
Jeffrey M. Schill

To the Honorable Mayor and City Council  
City of King City, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King City for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 20, 2016. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of King City are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the City of King City changed accounting policies related to fair market value by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 72, Fair Value Measurement and Application, in 2016. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance and consensus. All significant transactions have been recognized in the financial statements in the proper period.

We noted no transactions entered into by City of King City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the City. We evaluated the key factors and assumptions used by management in computing depreciation expense and believe that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferrals is based on actuarial valuations which include significant assumptions regarding discount rate, inflation, payroll growth, projected salary increases and investment rate of return. We evaluated the key factors and assumptions used to develop the liability and related deferrals in determining that it is reasonable in relation to the financial statements taken as a whole.

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 20, 2016.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

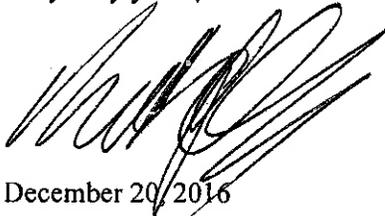
We applied certain limited procedures to the Budgetary Comparison Schedules, Proportionate Share of Net Pension Liability, and Schedule of Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of City of King City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to be a stylized name, possibly "M. J. ...".

December 20, 2016



Item No. 11 (C)

**REPORT TO THE CITY COUNCIL**

**DATE: JANUARY 10, 2017**

**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**FROM: STEVEN ADAMS, CITY MANAGER**

**RE: CONSIDERATION OF ALTERNATIVES AND ISSUES REGARDING RECREATIONAL MARIJUANA REGULATIONS**

**RECOMMENDATION:**

It is recommended the City Council provide staff direction regarding preparation of an Ordinance establishing regulations on cultivation of recreational marijuana in residential areas.

**BACKGROUND:**

Proposition 64 was approved by the voters of California at the November 8, 2016 election. The measure is called the Control, Regulate and Tax Adult Use of Marijuana Act ("AUMA"), which legalizes recreational marijuana.

Specifically, AUMA will legalize personal marijuana use, legalize possession of up to one ounce of marijuana, legalize cultivation of up to six marijuana plants, provide for (by 2018) 19 different state licenses for commercial marijuana businesses, establish a statewide marijuana regulatory system, and levy a 15% percent marijuana excise tax and a marijuana cultivation tax (on both recreational and medical marijuana). The 62 page ballot adds to or amends parts of the California Business and Professions, Health and Safety, Labor, Revenue and Taxation, and Food and Agricultural Codes. AUMA also makes a few changes to medical marijuana laws.

The AUMA preempts local control over personal use, possession and cultivation of marijuana up to certain amounts. Cities may prohibit outdoor personal cultivation and may regulate indoor cultivation. AUMA also provides for local control and complete prohibition of commercial marijuana businesses through local ordinance or regulation.

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CONSIDERATION OF ALTERNATIVES AND ISSUES REGARDING  
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**DISCUSSION:**

There are two primary considerations for the Council with regard to Proposition 64, which is whether to regulate personal cultivation and whether to regulate or prohibit commercial marijuana businesses. There is time over the next year to more fully examine the issue of commercial marijuana businesses since the regulations will not become effective until 2018. However, if the Council wishes to regulate personal cultivation, it must act promptly since the provisions regarding personal cultivation have taken effect.

The primary questions for Council to address include:

1. Does the City Council want to prohibit outdoor cultivation of marijuana for personal use?
2. If so, what regulations would the City Council like to impose on indoor cultivation for personal use?
3. Does the City Council want the regulations to be implemented through introduction and adoption of an ordinance or by an urgency ordinance?
4. Does the City want to regulate second-hand smoke from marijuana?

Just one marijuana plant can potentially be the size of a small tree, and six plants can fill an entire room. There are also odor, building and safety, water, security and other issues that may be associated with the cultivation of marijuana. Some potential issues to be considered are:

1. **Electrical:** Indoor cultivation requires an intense amount of heat and light, especially if multiple crops are done annually. Overloaded circuits for the extensive electrical use which may be necessary may cause local blackouts and/or "energy theft." This can be partially addressed through strict adherence to potential electrical systems/conditions and heating element hazards as covered in the California Fire Code and Building Codes.
2. **Water:** Failure to properly construct irrigation systems may lead to growth of hazardous mold for occupants. The City could regulate irrigation systems, humidity, and related items.
3. **Odor Control/Ventilation:** Failure to have sufficient ventilation and odor control can cause both a skunk-like smell during harvest time, if the smell can escape the grow room, and can also (in extreme cases) lead to death

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when there is improper levels of carbon dioxide in enclosed area without adequate ventilation.

4. **Chemicals:** Pesticides, insecticides, herbicides, and chemicals are used for indoor cultivation, which increase the likelihood of a hazardous material type exposure and exacerbate the nature and extent of any indoor fire or incident.
5. **Inspections:** Cities can require enhanced and specialized collaborative inspections with the building, fire, and police departments consisting of initial and regular site inspections.
6. **Emergency Response:** This can range from an operational and emergency response perspective, to fires, burglaries, etc., and provision for timely and direct access for emergency responders can be addressed. Specifically, response times will be impacted by high risk premise entry (due to security and blocked or modified entry and egress areas), not to mention failure to regulate creates potential of hazardous defense devices (e.g., booby trap devices) after hours.
7. **Visibility/Aesthetics/Access:** Lack of regulations will result in the ability of local residents to cultivate marijuana in public view, which could also enable access by youth in the community. If marijuana plants become fully established prior to the ordinance taking effect, they may argue that the plants would legally be "grandfathered" in. Therefore, the Council may consider enacting regulations through an urgency ordinance, which would require a 4/5 vote.

The City Attorney's Office will provide a more detailed presentation of issues and alternatives at the City Council meeting. If the Council is inclined to address some or all of these issues, it is recommended preliminary direction be provided to staff to return with an ordinance for final consideration and approval. Taking no action means if AUMA residents may lawfully use marijuana and may lawfully grow up to six marijuana plants both outdoors and indoors (with certain State restrictions) under State law.

**COST ANALYSIS:**

The estimated cost of preparing an ordinance is approximately \$1,000.

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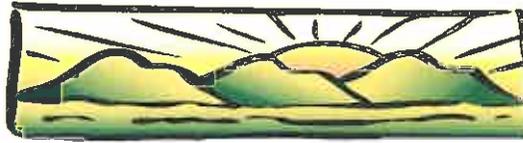
**ALTERNATIVES:**

The following alternatives are provided for City Council consideration:

1. Direct staff to prepare an urgency ordinance for adoption at the January 24, 2017 meeting to prohibit any outdoor cultivation of marijuana in residential areas and providing regulations regarding indoor cultivation;
2. Direct staff to prepare an ordinance for introduction at the January 24, 2017 meeting to prohibit any outdoor cultivation of marijuana in residential areas and providing regulations regarding indoor cultivation;
3. Direct staff to prepare either an urgency ordinance or an ordinance for introduction at the January 24, 2017 meeting to prohibit any outdoor cultivation of marijuana in residential areas, but no regulations regarding indoor cultivation;
4. Direct staff to delay any consideration of regulations involving personal cultivation of marijuana in residential areas until an ordinance is prepared addressing commercial cultivation and/or sale of recreational marijuana;
5. Do not direct staff to prepare any ordinance involving regulation of personal marijuana in residential areas; or
6. Provide staff other direction.

Prepared and Approved by:

  
\_\_\_\_\_  
Steven Adams, City Manager



**KING CITY**  
C A L I F O R N I A

Item No. 11 (D)

**REPORT TO THE CITY COUNCIL**

**DATE: JANUARY 10, 2017**  
**TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL**  
**FROM: STEVEN ADAMS, CITY MANAGER**  
**RE: CONSIDERATION OF NEW CITY MISSION STATEMENT**

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**RECOMMENDATION:**

It is recommended the City Council approve the following new City Mission Statement:

***"Meeting the needs of our entire community through caring, professional and responsive services."***

**BACKGROUND:**

Mission statements are important for effective organizations because they are essentially its statement of purpose. It serves as a guide for decision making by providing the ability to make decisions based on how they align with the organization's mission. A well crafted mission statement should also be designed to motivate employees by creating a sense of purpose. Most importantly, a mission statement can increase teamwork and effectiveness by helping to focus employees' work around a common purpose.

The following is the City's current mission statement:

***"The City is dedicated to providing quality services in a fiscally responsible manner to assure a safe and prosperous environment."***

However, staff does not believe it adequately reflects the direction and purpose that the organization should be focused around. It also does not provide a guide that employees can embrace to motivate them to serve the community as best as possible.

Organizational values are also very important. They form the culture of the organization and are basically statements about what employees feel is

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important regarding how they treat customers and each other. Since policies and rules cannot be established for every situation, a commitment to core values enables management to empower employees by creating a confidence level that employees will handle situations based upon common values. It also creates more effective decision making since the values can be used as the basis for decisions where there are conflicting interests involved.

**DISCUSSION:**

The City's leadership staff recently participated in a teambuilding retreat. Part of the day was dedicated to establishing organizational values. As the organizational values were developed, it became evident that a new mission statement was also needed since the values discussed linked back to concepts important to the City's mission.

After a lengthy discussion, the recommended mission statement agreed upon was: "*Meeting the needs of our entire community through caring, professional and responsive services.*" A number of key priorities discussed are reflected in the mission statement, including:

- Staff felt the primary focus of the City should be based on serving the community.
- Rather than clearly defining the types of service, staff felt it is important to keep the focus broad and flexible so the aim is on the needs of the community, whatever that may be for the time and/or individual(s) involved.
- It is stated that our mission is to serve the "entire" community in order to emphasize the focus on serving everyone in the community and to address individual needs - not just the common good.
- "Caring" service is emphasized in order to set our organization apart from other government agencies by making it clear that we are driven by our desire to help people.

The organizational values were developed by first meeting with each employee to obtain their input on what they felt was important. The leadership team then reviewed and utilized that input to develop value statements. The value statements were then reviewed with all staff to determine whether they accurately reflected their opinions.

The following value statements were agreed upon:

- Build Trust – *through ethics, integrity, accountability and communication.*
- Respect – *everyone at all times.*

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- Effectiveness – *through dedication and commitment to the community.*

The challenge now is to reinforce the values as the primary focus of how we operate rather than allowing them to just become "something that hangs on the wall." As a result, staff has committed to making them the basis for making decisions, establishing goals, recruiting and selecting new employees, orienting new employees, evaluating performance, and developing training.

**COST ANALYSIS:**

There are no costs associated with the recommendation.

**ALTERNATIVES:**

The following alternatives are provided for City Council consideration:

1. Approve the City's recommended new mission statement;
2. Modify and approve the City's new mission statement;
3. Do not approve the new mission statement and instead establish a new process for developing a mission statement;
4. Do not approve the new mission statement and maintain the current mission statement; or
5. Provide staff other direction.

Prepared and Approved by:

  
\_\_\_\_\_  
Steven Adams, City Manager