

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 9, 2018
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**

None
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 Any Council Member, the City Manager, or the City Attorney may request that an item be withdrawn from the Consent Agenda to allow for full discussion.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 Items withdrawn from the Consent Agenda may be considered by separate motions at the conclusion of the discussion of each item.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 12, 2017 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: Extraterritorial Wastewater Service Agreement**
Recommendation: approve an extraterritorial wastewater service agreement between Thomas Salcido and City of King.
- E. **Consideration: Side Letter of Agreements with Service Employees International Union Local 521 and King City Confidential Employees Association Extending Current Labor Agreements**
Recommendation: adopt a Resolution approving a Side Letter of Agreement with Service Employees International Union (SEIU) Local 521 to extend the current Memorandum of Understanding (MOU) by one year; and 2) adopt a resolution approving a Side Letter of Agreement with the King City Confidential Employees Association (KCCEA) to extend the current MOU by one year.
- F. **Consideration: Declare Surplus Property**
Recommendation: adopt a Resolution declaring specific vehicles, equipment and supplies as surplus property and authorizing its sale or disposal.
- G. **Consideration: Consideration of Acceptance of The City and CDA Successor Agency's Audited Financial Statements for The Fiscal Year 2016-2017**
Recommendation: City Council and the Board of Directors of the King City CDA Successor Agency accept the City and Community Development Agency ("CDA") Successor Agency's Audited Financial Statements for Fiscal Year Ended June 30, 2017.
- H. **Consideration: Update of Master Fee Schedule**
Recommendation: adopt a Resolution updating the Master Fee Schedule.
- I. **Consideration: Funding Plan for Multimodal Transit Center TIRCP Application**
Recommendation: 1) approve the proposed funding plan for the Multimodal Transit Center to be included in the Transit and Intercity Rail Program (TIRCP) grant application, including a \$750,000 local match; and 2) authorize the City Manager to submit the TIRCP grant application.

10. PUBLIC HEARINGS

- A. Consideration: Taxi Service Application for Patricia Ramirez, Riders Transit
Recommendation: 1) open the Public Hearing and consider public testimony;
and 2) approve a Taxi Service/Taxi Driver application for Patricia Ramirez,
Riders Transit (Application Case No. TS2017-001).

- B. Consideration: An Ordinance of the City Council of the City of King Amending
Chapter 5.12 of the King City Municipal Code Pertaining to Business Licenses
Recommendation: 1) open the Public Hearing and consider public testimony;
and 2) introduce and conduct the First Reading, by title only, an Ordinance
amending Chapter 5.12 of the King City Municipal Code pertaining to business
licenses.

11. REGULAR BUSINESS

None

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. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
(Pursuant to Government Code, § 54956.9(d)(1)
Rufina Recendiz Garcia and Elandio Juitzil v. City of King et al, U.S.
District Court, Northern District of California Case No. 16-CV-06712-EJD

13. ADJOURNMENT

**City Council Meeting
December 12, 2017**

1. CALL TO ORDER:

Regular Meeting called to order at 6:00pm by Mayor LeBarre.

2. FLAG SALUTE:

The flag salute was led by Councilmember Cullen.

3. ROLL CALL:

City Manager Adams conducted roll call.

City Council: Darlene Acosta, Robert Cullen, Carlos DeLeon, Mayor Michael LeBarre, Mayor Pro Tem Carlos Victoria.

City Staff: City Manager Steven Adams; Assistant City Attorney Roy Santos; Admin. Asst./Deputy City Clerk, Erica Sonne

4. CLOSED SESSION ANNOUNCEMENTS:

None

5. PRESENTATIONS:

None

6. PUBLIC COMMUNICATIONS:

Karen Jernigan gave an update on the Pinnacles Plan for the next year. There will be 6 meetings with one of those in evening and in July there will be one at Yanks RV in Greenfield, she is hoping that the Council could make one or both of those meetings. She further explained that there is a trail for people with disabilities.

7. COUNCIL COMMUNICATIONS:

Council Member Cullen attended a meet and greet for new doctors at Mee Memorial Hospital, November 30th, he is encouraged by the doctors he met. He attended the Salinas Valley Fair Board Meeting, they are spearheading the toy drive. Fair kick off dinner is April 28th.

Mayor Pro Tem Victoria complimented Public Works workers on being happy and friendly with the public while working. He attended the retirement for Francisco Rodriguez. He just learned that Janelle Sanchez resigned from the Police Department.

Council Member Acosta will be attending the Cannabis Forum tomorrow.

Council Member DeLeon nothing to report at this time.

Mayor LeBarre handed out his monthly meeting schedule. He stated that at the last TAMC meeting he spoke with the general manager of the Monterey Airport, he does the Flying Eagles Program, he will be able to come to King City to get that started here. He will fly down here and fly our students around.

8. CITY STAFF REPORTS AND COMMENTS:

City Manager Adams stated Major Crimes Unit is up and running. Reminder that the next meeting will be January 9th. At 4:00p.m. on the January 9th is the dedication for the security camera system. AMGEN tour

meeting yesterday. The primary goal is getting participation from the youth in the City. Annual business license renewals are going out this week. A flyer for the annual Fire inspection fee is included. Staff and Council Christmas party Thursday at 4:00p.m. Fernando Suarez will be the permanent new Public Works Supervisor.

Assistant City Attorney Roy Santos gave thanks to Maricruz Aguilar and Octavio Hurtado for their help on the Airport contract for professional services. He also stated that the firm will be keeping abreast of Cannabis laws passing.

9. CONSENT AGENDA

- A. Meeting Minutes of November 28, 2017 Council Meeting
- B. City Check Register
- C. Successor Agency Check Register
- D. Consideration: Consulting Services for Community Choice Aggregation Program
- E. Consideration: Reimbursement Agreement with Smith-Monterey, LLC Relating to Downtown Addition Project and Multimodal Center Project
- F. Consideration: Authorizing the Submittal of an Application Accepting Allocation of Funds and Execution of a Grant Agreement with the Federal Aviation Administration (FAA), for the Airport Improvement Program Transmittal of Fiscal Year 2018
- G. Consideration: Amendment to City Manager Employment Agreement

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

AYES: Council Members: Mayor LeBarre, Acosta, Cullen, DeLeon and Mayor Pro Tem Victoria

NOES: Council Members:

ABSENT: Council Members:

ABSTAIN: Council Members:

10. PUBLIC HEARINGS:

None

11. REGULAR BUSINESS:

- A. Consideration: Congregated Choice Aggregation Program Implementation Plan and Full-Service Agreement
Recommendation: 1) adopt a Resolution approving a Congregated Choice Aggregation Program (CCA) Implementation Plan; 2) approve and authorize the City Manager to execute a Full-Service Agreement between the City of King and Pilot Power Group, Inc.; and 3) authorize the City Manager to make non-substantive changes to the Full-Service Agreement as necessary and approved as to form by the City Attorney.

City Manager Adams introduced this item.

Kelly Foley, Pilot Power, further introduced this item with her power point.

Assistant City Attorney went over a few points further for the Council to better understand.

Action: Motion to adopt a Resolution approving a Congregated Choice Aggregation Program (CCA) Implementation Plan; 2) approve and authorize the City Manager to execute a Full-Service Agreement between the City of King and Pilot Power Group, Inc.; and 3) authorize the City Manager to make non-

substantive changes to the Full-Service Agreement as necessary and approved as to form by the City Attorney by Cullen and seconded by Victoria.

AYES: Council Members: Mayor LeBarre, Acosta, Cullen, DeLeon and Mayor Pro Tem Victoria

NOES: Council Members:

ABSENT: Council Members:

ABSTAIN: Council Members:

ADJOURNMENT:

There being no further business to come before the City Council, Mayor LeBarre adjourned the regular meeting at 6:50pm. to closed session reading into the record the following

- A. Conference with Labor Negotiators
Pursuant to Government Code Section §54957
Agency Representative: Steven Adams
Employee Organizations: SEIU, KCPSA, KCPOA, KCCEA

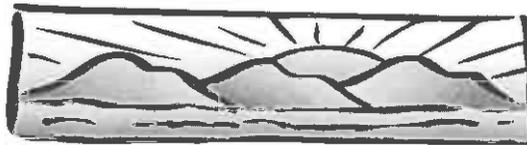
- B. Government Code Section §54957
Conference with Legal Counsel - Anticipated Litigation
Initiation of litigation Pursuant to Paragraph (4) of Subdivision (d) of Section 54956.9 (Deciding whether to Initiate Litigation):
One Case

- C. Conference with Real Property Negotiators
Properties: Portions of APN 245-111-030-000 and APN 245-111-029-000;
and APN 245-111-034-000
Agency Representative: Steven Adams

Approved Signatures:

Mayor, Michael LeBarre
City of King

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 9, 2018
TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
FROM: STEVEN ADAMS, CITY MANAGER
BY: PATRICIA GRAINGER, ACCOUNTANT
RE: CONSIDERATION OF CITY 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.

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.

ENVIRONMENTAL REVIEW:

No Environmental Review required for this item.

ALTERNATIVES:

The following alternatives are provided for Council consideration:

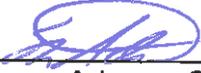
1. Receive and file the report; or
2. Provide other direction to staff regarding requests for additional information.

**CITY COUNCIL/CITY
CITY CHECK REGISTER
JANUARY 9, 2018
PAGE 2 OF 2**

Exhibits:

1. Check Register Report

Submitted by: 
Patricia Grainger, Accountant

Approved by: 
Steven Adams, City Manager

Check Register Report

Dec 15, 2017 (FY 2017-18)

Date: 12/18/2017

Time: 10:47 am

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
WELLS FARGO BANK Checks							
59920	12/18/2017	Printed		AT T	A T & T	Monthly Internet Service.	75.00
59921	12/18/2017	Printed		ADAMS	ADAMS ASHBY GROUP, LLC	2017 CDBG Grant App	540.00
59922	12/18/2017	Printed		DDAB	ADAN CELEDON	Vehicle Repair -	450.00
59923	12/18/2017	Printed		KCTVHARD	ALCANTAR HARDWARE INC	Sig Saw for Cutting Pipe -	504.68
59924	12/18/2017	Printed		A & W	ALESHIRE & WYNDER LLP	Attorney Fees - Planning	9,175.00
59925	12/18/2017	Printed		ALVAREZ	ALVAREZ TECHNOLOGY GROUP INC	Computer Support	2,586.00
59926	12/18/2017	Printed		ALWAYST	ALWAYS TOWING & RECOVERY, INC	Veh involved in Shooting/Evid	1,440.00
59927	12/18/2017	Printed		ARCADIS	ARCADIS U.S., INC	Bldg Permit Overpayment	180.37
59928	12/18/2017	Printed		AT & T	AT & T	Monthly Access Transport	345.11
59929	12/18/2017	Printed		AT&T - C	AT&T	56K Line -	636.35
59930	12/18/2017	Printed		BAYSHORE	BAYSHORE CONSULTING GROUP, INC	Consulting	1,050.00
59931	12/18/2017	Printed		CAL WATER	CALIFORNIA WATER SERVICE CO.	Monthly Water Service -	14,449.71
59932	12/18/2017	Printed		CCACA	CITY CLERKS ASSOCIATION OF	City clerk Assoc Renewal	130.00
59933	12/18/2017	Printed		COASTAL	COASTAL TRACTOR	Repair Case Tractor.	4,938.58
59934	12/18/2017	Printed		COASTL	COASTLINE MARKETING GROUP INC	Website Maint.	125.00
59935	12/18/2017	Printed		CRAFCO	CRAFCO, INC.	Repair Cracks in Road.	1,477.67
59936	12/18/2017	Printed		CRITICAL R	CRITICAL REACH INC	Annual Bulletin	285.00
59937	12/18/2017	Printed		DAVE'S REP	DAVE'S REPAIR SERVICE	Inspection of Airport.	60.00
59940	12/18/2017	Printed		EARTH DESI	EARTH DESIGN, INC.	CAI Grow	21,145.92
59941	12/18/2017	Printed		EIKHOF	EIKHOF DESIGN GROUP INC	EIKHOF GROUP	5,880.00
59942	12/18/2017	Printed		GEORGE L M	GEORGE L MEE MEMORIAL HOSPITAL	Blood Alcohol Draw	192.00
59943	12/18/2017	Printed		GIS	GONZALES IRRIGATION SYSTEMS,	Cement Pad for Dumpsters	156.45
59944	12/18/2017	Printed		GREEN'S	GREEN'S ACCOUNTING	Nov 2017 Accounting	8,493.47
59946	12/18/2017	Printed		HANNA	HANNA & BRUNETTI	San Lorenzo Creek	21,798.95
59947	12/18/2017	Printed		SCOFIELD	IRMA SCOFIELD	Business Cards	314.67
59948	12/18/2017	Printed		KC IND	KING CITY INDUSTRIAL SUPPLY	WWD Clean up material.	682.62
59949	12/18/2017	Printed		LEYVA'S TO	LEYVA'S TOWING & ROAD SERVICE	Towed Vehicle -	80.00
59950	12/18/2017	Printed		LCAH	LOS COCHES ANIMAL HOSPITAL	Treatment of injured animals.	235.00
59951	12/18/2017	Printed		LUEVANO	NOEMI LUEVANO	Security Deposit (12/2/17)	500.00
59952	12/18/2017	Printed		CYPRESSW	MILES CLIFFORD FARMER	Wastewater Treatment Plant	11,071.20
59953	12/18/2017	Printed		MO CO EMER	MONTEREY COUNTY EMERGENCY	Services - 2nd Qtr	2,882.16
59954	12/18/2017	Printed		NICHOP	N. I. CHOPPERS, INC.	Retirement Street Sign/	135.31
59955	12/18/2017	Printed		O'REILLY A	O'REILLY AUTOMOTIVE, INC.	Case Tractor Needed Battery.	122.94
59956	12/18/2017	Printed		OFFICE DEP	OFFICE DEPOT	Office supplies	232.84
59957	12/18/2017	Printed		PURE WATER	PENINSULA PURE WATER INC.	Monthly Water Service	65.20
59958	12/18/2017	Printed		PAC	PG&E	Monthly PG&E Service -	145,392.63
59959	12/18/2017	Printed		PROYOUTH	PROYOUTH	After School Programs	11,458.33
59960	12/18/2017	Printed		QUALLAND	QUALITY LANDSCAPE SERVICE, INC	1ST St Lonoak Rd Safety	6,568.00
59961	12/18/2017	Printed		QUILL CORP	QUILL CORPORATION	Operating supplies	406.28
59962	12/18/2017	Printed		RAINBOW	RAINBOW PRINTING	Business Cards -	171.52
59963	12/18/2017	Printed		RED SHIFT	RED SHIFT INTERNET SERVICES	Internet Service. -	30.90
59964	12/18/2017	Printed		ROSSI BROS	ROSSI BROS TIRE & AUTO SERVICE	Repair Dump Truck Tire.	38.00
59965	12/18/2017	Printed		SIRCHIE AC	SIRCHIE ACQUISITION CO., LLC	Evidence Tape	150.97
59966	12/18/2017	Printed		SO CO NEWS	SO CO NEWSPAPERS	NOI for CUP 2017-010	3,036.00
59967	12/18/2017	Printed		SPEAK	SPEAKWRITE BILLING DEPT	Nov Services - Dictating	178.96
59968	12/18/2017	Printed		PURSUIT	STOMMEL INC	Install Equipment Patrol	5,294.55
59969	12/18/2017	Printed		SUN BADGE	SUN BADGE COMPANY	Sgt. Kennedy Badge.	100.58
59970	12/18/2017	Printed		SURVEI	SURVEILLANCEGRID INTEGRATION	K C Security Phase I	44,000.00
59971	12/18/2017	Printed		SWRCB - AC	SWRCB - ACCOUNTING OFFICE	WWP Industrial Water	53,361.00
59972	12/18/2017	Printed		T&T PAVE	T & T PAVEMENT MARKINGS	Paint Street	6,670.58
59973	12/18/2017	Printed		TORO	TORO PETROLEUM CORP.	Oil for Sweeper	1,726.59

Check Register Report

Dec 15, 2017 (FY 2017-18)

Date: 12/18/2017

Time: 10:47 am

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
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WELLS FARGO BANK Checks

59974	12/18/2017	Printed		TRI	TRI-COUNTY FIRE PROTECTION INC	Fire Extinguisher maint.	696.14
59975	12/18/2017	Printed		XTEL	XTELESIS CORPORATION	Telephone Service	921.38

Total Checks: 53

Checks Total (excluding void checks): 392,639.61

Total Payments: 53

Bank Total (excluding void checks): 392,639.61

Total Payments: 53

Grand Total (excluding void checks): 392,639.61

Check Register Report

Dec 28, 2017 (FY 2017-18)

Date: 12/28/2017

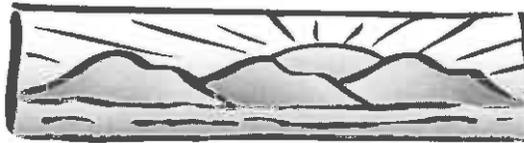
Time: 10:35 am

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
WELLS FARGO BANK Checks							
59976	12/28/2017	Printed		AT&T-GA	AT & T	Long Distance - K C F D	27.26
59977	12/28/2017	Printed		KCTVHARD	ALCANTAR HARDWARE INC	Headworks Project	4.10
59978	12/28/2017	Printed		ANDRIOLA	JOSEPH ANDRIOLA	Field Training Officers	300.00
59979	12/28/2017	Printed		AT & T	AT & T	Monthly Phone -	1,980.36
59980	12/28/2017	Printed		AT&T - C	AT&T	Phone - KCPD -	57.10
59981	12/28/2017	Printed		UMSTEAD EL	CLIFTON T. UMSTEAD	PD Analyzing room breaker	1,507.53
59982	12/28/2017	Printed		CSGCON	CSG CONSULTANTS INC	KCB-170-248 Plan check	3,040.25
59983	12/28/2017	Printed		EIKHOF	EIKHOF DESIGN GROUP INC	General Contract Scope of Work	900.00
59984	12/28/2017	Printed		GIS	GONZALES IRRIGATION SYSTEMS,	Irrigation lid for Christy Box	17.09
59985	12/28/2017	Printed		HYDRO TURF	HYDRO TURF, INC.	Sprinkler Parts	3,207.19
59986	12/28/2017	Printed		KIMLEY-HOR	KIMLEY-HORN & ASSOCIATES, INC.	Airport Layout Plan -	27,395.12
59987	12/28/2017	Printed		M BASIA	MBASIA	WC Premium and	636,508.50
59988	12/28/2017	Printed		O'REILLY A	O'REILLY AUTOMOTIVE, INC.	Clean Battery Terminals.	4.32
59989	12/28/2017	Printed		PNC	PNC EQUIPMENT FINANCE, LLC	Sewer Solar Energy -	94,626.99
59990	12/28/2017	Printed		PURCHASE P	PURCHASE POWER*PITNEY BOWES	Postage -	250.68
59991	12/28/2017	Printed		ROSS RECRE	ROSS RECREATION	Hole in Slide.	1,778.80
59992	12/28/2017	Printed		SVSWA	SALINAS VALLEY SOLID WASTE	Franchise Adm Fee	3,873.75
59993	12/28/2017	Printed		SO CO AUTO	SOUTH COUNTY AUTO*BODY	Patrol Vehicle Service	4,585.93
59994	12/28/2017	Printed		STERI	STERICYCLE, INC	Waste Disposal -	338.06
59995	12/28/2017	Printed		TAB PRODUC	TAB PRODUCTS CO. LLC	File Folders for Reports.	1,772.18
59996	12/28/2017	Printed		TEMP UNIF	TEMPLETON UNIFORMS	Lux - Annual Uniforms.	322.04
59997	12/28/2017	Printed		SPCA	THE SPCA FOR MONTEREY COUNTY	SPCA Services	2,400.00
59998	12/28/2017	Printed		TORO	TORO PETROLEUM CORP.	Monthly Gas - KCPD	2,804.66
59999	12/28/2017	Printed		TRANSU	TRANSUNION RISK AND ALTERNATIV	Oct & Nov 2017 Services.	50.00
60000	12/28/2017	Printed		U.S. BANCO	U.S. BANCORP EQUIPMENT FINANCE	Contract Service -	278.42
60001	12/28/2017	Printed		U.S. BAN	U.S. BANK CORP PAYMENT SYSTEM	Various Charges -	2,066.58
60002	12/28/2017	Printed		INTER TIRE	VICENTE ZARATA	Landscape Trailer.	20.00
60003	12/28/2017	Printed		XTEL	XTELESIS CORPORATION	Telephone service -	921.38
Total Checks: 28						Checks Total (excluding void checks):	791,038.29
Total Payments: 28						Bank Total (excluding void checks):	791,038.29
Total Payments: 28						Grand Total (excluding void checks):	791,038.29



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

Item No. 9(C)

REPORT TO THE CITY COUNCIL

DATE: JANUARY 9, 2018

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

BY: PATRICIA GRAINGER, ACCOUNTANT

RE: CONSIDERATION OF 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.

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.

ENVIRONMENTAL REVIEW:

No Environmental Review required for this item.

ALTERNATIVES:

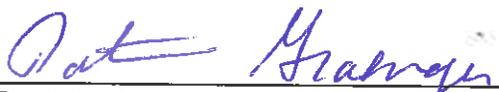
The following alternatives are provided for Council consideration:

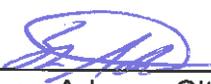
1. Receive and file the report; or
2. Provide other direction to staff regarding requests for additional information.

**CITY COUNCIL/SUCCESSOR AGENCY
SUCCESSOR AGENCY CHECK REGISTER
JANUARY 9, 2018
PAGE 2 OF 2**

Exhibits:

1. Check Register Report

Submitted by: 
Patricia Grainger, Accountant

Approved by: 
Steven Adams, City Manager

Check Register Report

Dec 6, 2017 (FY 2017-18)SA

Date: 12/06/2017

Time: 9:26 am

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
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SUCCESSOR AGENCY OF Checks

222	12/06/2017	Printed			MOCO AUDIT MO CO AUDITOR-CONTROLLER	Comm Development Agency -	457,184.17
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Total Checks: 1

Checks Total (excluding void checks): 457,184.17

Total Payments: 1

Bank Total (excluding void checks): 457,184.17

Total Payments: 1

Grand Total (excluding void checks): 457,184.17



Item No. 9(D)

REPORT TO THE CITY COUNCIL

DATE: JANUARY 9, 2018

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

RE: CONSIDERATION OF EXTRATERRITORIAL WASTEWATER SERVICE AGREEMENT

RECOMMENDATION:

It is recommended the City Council: 1) approve an extraterritorial wastewater service agreement between Thomas Salcido and City of King; and 2) appropriate an additional \$125,000 from the Wastewater Fund for the project.

BACKGROUND:

College Ville previously owned and operated property on Lonoak Road in the unincorporated area just outside the City's limits. The property was originally used to house agricultural workers, but over time became a seriously blighted and substandard slum area. An ongoing goal of the City has been for the property to be improved and has been identified as a preferred location to help address the City's agricultural employee housing needs.

The City recently identified an opportunity to help facilitate sale of the property for upgrade and reuse if City sewer service could be extended to the property. The 2014 Sanitary Sewer Infrastructure Project installed a 12 inch Sewer main along South First Street and provided a manhole at the intersection of South First Street and Lonoak Road. At the December 13, 2016 meeting, the City Council appropriated funding for construction of a sewer line extension under the railroad right-of-way on Lonoak Road, authorized the City Manager to submit an application to the Local Agency Formation Commission (LAFCO) for approval to provide sewer service to property outside the City's current service area on Lonoak Road, and directed the City Attorney to draft an extraterritorial service agreement for provision of sewer services.

**CITY COUNCIL
CONSIDERATION OF EXTRATERRITORIAL WASTEWATER SERVICE
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The owner has completed construction of sewer improvements from the property to the railroad right-of-way. Staff is preparing to begin construction on the City's portion of the project under the railroad right-of-way to connect the City's system to the property once all approvals are received from other agencies. The agreement has been drafted and is attached for Council consideration.

DISCUSSION:

Under the agreement, the property owner Thomas Salcido will pay sewer connection and ongoing service fees. Development impact fees will be waived in exchange for the investment that has been made in installing the line in the City's Lonoak Road right-of-way, which will be dedicated to the City. Improvements to the site are under way. The property owner and City are attempting to complete all improvements in time to be available for agricultural employee housing in Spring 2018.

COST ANALYSIS:

The cost of the City's portion of the project has increased significantly due to a number of adjustments that became necessary once preliminary work was conducted. The total cost is now estimated to be approximately \$250,000. Currently, \$80,000 has been budgeted. Staff believes a portion of the additional cost can be paid from funds remaining from the grant for the First Street improvement project. There is currently approximately \$175,000 remaining and staff has been planning to utilize approximately \$30,000 for replacement of the existing City entrance sign on First Street. Therefore, staff is requesting an additional appropriation of \$125,000 to cover any additional costs not covered by the grant. Funding is available in the Wastewater Fund so there will be no impact on the General Fund.

ENVIRONMENTAL REVIEW:

Staff has performed a preliminary environmental assessment of this project and has determined that it falls within the Class 1 exemption under 15301, as the project would consist of the minor alteration of existing facilities in a way that involves expansion of use of a relatively small distance of sewer pipe.

ALTERNATIVES:

The following alternatives are provided for Council consideration:

1. Approve staff's recommendations;
2. Modify the terms and approve the agreement; or
3. Provide other direction to staff.

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Exhibits:

1. Extraterritorial Wastewater Service Agreement

Submitted and Approved by:  _____
Steven Adams, City Manager

Recording Requested by and
When Recorded Return to:

City Clerk
City of King City
212 So. Vanderhurst Ave.
King City, CA 93930

NO FEE-Government Code §6103

(Space Above This Line for Recorder's Office Use Only)

**EXTRATERRITORIAL WASTEWATER SERVICE AGREEMENT
THOMAS SALCIDO AND CITY OF KING**

This **EXTRATERRITORIAL WASTEWATER SERVICE AGREEMENT BETWEEN THOMAS SALCIDO AND CITY OF KING CITY** ("Agreement") is made and entered into this _____ day of December, 2017 (the "Commencement Date"), by and between **THOMAS RAUL SALCIDO, Trustee of The 2003 Salcido Family Trust under Declaration of Trust dated March 27, 2003** ("Owner"), and the **CITY OF KING, a California municipal corporation** ("City").

RECITALS

A. Owner represents it has acquired lawful title to property identified by Monterey County Assessor's Parcel Number 235-021-006, located at 48449 Lonoak Road, King City, CA, (the "Property"), as more particularly described in **Exhibit "A."**

B. The Property is located outside of the incorporated boundaries of City within Monterey County, and neither Monterey County nor any other public agency currently provides wastewater service to the Property. The Property is outside both the City's sphere of influence and boundaries, and the City Council has approved the initiating of the process of adding the Property to the City's Sphere of Influence and ultimately annexing it to the City.

C. LAFCO has approved the proposed extension of wastewater service.

D. City currently owns and operates a wastewater collection and disposal system which conveys, treats and disposes wastewater originating in its service area through the City disposal system. This wastewater collection and disposal system includes a 12 inch sewer main along South First Street and a manhole at the intersection of South First Street and Lonoak Road. In response to a request by Owner, City recently approved the expansion of a 12 inch sewer line from the existing termination at First Street to the other side of the Southern Pacific Railroad right of way ("Connection Point") to allow for potential service to the Property. The City's wastewater collection and disposal system is referred to herein as "Disposal System."

D. Owner has constructed, at Owner's cost, a 12 inch sewer line (the "New Sewer Line") with connections from the Property to the Connection Point, including all road cuts, patching, permits and inspections, to connect the Property to City's Disposal System. Owner constructed the New Sewer Line after receiving all appropriate County of Monterey and City permits. Owner is now ready for City to install the lateral connection so that Owner may now begin to connect to the Disposal System via the New Sewer Line.

E. City has identified the Property as an ideal location for expansion of agricultural employee housing, and also desires to allow the Property to connect to City's Disposal System to promote public health, safety and welfare.

F. Owner has agreed to make payments described herein with respect to wastewater from the Property discharged into the City Disposal System in accordance with the fees and rates set by the City for its users, and to comply with City's Municipal Code as may be amended from time to time, as more fully set forth herein.

H. This Agreement is intended to comply with LAFCO requirements for an extra-territorial water service agreement with City.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto, agree as follows:

ARTICLE I. RIGHTS AND OBLIGATIONS

1. Recitals Incorporated. The recitals set forth above are true and correct and are hereby incorporated into and made a part of this Agreement.

2. Term, Ownership and Effectiveness of Agreement: This Agreement shall become effective when executed by both parties hereto. The Agreement shall continue in perpetuity or until such time as the Property is annexed into the corporate boundaries of City. At such time, the Owner shall have such rights, privileges and duties, including fees and rates, as all other City citizens for the then current wastewater disposal classification.

3. Location for Connection to City Disposal System. Owner and City acknowledge the nearest City municipal sanitary sewer lateral to serve the Property will be at the Connection Point. Connection to City's Disposal System by Owner shall be made at this location. City shall install, at City's sole cost and expense, the sewer line connection from the City's existing sewer line at First Street to the other side of the Southern Pacific Railroad right of way to the Connection Point.

4. New Sewer Line. Owner represents, warrants and covenants to the City that Owner constructed the New Sewer Line after receiving all respective County of Monterey and City permits and that the New Sewer Line was constructed in accordance with all respective laws.

Both the County of Monterey and the City have signed off on all permits for the construction of the New Sewer Line.

5. Maintenance of New Sewer Line Prior to Acceptance by City. Until the New Sewer Line is dedicated to and accepted by City, Owner shall, at its sole cost and expense, maintain and repair the New Sewer Line. City's acceptance of the New Sewer Line shall not be unreasonably withheld. Prior to dedication to the City, Owner's obligation to maintain, repair and replace the New Sewer Line shall include, without limitation, any maintenance, repair or modification of the New Sewer Line that may be reasonably required by City. Should Owner fail to appropriately maintain, repair or modify the New Sewer Line prior to such dedication, then City shall have the right, but not the obligation, to maintain, repair or modify the New Sewer Line. Prior to such dedication, should City elect to maintain, repair or modify the New Sewer Line pursuant to this paragraph, then Owner shall reimburse City for all fees, costs and expenses incurred by City to maintain, repair or modify the New Sewer Line within ten (10) days after the date of invoice from City.

6. Maintenance of Private Sewer Facilities. All sewer facilities installed by Owner related to the Property not part of the New Sewer Line, including the installation of sewer facilities from the point of connection with the New Sewer Line, including the connection itself, upstream to and including facilities in the Property site or within private streets, shall be private ("Private Sewer Facilities"). It is the sole responsibility of Owner to repair, maintain and replace all Private Sewer Facilities, and City shall have no responsibility or liability for these Private Sewer Facilities. Owner shall obtain all necessary permits or other approvals necessary for constructing and connecting Owner's Private Sewer Facilities to the New Sewer Line.

7. Abandonment of Existing On-Site Private Sanitary Sewer System(s). Owner shall abandon all existing on-site private sanitary sewer system(s) on the Property per County standards, which shall be fully separated from any connection to the City's Disposal System, including the abandonment of any existing sewer septic systems, as soon as the City extends and connects the 12 inch sewer line from the existing termination at First Street to the Connection Point.

8. Dedication of New Sewer Line to City. As soon as the City completes construction of the City's expansion of the 12 inch sewer line from the existing termination at First Street to the Connection Point (which will allow Owner to begin using the New Sewer Line), the following shall occur (collectively the "Sewer Service Provisions"):

- a. Owner shall make an irrevocable offer of dedication, free of charge, of the entire New Sewer Line to City. City agrees to accept said dedications and conveyances within a reasonable time.
- b. All easements necessary for the New Sewer Line shall be conveyed to City and shall be in a form acceptable to City.
- c. Owner shall remedy any defective work or labor or any defective materials relating to the construction and installation of the New Sewer Line and pay for any damage to other work or improvements resulting therefrom which shall occur within a period of one (1) year from the date of City's acceptance of the New Sewer Line.

- d. Prior to its acceptance by City, Owner shall not allow any connection to the New Sewer Line except as authorized by City.

9. City to Provide Sewer Services. Upon Owner's full and complete performance of all of Owner's obligations and responsibilities under this Agreement and completion of construction of the City's expansion of a 12 inch sewer line from the existing termination at First Street to the Connection Point, City agrees to provide Owner's Property with sewer services from City's Disposal System. City's obligation to provide Owner's Property with sanitary sewer services from City's Disposal System is conditioned upon City and Owner obtaining the consent of all applicable governmental agencies. As a condition to providing sewer service, City shall have the right of access to water meters, including any required irrigation meter(s), whether located on City-owned real property, dedicated New Sewer Line, or the Property. Owner shall promptly repair or replace damaged water meters. Owner relinquishes ownership rights of effluent it discharges into the City's Disposal System.

10. Obligations and Responsibilities of Owner to Pay for Municipal Utility Services Provided by City. Owner agrees to promptly pay to City any and all statutory and/or customary connection and service fees. City shall not charge Owner any development impact fees in exchange for the cost paid by Owner to construct the New Sewer Line. Owner agrees to apply to City for a municipal utility sewer account, maintain its sewer municipal utility water service account with City in a current status and comply with – and be subject to – City's Municipal Code Title 15, Sections 15.04.010 -15.44.130, as subsequently updated or amended. Owner acknowledges and agrees that should its municipal utility sewer service account with City become sixty (60) days delinquent, City shall have the right, at City's sole option, to discontinue service to the Property.

11. Indemnification of City: To the greatest extent allowed by law, Owner shall indemnify, hold harmless and defend City and each of its officers, officials, employees, agents and volunteers from any and all loss, liability, fines, penalties, forfeitures, costs and damages (whether in contract, tort or strict liability, including but not limited to personal injury, death at any time and property damage) incurred by City, Owner or any other person, and from any and all claims, demands, liabilities, damages and actions in law or equity (including attorney's fees and litigation expenses incurred by City or held to be the liability of the City, including plaintiff's attorneys' fees if awarded), arising or alleged to have arisen directly or indirectly out of (a) the making of this Agreement; (b) the performance of this Agreement; (c) the performance of any or all work to be done in and upon the street rights-of-way, upon the Property or premises adjacent thereto pursuant to this Agreement; (d) arising or alleged to have arisen directly or indirectly in any way related to the design, construction, installation, maintenance and operation of City Disposal System or New Sewer Line by anyone occupying any portion of the Property, including, without limitation, any such claims, causes of action, damages, liabilities, fees, costs, expenses and attorney fees arising from inadequate flow, blockage, backflow, etc. Owner's obligations under the preceding sentence shall apply regardless of whether Owner or any of its officers, officials, employees, agents or volunteers are passively negligent, but shall not apply to any loss, liability, fines, penalties, forfeitures, costs or damages caused by the active or sole negligence, or the willful misconduct, of City or any of its officers, officials, employees, agents or volunteers. This section shall survive termination or expiration of this Agreement.

12. Covenants Running with the Land. Owner acknowledges and agrees all of Owner' covenants, agreements, promises, representations and warranties as set forth in this Agreement are covenants running with Owner' Property as defined in the applicable provisions of Sections 1457 et seq. of the California Civil Code, shall be in favor of and for the benefit of City and shall be enforceable by City. Owner' covenants, agreements, promises, representations and warranties as contained in this Agreement, shall run with the Property and shall be binding on Owner and Owner' successors, assigns, lessees and all parties and persons claiming under them. Owner consents to this Agreement being recorded as covenant running with the Property.

13. Successors and Assigns. The covenants and agreements contained in this Agreement shall be binding upon and shall inure to the benefit of the heirs, successors and assigns of the parties hereto. Owner may not assign its rights and/or obligations under this Agreement without the prior written consent of City, which consent shall not be unreasonably withheld. Any such consent by City shall not, in any way, relieve Owner of its obligations and responsibilities under this Agreement.

14. Notices. Any notice required or intended to be given to either party under the terms of this Agreement shall be in writing and shall be deemed to be duly given if delivered personally, transmitted by facsimile followed by telephone confirmation of receipt, or sent by United States registered or certified mail, with postage prepaid, return receipt requested, addressed to the party to which notice is to be given at the party's address set forth on the signature page of this Agreement or at such other address as the parties may from time to time designate by written notice. Notices served by United States mail in the manner above described shall be deemed sufficiently served or given at the time of the mailing thereof. All notices regarding any new or increased fee or rate increases affecting the applicable fees and rates in this Agreement, shall be provided in the same manner provided to all customers subject to the new or increased fees and charges.

15. Binding. Once this Agreement is signed by all parties, it shall be binding upon, and shall inure to the benefit of, both parties.

16. Compliance With the Law. In providing the services required under this Agreement, Owner shall at all times comply with all applicable laws of the United States, the State of California and City, and with all applicable regulations promulgated by federal, state, regional, or local administrative and regulatory agencies, now in force and as they may be enacted, issued, or amended during the term of this Agreement. Owner, not City, is responsible for determining applicability of and compliance with all local, State and federal laws including, without limitation, the California Labor Code, Public Contract Code, Public Resources Code, Health & Safety Code, and Government Code; the King City Charter; and the King City Municipal Code. City makes no representations regarding the applicability of any such laws to this Agreement, the project, or the parties' respective rights or obligations hereunder including, without limitation, payment of prevailing wages, competitive bidding, subcontractor listing, or other matters. City shall not be liable or responsible, in law or equity, to any person for Owner' failure to comply with any such laws, whether City knew or should have known of the need for Owner to comply, or whether City failed to notify Owner of the need to comply.

17. Waiver. The waiver by either party of a breach by the other of any provision of this Agreement shall not constitute a continuing waiver or a waiver of any subsequent breach of either the same or a different provision of this Agreement. No provisions of this Agreement may be waived unless in writing and signed by all parties to this Agreement. Waiver of any one provision herein shall not be deemed to be a waiver of any other provision herein.

18. Public Health, Safety and Welfare. Nothing contained in this Agreement shall limit City's authority to exercise its police powers, governmental authority or take other appropriate actions to address issues of public health, safety and welfare as deemed appropriate by City in its sole determination and discretion.

19. Governing Law and Venue. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction. Venue for purposes of the filing of any action regarding the enforcement or interpretation of this Agreement and any rights and duties hereunder shall be Monterey County, California.

20. Headings. The section headings in this Agreement are for convenience and reference only and shall not be construed or held in any way to explain, modify or add to the interpretation or meaning of the provisions of this Agreement.

21. Severability. The provisions of this Agreement are severable. The invalidity or unenforceability of any one provision in this Agreement shall not affect the other provisions.

22. Interpretation. The parties acknowledge that this Agreement in its final form is the result of the combined efforts of the parties and that, should any provision of this Agreement be found to be ambiguous in any way, such ambiguity shall not be resolved by construing this Agreement in favor of or against either party, but rather by construing the terms in accordance with their generally accepted meaning.

23. Attorney's Fees. If either party is required to commence any proceeding or legal action to enforce or interpret any term, covenant or condition of this Agreement, the prevailing party in such proceeding or action shall be entitled to recover from the other party its reasonable attorney's fees, costs and legal expenses.

24. Exhibits. Each exhibit and attachment referenced in this Agreement is, by the reference, incorporated into and made a part of this Agreement.

25. Precedence of Documents. In the event of any conflict between the body of this Agreement and any exhibit or attachment hereto, the terms and conditions of the body of this Agreement shall control and take precedence over the terms and conditions expressed within the exhibit or attachment. Furthermore, any terms or conditions contained within any exhibit or attachment hereto, which purport to modify the allocation of risk between the parties, provided for within the body of this Agreement shall be null and void.

26. Time of Essence. Time is of the essence in the fulfillment by the parties hereto of their obligations under this Agreement.

27. Amendment, Etc. No amendment or waiver of any provisions of this Agreement, or consent to any departure from its terms, shall be effective unless the same shall be in writing and signed by the parties hereto.

28. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity, except Owner (i) cannot seek money damages or pursue an action in law; and (ii) is instead limited to bringing a proceeding in the nature of specific performance, injunctive relief or mandamus, or any other action in equity to require good-faith compliance with this Agreement, such as an action to provide Owner's Property with sewer services from City's Disposal System.t.

29. No Third Party Beneficiaries. The rights, interests, duties and obligations defined within this Agreement are intended for the specific parties hereto as identified in the preamble of this Agreement. Notwithstanding anything stated to the contrary in this Agreement, it is not intended that any rights or interests in this Agreement benefit or flow to the interest of any third parties.

30. Extent of Agreement. Each party acknowledges that they have read and fully understand the contents of this Agreement. This Agreement represents the entire and integrated agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be modified only by written instrument duly authorized and executed by both City and Owner.

31. Third Party Approvals. The Parties acknowledge that there are approvals from third parties (such as those involving public utilities, railroad right-of-way, etc.) that are required to allow the City providing Owner's Property with sewer services from the City's Disposal System, The approvals are conditions precedent to performance, and the City shall seek said third-party approvals in good faith.

32. Execution In Counterparts. This Agreement may be executed in counterparts, all of which taken together shall constitute an original hereof.

******SIGNATURES ON NEXT PAGE******

IN WITNESS WHEREOF, the parties have executed this Agreement at Fresno, California, the day and year first above written.

CITY:

CITY OF KING,
a California municipal corporation

By: _____
Mike LeBarre, Mayor

ATTEST:

By: _____
Steve Adams, City Clerk

APPROVED AS TO FORM:

By: _____
Shannon L. Chaffin
City Attorney

Address:

Exhibits:

- A. Legal Description of Property

OWNER:

THOMAS RAUL SALCIDO, trustee of the
2003 Salcido Family Trust under
Declaration of Trust dated March 27, 2003

By: _____
Thomas Raul Salcido, Trustee of the
2003 Salcido Family Trust under
Declaration of Trust dated March 27,
2003

Address: P.O. Box 663
King City, CA 93930

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

For APN/Parcel ID(s): 235-021-006

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF KING, COUNTY OF MONTEREY, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

PARCEL I:

Certain real property situate in Lot 1 of the Rancho San Bernabe in the County of Monterey, State of California, being a part of that certain 206.32 acre tract of land described in Deed from Gertrude M. Roussey, et al, to Reynolds Land & Cattle Company, a corporation, dated November 4, 1931 and recorded in Volume 312, of Official Records at page 490, records of said County, said part being particularly described as follows:

Beginning at a 1" diameter iron pipe standing at the most northerly corner of that certain 2.002 acre tract of land described in Deed from Reynolds Land & Cattle Company, a corporation, to Chester W. Englund, et ux, dated June 9, 1952 and recorded in Volume 1389, Official Records, at page 556, records of said County; and running thence from said place of beginning,

- (1) North 25° 35' West, 219.85 feet to a 1" diameter iron pipe; thence
- (2) North 82° 03' West, 51.65 feet to a 1" diameter iron pipe; thence
- (3) South 72° 50' West, 235.85 feet to a 1" diameter iron pipe; thence
- (4) South 84° 12' West, 169.27 feet, at 148.02 feet a 1" diameter iron pipe, 169.27 feet to a point; thence
- (5) South 25° 35' East, 333.22 feet to a 1/2" diameter iron pipe standing at the most westerly corner of said 2.002 acre tract of land; thence along the northwesterly boundary thereof
- (6) North 65° 20' East, 435.7 feet to the place of beginning.

PARCEL II:

A parcel of land lying along the Northwesterly line of the Lonoak Road, being a portion of the lands deeded to Gertrude Roussey (Guardian of L.F. Roussey, an incompetent person) to the Reynolds Land and Cattle Company, a corporation, by deed dated November 4, 1931, filed in the Office of the County Recorder of Monterey County, California, on November 6, 1931, in Volume 312 of Official Records at page 490 thereof.

The above mentioned parcel is more fully described as follows:

Beginning at a 3/4 inch pipe stake standing at a fence corner on the Northwesterly line of the Lonoak Road from which the most Southerly corner of the above mentioned lands of the Reynolds Land and Cattle Company bears S. 67° 17-1/2' W., 354.85 feet distant; thence along a fence and leaving said Northwesterly line of the Lonoak Road, N. 25° 35' W., 200 feet to a 1/2 inch pipe stake; thence leaving said last mentioned fence, N. 65° 20' E., 436 feet to a 3/4 inch pipe stake; thence S. 25° 35' E., 200 feet to an axle in the fence running along the Northwesterly line of the Lonoak Road, thence along said last mentioned fence, S. 65° 20' W., 436 feet to the place of beginning.



Item No. 9(E)

REPORT TO THE CITY COUNCIL

DATE: JANUARY 9, 2018

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

RE: CONSIDERATION OF SIDE LETTER OF AGREEMENTS WITH SERVICE EMPLOYEES INTERNATIONAL UNION LOCAL 521 AND KING CITY CONFIDENTIAL EMPLOYEES ASSOCIATION EXTENDING CURRENT LABOR AGREEMENTS

RECOMMENDATION:

It is recommended the City Council: 1) adopt a Resolution approving a Side Letter of Agreement with Service Employees International Union (SEIU) Local 521 to extend the current Memorandum of Understanding (MOU) by one year; and 2) adopt a Resolution approving a Side Letter of Agreement with the King City Confidential Employees Association (KCCEA) to extend the current MOU by one year.

BACKGROUND:

The current MOUs with SEIU and KCCEA are due to expire on June 30, 2018. They both covered a three-year period and included a 3% cost of living adjustment for each represented group effective July 1st of each year. As a result, staff recently met with each of the labor groups to initiate discussions on how to approach negotiation of new agreements.

DISCUSSION:

There are a number of significant uncertainties regarding the City's future revenue projections. As a result, staff believes it would not be in the City's best interest to enter into long-term commitments regarding employee compensation adjustments until more information is obtained regarding progress of revenue enhancement efforts. Therefore, it was decided that it would be beneficial for both the City and the labor groups to pursue a one-year extension of the current agreement and delay negotiations of a new agreement until next year, at which

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EMPLOYEES INTERNATIONAL UNION LOCAL 521 AND KING CITY
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time more clarity of future revenues is anticipated. SIEU and KCCEA have both agreed to these changes.

Attached for City Council's consideration is a Resolution and Side Letter of Agreement approving the extension for SEIU and the KCCEA. In exchange for the one-year extension, the proposed amendments include a 3% COLA for each group effective July 1, 2018, which is consistent with the COLAs provided the past three years. The proposed amendment also includes provisions to close City Hall between Christmas and New Year's Day and provides a paid holiday on one of the days in lieu of not recognizing Columbus Day as a paid holiday. This is consistent with the City's practice over the past few years so including the provision at this time prevents the need for another Side Letter of Agreement later in the year. Lastly, the Side Letter of Agreement with the KCCEA includes adding a uniform allowance for the Captain position to be consistent with the officers, sergeants and Chief.

COST ANALYSIS:

It is estimated the COLAs will result in an increased annual cost of approximately \$20,000 for FY 2018-19. These funds were included in the FY 2017-18/ FY 2018-19 Biennial Budget. Therefore, no additional appropriation is needed. Since the COLAs will not take effect until July 1, 2018, there is no additional cost impact to this fiscal year's budget. In addition, there will be a significant savings in FY 2017-18 by eliminating costs normally associated with the negotiation process.

ENVIRONMENTAL REVIEW:

The labor agreements are not a "project" for the purposes of the California Environmental Quality Act (CEQA) as they do not have the potential for resulting in either a direct physical change to the environment or a reasonably foreseeable indirect physical change in the environment. No further action is required under CEQA for City Council action.

ALTERNATIVES:

The following alternatives have been identified for City Council consideration:

1. Adopt the Resolutions;
2. Request staff to propose different provisions to the labor groups;

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3. Do not adopt the Resolution and direct staff to commence negotiations of new labor agreements; or
4. 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 SIDE LETTER OF AGREEMENT TO THE
SERVICE EMPLOYEES INTERNATIONAL UNION LOCAL 521
FY 2015/16 - FY 2017/18 MEMORANDUM OF UNDERSTANDING**

WHEREAS, the City Council of the City of King ("City") deems it in the best interest of the City to approve a Side Letter of Agreement amending the Service Employees International Union Local 521 ("SEIU") current Memorandum of Understanding, which includes modifications to salaries and classifications as hereinafter provided.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of King that:

1. An amendment to the Memorandum of Understanding ("MOU") with SEIU is hereby approved, a copy of said amendment entitled "Side Letter of Agreement, Modification to Memorandum of Understanding" is attached hereto, marked Exhibit "A", and incorporated herein by this reference.
2. This Resolution shall become effective upon execution by both parties.

This resolution was passed and adopted this 9th day of **January, 2018** 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, City Attorney

**SIDE LETTER OF AGREEMENT
MODIFICATON TO MEMORANDUM OF UNDERSTANDING**

For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the City of King ("City") and the Service Employees International Union Local 521 ("SEIU") hereby agree to modify the current Memorandum of Understanding ("MOU") between the City and SEIU as follows:

1. Article II – Section 1 shall be amended as follows:

SECTION 1 – SALARY

- 1.1 Effective July 1, 2015, employees shall receive a three percent (3%) base salary increase.
- 1.2 Effective July 1, 2016, employees shall receive a three percent (3%) base salary increase.
- 1.3 Effective July 1, 2017, employees shall receive a three percent (3%) base salary increase.
- 1.4 Effective July 1, 2018, employees shall receive a three percent (3%) base salary increase.

2. Article XII – Section 2.2 – shall be amended as follows:

- 2.2 Except as otherwise provided herein this MOU shall be in full force and effect from July 1, 2015, and shall remain in full force and effect to and including June 30, 2019.

3. Article IV – Section 4 – Holiday Leave shall be amended as follows:

SECTION 4 - HOLIDAY LEAVE

- 4.1 The City shall provide employees holiday pay as stated herein.
- 4.2 The following days shall be approved City holidays:
 - January 1 (New Year's Day)
 - The third Monday in January (Dr. Martin Luther King, Jr.)
 - The third Monday in February (President's Day)
 - The last Monday in May (Memorial Day)
 - July 4 (Independence Day)

The first Monday in September (Labor Day)
Columbus Day (Celebrated in October consistent with Federal holiday)
November 11 (Veteran's Day)
Thanksgiving Day
Day after Thanksgiving
December 24 (Christmas Eve)
December 25 (Christmas)

- 4.3 Every day proclaimed by the President, Governor or Mayor of this City as a public holiday.
 - 4.4 Under a 4/10 work schedule, when any day, granted as holiday, falls on a Friday, the preceding Thursday shall be considered the holiday; if the holiday falls on a Saturday or Sunday, the following Monday shall be considered the holiday.
 - 4.3 Under a 9/80 work schedule, when any day, granted as holiday, falls on the Friday the employee would not be scheduled to work, the preceding Thursday shall be considered the holiday; if the holiday falls on a Saturday or Sunday, the following Monday shall be considered the holiday.
 - 4.4 In order to be paid for a holiday, the employee must work the scheduled work period immediately before and after the holiday, unless the employee is absent from the scheduled work period immediately before and after as a result of authorized paid leave.
 - 4.5 City operations shall be closed December 24 through December 28, 2018. December 24, 2018 and December 25, 2017 shall be paid holidays for Christmas Eve and Christmas Day. Columbus Day 2017 shall not be a paid holiday. December 26, 2018 shall be a paid holiday in lieu of the paid holiday normally taken on Columbus Day. Employees on a 9/80 work week that are not normally scheduled to work on the holiday that falls on Friday, November 23, 2018 shall instead receive that holiday on December 27, 2017. Employees will utilize vacation leave, compensatory time, and/or floating holidays during any other days the City is closed during that period.
4. Appendix E shall be added to provide the salary schedule effective 7/1/18 attached hereto as Attachment 1.
 5. All other provisions approved in side letters of agreement amending the existing MOU shall be incorporated herein and remain in effect through the extension of the MOU as provided by this side letter of agreement.

For City of King:

Steven Adams, City Manager

Date

For the Union:

Mark Weirick, Lead Internal Organizer

Date

Patricia Grainger, Steward

Date

APPENDIX E

SALARY SCHEDULE
EFFECTIVE 7/1/18

Title	A	B	C	D	E	F
Accountant	\$46,777.27	\$49,117.21	\$51,573.06	\$54,152.73	\$56,860.71	\$59,703.74
Accounting Technician	\$38,982.00	\$40,931.38	\$42,978.68	\$45,128.40	\$47,385.05	\$49,755.37
Administrative Assistant	\$38,982.00	\$40,931.38	\$42,978.68	\$45,128.40	\$47,385.05	\$49,755.37
Administrative Assistant Supervisor	\$53,471.80	\$56,146.01	\$58,954.15	\$61,901.86	\$64,997.00	\$68,247.48
Assistant Planner	\$67,531.65	\$70,909.31	\$74,455.79	\$78,178.96	\$82,088.98	\$86,193.71
Building Inspector	\$59,519.15	\$62,496.12	\$65,621.67	\$68,903.65	\$72,348.83	\$75,967.34
Code Enforcement Officer	\$43,579.70	\$45,758.69	\$48,046.85	\$50,449.81	\$52,973.20	\$55,622.65
Counter Technician	\$38,982.00	\$40,931.38	\$42,978.68	\$45,128.40	\$47,385.05	\$49,755.37
Maintenance Worker I	\$32,095.00	\$33,699.99	\$35,386.00	\$37,155.30	\$39,013.52	\$40,965.14
Maintenance Worker II	\$37,164.30	\$39,022.52	\$40,974.15	\$43,023.70	\$45,175.68	\$47,434.57
Maintenance Worker I/Wastewater Services	\$35,304.51	\$37,069.99	\$38,924.60	\$40,870.83	\$42,914.87	\$45,061.66
Maintenance Worker II/Wastewater Services	\$40,880.73	\$42,924.76	\$45,071.56	\$47,326.07	\$49,693.23	\$52,178.03
Police Clerk I	\$31,530.00	\$33,106.84	\$34,762.47	\$36,501.38	\$38,326.95	\$40,243.69
Police Clerk Supervisor	\$40,915.62	\$42,961.79	\$45,110.39	\$47,365.91	\$49,735.11	\$52,222.48
Public Works Superintendent	\$56,023.33	\$58,824.72	\$61,766.80	\$64,855.19	\$68,098.91	\$71,504.70
Public Works Supervisor	\$47,296.36	\$49,661.18	\$52,144.24	\$54,751.45	\$57,489.03	\$60,363.48
Senior Accountant	\$49,116.14	\$51,573.07	\$54,151.72	\$56,860.37	\$59,703.74	\$62,688.93
Senior Maintenance Worker	\$42,996.69	\$45,147.53	\$47,405.31	\$49,775.62	\$52,265.25	\$54,878.69
Street Sweeper Operator	\$37,164.30	\$39,022.52	\$40,974.14	\$43,023.70	\$45,175.68	\$47,434.57
Transit Operator	\$34,719.69	\$36,456.35	\$38,279.68	\$40,194.17	\$42,204.33	\$44,314.66

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KING
APPROVING A SIDE LETTER OF AGREEMENT TO THE
KING CITY CONFIDENTIAL EMPLOYEES ASSOCIATION
FY 2015/16 - FY 2017/18 MEMORANDUM OF UNDERSTANDING**

WHEREAS, the City Council of the City of King ("City") deems it in the best interest of the City to approve a Side Letter of Agreement amending the King City Confidential Employees Association ("KCCEA") current Memorandum of Understanding, which includes modifications to work schedules and benefits, as hereinafter provided.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of King that:

1. An amendment to the Memorandum of Understanding ("MOU") with KCCEA is hereby approved, a copy of said amendment entitled "Side Letter of Agreement, Modification to Memorandum of Understanding" is attached hereto, marked Exhibit "A", and incorporated herein by this reference.
2. This Resolution shall become effective upon execution by both parties.

This resolution was passed and adopted this 9th day of **January, 2018** 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, City Attorney

**SIDE LETTER OF AGREEMENT
MODIFICATON TO MEMORANDUM OF UNDERSTANDING**

For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the City of King ("City") and the King City Confidential Employees Association ("KCCEA") hereby agree to modify the current Memorandum of Understanding ("MOU") between the City and KCCEA as follows:

1. **ARTICLE II; SECTION 1 - SALARY** shall be amended as follows:

SECTION 1 – SALARY

- 1.1 Effective July 1, 2015, employees shall receive a three percent (3%) base salary increase.
- 1.2 Effective July 1, 2016, employees shall receive a three percent (3%) base salary increase.
- 1.3 Effective July 1, 2017, employees shall receive a three percent (3%) base salary increase.
- 1.4 Effective July 1, 2018, employees shall receive a three percent (3%) base salary increase.

2. **ARTICLE II; SECTION 12 – UNIFORM/EQUIPMENT ALLOWANCE** shall be added as follows:

SECTION 12 – UNIFORM/EQUIPMENT ALLOWANCE

- 12.1 Regular, full-time police personnel covered by the agreement and required to maintain uniforms and equipment in the performance of their duties shall receive an annual allowance of seven hundred dollars (\$700.00) to be paid in 24 equal installments during the calendar year.

3. **ARTICLE XII; SECTION 2.1** shall be amended as follows:

- 2.1 Except as otherwise provided herein this MOU shall be in full force and effect from July 1, 2015, and shall remain in full force and effect to and including June 30, 2019.

4. **ARTICLE IV; SECTION 4 – HOLIDAY LEAVE** shall be amended as follows:

SECTION 4 - HOLIDAY LEAVE

4.1 The City shall provide employees holiday pay as stated herein.

4.2 The following days shall be approved City holidays:

January 1 (New Year's Day)

The third Monday in January (Dr. Martin Luther King, Jr.)

The third Monday in February (President's Day)

The last Monday in May (Memorial Day)

July 4 (Independence Day)

The first Monday in September (Labor Day)

Columbus Day (Celebrated in October consistent with Federal holiday)

November 11 (Veteran's Day)

Thanksgiving Day

Day after Thanksgiving

December 24 (Christmas Eve)

December 25 (Christmas)

4.3 Every day proclaimed by the President, Governor or Mayor of this City as a public holiday.

4.3 Under a 9/80 work schedule, when any day, granted as holiday, falls on the Friday the employee would not be scheduled to work, the preceding Thursday shall be considered the holiday; if the holiday falls on a Saturday or Sunday, the following Monday shall be considered the holiday.

4.4 In order to be paid for a holiday, the employee must work the scheduled work period immediately before and after the holiday, unless the employee is absent from the scheduled work period immediately before and after as a result of authorized paid leave.

4.5 City operations shall be closed December 24 through December 28, 2018. December 24, 2018 and December 25, 2017 shall be paid holidays for Christmas Eve and Christmas Day. Columbus Day 2017 shall not be a paid holiday. December 26, 2018 shall be a paid holiday in lieu of the paid holiday normally taken on Columbus Day. Employees on a 9/80 work week that are not normally scheduled to work on the holiday that falls on Friday, November 23, 2018 shall instead receive that holiday on December 27, 2017. Employees will utilize vacation leave, compensatory time, and/or floating holidays during any other days the City is closed during that period.

5. **Appendix B-4** shall be added to provide the salary schedule effective 7/1/18 attached hereto as Attachment 1.

6. All other provisions approved in side letters of agreement amending the existing MOU shall be incorporated herein and remain in effect through the extension of the MOU as provided by this side letter of agreement.

For City of King:

Steven Adams, City Manager

Date

For the Association

Allen Rowe, Police Captain

Date

Andrea Wasson, Recreation Coordinator

Date

KCCEA

APPENDIX B-4

SALARY SCHEDULE

EFFECTIVE July 1, 2018

TITLE	1	2	3	4	5	6
Administrative Assistant to the Police Chief	39,332	41,299	43,364	45,533	47,810	50,200
City Clerk	52,380	54,999	57,749	60,638	63,670	66,853
Police Captain	104,246	109,733	115,508	121,588	127,988	134,724
Finance Director	95,666	100,452	105,474	110,748	116,287	122,101
Chief Building Official	76,093	79,899	83,894	88,089	92,494	97,119
Recreation Coordinator	59,240	62,201	65,311	68,576	72,005	75,606



Item No. 9(F)

REPORT TO THE CITY COUNCIL

DATE: JANUARY 9, 2018

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

BY: GEOFF ENGLISH, PUBLIC WORKS SPECIAL PROJECT COOR.
POLICE CHIEF, ROBERT MASTERSON

RE: CONSIDERATION TO DECLARE SURPLUS PROPERTY

RECOMMENDATION:

It is recommended City Council adopt a Resolution declaring specific vehicles, equipment and supplies as surplus property and authorizing its sale or disposal.

BACKGROUND:

Periodically, surplus City vehicles, equipment and furniture, which have exceeded their useful life expectancy, are approved for disposition by the City Council and sold via a public surplus auction service in compliance with the City's Procurement Policy. Several vehicles, equipment and various supplies that are no longer being used by the City have accumulated at the City's Corporation Yard.

DISCUSSION:

Analysis

The vehicle, equipment and furnishings listed in the Resolution are no longer useful to City staff or have exceeded their useful life cycle. These items are old, archaic, broken and/or no longer of any value to the City's operation. The volume of surplus items is taking up useful storage space and losing any value they still retain. Periodically staff recommends that the City Council declare unused vehicles, equipment and furnishings as surplus property allowing staff to dispose of the items through approved processes outlined in the City's Procurement Policy.

Specific items proposed for equipment include five (5) older service vehicles from the Public Works Department, including a dump truck, street sweeper, two service trucks and an older non-operating tractor. Six vehicles from the Police Department are also proposed for disposition. All vehicles have exceeded their useful life and would require an inordinate amount of continued repair and maintenance. Various equipment that is no longer operational or no longer has useful value are proposed for disposition such as non-operating mowers, tractor attachments and an old boat hull formerly used at the Wastewater Treatment Plant.

Additionally, parts of an older park play structure that was previously donated to the City for use in one of our City parks is proposed for disposition. This play structure is not recommended for future installation and use for several reasons including the fact that it does not meet current safety standards for play equipment, has been damaged from the previous removal and not all of the necessary parts and installation directions are available. It is recommended that this play structure be disposed for the scrap metal value only and not donate or sold for liability reasons.

Sale of the surplus vehicle, equipment and furnishings will take place through a public on-site auction, on-line auction service or at an off-site auction house and may generate a minor amount of revenue. Revenue generated from the sale of any surplus property will be credited to the City's General fund account or to the specific Department and fund from which the surplus items were derived. An itemized list is attached. (Resolution - Exhibit A) Photographs of the proposed equipment is also attached. (Attachment 1)

Advantages

The sale of surplus property will generate additional revenue for the City and will help clean-up City facilities, clearing useable storage space.

Disadvantages

No disadvantages have been identified for this action.

Environmental Review

No environmental review is required for this specific action.

Public Notification and Input

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

COST ANALYSIS:

Upon the sale of various surplus property, the City could realize a small amount of revenue estimated to be less than \$5,000. Additionally, a minor amount of staff time will be necessary to assist with processing the necessary documentation to sell the surplus property through an auction house, an on-line auction service or through an on-site surplus auction sale.

ENVIRONMENTAL REVIEW:

The sale of surplus equipment is not a "project" for the purposes of the California Environmental Quality Act (CEQA) as it does not have the potential for resulting in either a direct physical change to the environment, or a reasonably foreseeable indirect physical change in the environment. No further action is required under CEQA for City Council action.

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Adopt the Resolution declaring the vehicle, furniture and equipment as surplus property and authorizes its sale and/ or disposal.
2. Do not adopt the Resolution; or
3. Provide direction to staff.

Exhibits:

1. Surplus Vehicles and Equipment Proposed for Disposition

Submitted by:



Geoff English, Public Works Special Project Coordinator



Robert Masterson, Chief of Police

Approved by:



Steven Adams, City Manager

EXHIBIT 1

Pictures of items proposed for disposition

Item #1- 12' Open-hull boat



Item #2- Donated play structure



Item #3- Jaguar Ride-on mower



Item #4- Sewer line cleaner



Item #5- Utility Trailer



Item #6- Hustler Ride-on mower



Pictures of items proposed for disposition (page 2)

Item #7- Wood Chipper



Item #8- Flail mower attachment



Item #9- Field Scraper Attachment



Item #10- Massey Tractor



Item #11- 1970 Dump Truck



Item #12- 1994 Service Truck



Pictures of items proposed for disposition (page 3)

Item #13- 1991 Service Truck



Item #14- Aluminum Irrigation pipe



Item #15- Street Sweeper



Item #16- Police Dept. Admin Vehicle



Item #17 Police Dept. Admin Vehicle



Item #18 Police Dept. Patrol Vehicle



Pictures of items proposed for disposition (page 4)

Item #19 Police Dept. Admin Vehicle



Item #20 Police Dept. Patrol Vehicle



RESOLUTION NO. 2018-XXXX

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KING DECLARING
CERTAIN PROPERTY SURPLUS AND PROVIDING FOR THE DISPOSITION OF
SAID PROPERTY**

WHEREAS, the City of King ("City") is the owner of specific property, including vehicles, equipment and furnishings, as outlined in **Exhibit A**;

WHEREAS, the City has found that said vehicles, equipment and furnishings are no longer useable or have outlived their useable life span;

WHEREAS, the City desires to dispose of said vehicles, equipment and furnishings for the common benefit of the community; and

WHEREAS, the City derives the right to dispose of said property through Government Code Section 37350.

NOW THEREFORE, BE IT RESOLVED THAT the City Council of the City of King declares the property, including vehicles, equipment and furnishings, listed in Exhibit A as surplus and authorizes the City Manager to dispose of said property.

PASSED AND ADOPTED at a regular meeting of the City Council on the 9th day of January, 2018, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

Michael LeBarre, Mayor

ATTEST:

Steven Adams, City Clerk

APPROVED AS TO FORM:

Shannon Chaffin, City Attorney

EXHIBIT A

**SURPLUS VEHICLES AND EQUIPMENT
PROPOSED FOR DISPOSITION**

No.	Item	Make/ Model	ID #	Notes
1	12' Open-hull boat	Thundercraft Magnum 160ss	CF 3628JD	Damaged. No longer used.
2	Play structure	Previously donated from another agency	N/A	Damaged. Not suitable for future use.
3	Ride-on mower	Jaguar 400D	KC #000298	Not running. Not cost effective to repair or restore
4	Sewer line cleaner	Myers High Velocity Sewer Cleaner	N/A	Not running. Not cost effective to repair or restore
5	Utility Trailer	Unknown	LP# 4CT5122	Damaged. Not cost effective to repair or restore
6	Ride-on mower	Hustler 60" deck	S# 10081660	Not running. Not cost effective to repair or restore
7	Wood chipper	Vermeer BC1230	S# 1VRK15155V1001386	Does not meet APCD emissions. Not cost effective to retrofit.
8	Flail mower attachment	Unknown	N/A	No longer in use
9	Field Scrapper blade attachment	Unknown	N/A	No longer in use
10	Tractor	Massey 20D	City vehicle #62 #810508	Not running. Not cost effective to repair or restore.
11	1970 Dump Truck	Ford F600	City vehicle #32	Not running. Not cost effective to repair or restore
12	1994 Service Truck	Chevy 1500 4x4	City vehicle #70	Not running. Not cost effective to repair or restore
13	1991 Service Truck	Chevy 1500	City vehicle #20	Poor condition. Not cost effective to repair or restore
14	Aluminum Irrigation pipe	Unknown	N/A	Damaged beyond repair.
15	Street Sweeper	Elgin Pelican Series P	City vehicle #20	Not running. Not cost effective to repair or restore

No.	Item	Make/ Model	ID #	Notes
16	2005 Police Dept. Admin Vehicle	Ford/Crown Victoria	KCPD 112	High Mileage, aged out, not cost effective to continue to repair
17	2005 Police Dept. Admin Vehicle	Ford/Expedition 4wheel drive	KCPD 107	High mileage, aged out, not cost effective to repair.
18	2009 Police Dept. Patrol Vehicle	Ford Crown Victoria	KCPD 102	High mileage, aged out, not cost effective to repair
19	2009 Police Dept. Patrol Vehicle	Ford Crown Victoria	KCPD 103	High Mileage, aged out, not cost effective to repair
20	2010 Police Dept. Patrol Vehicle	Dodge Charger	KCPD 106	High Mileage, aged out, not cost effective to repair



Item No. 9(G)

REPORT TO THE CITY COUNCIL

DATE: JANUARY 9, 2018

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: MIKE HOWARD, FINANCE DIRECTOR

RE: CONSIDERATION OF ACCEPTANCE OF THE CITY AND CDA SUCCESSOR AGENCY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2016-2017

RECOMMENDATION:

It is recommended that the City Council and the Board of Directors of the King City CDA Successor Agency accept the City and Community Development Agency ("CDA") Successor Agency's Audited Financial Statements for Fiscal Year Ended June 30, 2017.

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. The independent audit was prepared by Bryant L. Jolley Certified Accountants.

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.

**CITY COUNCIL
CONSIDERATION OF ACCEPTANCE OF THE CITY AND CDA SUCCESSOR
AGENCY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR
2016-2017
JANUARY 9, 2017
PAGE 2 OF 3**

The final numbers for FY 2016-17 demonstrate positive movement for the City, particularly in the General Fund. The General Fund ended the year with a positive net change of approximately \$2,561,070, for the year versus the original budgeted amount of \$684,500. This was largely due to the sale of surplus property. However, sales tax, property tax, and transient occupancy tax all exceeded original estimates. In addition, expenditures were well below budgeted amounts.

The City's current Fund Balance for the General Fund is \$(1,608,325) versus prior year of \$(4,169,395). A portion of this savings is due to projected expenditures that were carried over to FY 2017-18. Therefore, the projected year-end fund balance may be lower. More detailed information on the status of the City's budget will be presented in February with the mid-year budget review. However, staff believes the City is still on track to reduce the loan amount from the Wastewater Fund to approximately \$2,020,000 as budgeted this year, while maintaining sufficient additional funding in the General Fund to address carryover expenditures and other mid-year appropriations and unanticipated expenditures that have been approved by the City Council. Other funds are performing as expected.

COST ANALYSIS:

There is no financial impact to this item.

ENVIRONMENTAL REVIEW:

The acceptance of the Audited Financial Statements is not considered a project for the purposes of CEQA and has no potential for resulting in either a direct or indirect impact to the environment.

ALTERNATIVES:

The following alternatives are provided for Council consideration:

1. Receive and file the audited financial statements for FY 2016-17;
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 2016-17.
2. City of King Management Report FY 2016-17.

**CITY COUNCIL
CONSIDERATION OF ACCEPTANCE OF THE CITY AND CDA SUCCESSOR
AGENCY'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR
2016-2017
JANUARY 9, 2017
PAGE 3 OF 3**

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, 2017

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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

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, 2017, 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, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 41 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

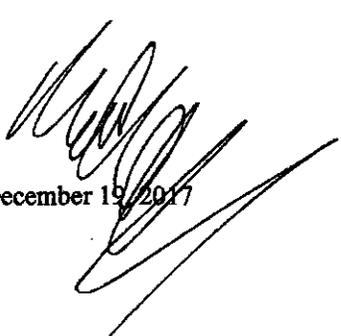
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 19, 2017, 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 19, 2017



CITY OF KING CITY

**STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 1,983,741	\$ 4,757,761	\$ 6,741,502
Restricted cash and investments	-	340,400	340,400
Accounts receivable	16,919	178,298	195,217
Due from other governments	1,851,373	-	1,851,373
Interest receivable	4,082	1,138	5,220
Notes receivable	3,000,000	-	3,000,000
Internal balances	(2,519,087)	2,519,087	-
Deferred charges	-	81,806	81,806
Capital assets (net of allowance for depreciation)	13,947,479	10,270,908	24,218,387
Total assets	<u>18,284,507</u>	<u>18,149,398</u>	<u>36,433,905</u>
DEFERRED OUTFLOW OF RESOURCES	<u>1,273,550</u>	<u>23,710</u>	<u>1,297,260</u>
LIABILITIES			
Accounts payable and accrued expense	1,570,088	76,243	1,646,331
Accrued interest	-	77,037	77,037
Deposits	3,775	-	3,775
Compensated absences	517,240	-	517,240
Noncurrent liabilities			
Due within one year	75,679	140,867	216,546
Due in more than one year	1,083,780	5,720,094	6,803,874
Net pension liability	4,956,383	94,948	5,051,331
Total liabilities	<u>8,206,945</u>	<u>6,109,189</u>	<u>14,316,134</u>
DEFERRED INFLOW OF RESOURCES	<u>415,875</u>	<u>6,659</u>	<u>422,534</u>
NET POSITION			
Net investment in capital assets	13,947,479	4,409,947	18,357,426
Restricted for debt service	-	340,400	340,400
Restricted for capital projects	1,553,423	-	1,553,423
Restricted for long-term notes receivable	3,000,000	-	3,000,000
Restricted for specific projects and programs	289,871	-	289,871
Unrestricted (deficit)	(7,855,536)	7,306,913	(548,623)
Total net position	<u>\$ 10,935,237</u>	<u>\$ 12,057,260</u>	<u>\$ 22,992,497</u>

CITY OF KING CITY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Program Revenue			Primary Government			Total
	Expense	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities							
General government	\$ 1,276,020	\$ 35,130	\$ 6,392	\$ -	\$ (1,234,498)	\$ -	\$ (1,234,498)
Public safety	3,329,449	151,089	174,936	-	(3,003,424)	-	(3,003,424)
Public works	1,691,118	234,888	1,663,647	-	207,417	-	207,417
Culture and recreation	529,002	202,763	4,795	-	(321,444)	-	(321,444)
Community development	1,329,107	377,879	-	-	(951,228)	-	(951,228)
Debt service							
Interest expense	52,154	-	-	-	(52,154)	-	(52,154)
Total governmental activities	8,206,850	1,001,749	1,849,770	-	(5,355,331)	-	(5,355,331)
Business-type activities							
Sewer	1,345,250	2,454,094	-	-	-	1,108,844	1,108,844
Total business-type activities	1,345,250	2,454,094	-	-	-	1,108,844	1,108,844
Total primary government	9,552,100	3,455,843	1,849,770	\$ -	(5,355,331)	1,108,844	(4,246,487)
General Revenue							
Property taxes					1,095,316	-	1,095,316
Franchise taxes					474,232	-	474,232
Sales taxes					2,145,322	-	2,145,322
Transient occupancy taxes					419,109	-	419,109
Utility users tax					268,010	-	268,010
Business licenses					144,666	-	144,666
Motor vehicle in-lieu					855,197	-	855,197
Investment income					14,605	77,490	92,095
Gain on sale of property					2,253,291	-	2,253,291
Other revenues					428,664	-	428,664
Transfers					350,000	(350,000)	-
Total general revenue and transfers					8,448,412	(272,510)	8,175,902
Change in Net Position					3,093,081	836,334	3,929,415
Net Position							
Beginning of year					7,842,156	11,220,926	19,063,082
End of year					10,935,237	12,057,260	22,992,497

CITY OF KING CITY

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2017

	General	HOME Grant	Development Impact Fees	Gas Tax	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 288,794	\$ -	\$ 1,283,899	\$ -	\$ 411,048	\$ 1,983,741
Accounts receivable	2,704	-	-	-	14,215	16,919
Due from other governments	462,021	-	-	1,199,731	189,621	1,851,373
Interest receivable	2,794	-	873	-	415	4,082
Due from other funds	718,023	-	230,357	-	-	948,380
Notes receivable	-	3,000,000	-	-	-	3,000,000
Total assets	\$ 1,474,336	\$ 3,000,000	\$ 1,515,129	\$ 1,199,731	\$ 615,299	\$ 7,804,495
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
Accounts payable and accrued expense	\$ 559,799	\$ -	\$ 79,831	\$ 693,134	\$ 237,324	\$ 1,570,088
Deposits	3,775	-	-	-	-	3,775
Due to other funds	-	-	48,675	816,721	82,984	948,380
Advance from other funds	2,519,087	-	-	-	-	2,519,087
Total liabilities	3,082,661	-	128,506	1,509,855	320,308	5,041,330
Deferred inflows of resources						
Deferred loans	-	3,000,000	-	-	-	3,000,000
Total deferred inflows of resources	-	3,000,000	-	-	-	3,000,000
FUND BALANCE						
Restricted						
Circulation improvements	-	-	-	-	47,421	47,421
Capital improvement projects	-	-	1,386,623	-	119,379	1,506,002
Public safety	-	-	-	-	244,014	244,014
Landscape maintenance	-	-	-	-	45,857	45,857
Unassigned	(1,608,325)	-	-	(310,124)	(161,680)	(2,080,129)
Total fund balance	(1,608,325)	-	1,386,623	(310,124)	294,991	(236,835)
Total liabilities, deferred inflows of resources, and fund balance	\$ 1,474,336	\$ 3,000,000	\$ 1,515,129	\$ 1,199,731	\$ 615,299	\$ 7,804,495

CITY OF KING CITY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2017

Total governmental fund balances	\$ (236,835)
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	13,947,479
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	(4,956,383)
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	857,675
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(1,159,459)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the Governmental Funds	<u>(517,240)</u>
Net position of governmental activities	<u>\$ 10,935,237</u>

CITY OF KING CITY

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	General	HOME Grant	Development Impact Fees	Gax Tax	Other Governmental Funds	Total Governmental Funds
Revenue						
Taxes	\$ 4,930,662	\$ -	\$ -	\$ 260,743	\$ 326,524	\$ 5,517,929
Intergovernmental	38,367	-	74,775	1,199,731	287,007	1,599,880
Charges for services	13,469	-	27,714	-	96,541	137,724
Licenses, permits and impact fees	624,393	-	304,926	-	-	929,319
Fines and forfeitures	64,253	-	-	-	943	65,196
Interest and rent	45,797	-	3,272	-	1,457	50,526
Other	425,185	-	-	-	-	425,185
Total revenue	6,142,126	-	410,687	1,460,474	712,472	8,725,759
Expenditures						
Current						
General government	1,057,566	-	-	-	-	1,057,566
Public safety	3,244,489	-	-	-	30,849	3,275,338
Public works	482,878	-	14,538	298,637	378,658	1,174,711
Culture and recreation	307,338	-	-	-	-	307,338
Community development	1,290,662	-	33,704	-	-	1,324,366
Capital outlay	794,234	-	192,885	1,706,642	34,364	2,728,125
Debt Service						
Principal	39,758	-	-	18,517	42,225	100,500
Interest and fiscal charges	29,954	-	-	17,838	4,362	52,154
Total expenditures	7,246,879	-	241,127	2,041,634	490,458	10,020,098
Revenue over/(under) expenditures	(1,104,753)	-	169,560	(581,160)	222,014	(1,294,339)
Other Financing Sources/(Uses)						
Sale of property	2,253,291	-	-	-	-	2,253,291
Loan proceeds	794,234	-	-	395,255	-	1,189,489
Transfers in/(out) - net	618,298	-	-	-	(268,298)	350,000
Total other financing sources/(uses)	3,665,823	-	-	395,255	(268,298)	3,792,780
Change in Fund Balance	2,561,070	-	169,560	(185,905)	(46,284)	2,498,441
Fund Balance						
Beginning of year	(4,169,395)	-	1,217,063	(124,219)	341,275	(2,735,276)
End of year	(1,608,325)	\$ -	1,386,623	(310,124)	294,991	(236,835)

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, 2017

Net change in fund balance - total governmental funds	\$ 2,498,441
Amounts reported for governmental activities in the statement of activities are different because:	
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	(1,189,489)
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	100,500
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	2,728,125
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	(11,697)
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	(96,570)
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	<u>(936,229)</u>
Change in net position of governmental activities	<u>\$ 3,093,081</u>

CITY OF KING CITY

STATEMENT OF NET POSITION – PROPRIETARY FUND JUNE 30, 2017

	Business-Type Activities - Enterprise Fund
	Sewer
ASSETS	
Current assets	
Cash and investments	\$ 4,757,761
Restricted cash and investments	340,400
Accounts receivable	178,298
Interest receivable	1,138
Total current assets	<u>5,277,597</u>
Non-current assets	
Deferred charges	81,806
Advance to other funds	2,519,087
Property, plant and equipment (net of allowance for depreciation)	<u>10,270,908</u>
Total noncurrent assets	<u>12,871,801</u>
Total assets	<u>18,149,398</u>
DEFERRED OUTFLOW OF RESOURCES	<u>23,710</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expense	76,243
Accrued interest	77,037
Current portion of long-term debt	140,867
Total current liabilities	<u>294,147</u>
Noncurrent Liabilities	
Long-term debt	5,720,094
Net pension liability	94,948
Total liabilities	<u>6,109,189</u>
DEFERRED INFLOW OF RESOURCES	<u>6,659</u>
NET POSITION	
Net investment in capital assets	4,409,947
Restricted for debt service	340,400
Unrestricted	7,306,913
Total net position	<u>\$ 12,057,260</u>

CITY OF KING CITY

**STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET POSITION –
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Fund
	<u>Sewer</u>
Operating Revenue	
Charges for services	\$ 2,454,094
Rents and concessions	52,550
Total operating revenue	<u>2,506,644</u>
Operating Expense	
Contractual services and utilities	514,753
Personnel	86,519
Supplies and materials	255,237
Depreciation	180,506
Total operating expense	<u>1,037,015</u>
Operating income/(loss)	<u>1,469,629</u>
Nonoperating Revenue/(Expense)	
Interest income	24,940
Interest expense	(304,670)
Amortization expense	(3,565)
Total nonoperating revenue/(expense)	<u>(283,295)</u>
Net income/(loss) before transfers	1,186,334
Operating Transfers In/(Out)	<u>(350,000)</u>
Change in Net Position	<u>836,334</u>
Net Position	
Beginning of year	11,220,926
End of year	<u>\$ 12,057,260</u>

CITY OF KING CITY

**STATEMENT OF CASH FLOW - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Fund
	<u>Sewer</u>
Operating Activities	
Receipts from customers and users	\$ 2,540,198
Payments for contractual services and utilities	(1,003,141)
Payments to employees	(276,456)
Payments to suppliers	(255,237)
Net cash provided by (used in) operating activities	<u>1,005,364</u>
Non-capital Financial Activities	
Cash received from (paid to) other funds	<u>6,906,441</u>
Net cash provided by (used in) noncapital financing activities	<u>6,906,441</u>
Capital and Related Financing Activities	
Purchase of property, plant, and equipment	(4,053,270)
Principal paid on long-term debt	1,410,961
Interest paid on long-term debt	(306,603)
Net cash provided by (used in) capital and related financing activities	<u>(2,948,912)</u>
Investing Activities	
Interest received	<u>26,985</u>
Net cash provided by (used in) investing activities	<u>26,985</u>
Net Increase in Cash	4,989,878
Cash	
Beginning of year	<u>108,283</u>
End of year	<u>\$ 5,098,161</u>
Reconciliation of Cash to Financial Statements	
Cash and investments	\$ 4,757,761
Restricted cash and investments	<u>340,400</u>
Total cash and investments	<u>\$ 5,098,161</u>

CITY OF KING CITY

STATEMENT OF CASH FLOW - PROPRIETARY FUND (CONTINUED) YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities

Operating income (loss)	\$	1,469,629
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		180,506
(Increase) Decrease in Deferred Outflow of Resources		(15,011)
(Increase) Decrease in Accounts Receivable		33,554
Increase (Decrease) in Deferred Inflows of Resources		(41,053)
Increase (Decrease) in Net Pension Liability		(133,873)
Increase (Decrease) in Accounts Payable and Accrued Expense		<u>(488,388)</u>
Net Cash Provided by Operating Activities	\$	<u>1,005,364</u>
Noncash Investing, Capital, and Financing Activities		
Amortization of bond discount	\$	<u>3,565</u>

CITY OF KING CITY

STATEMENT OF FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2017

Assets

Cash and investments	
Cash and investments	\$ 1,673,011
Cash and investments with fiscal agent	6,230,950
Land held for resale	620,000
Total assets	<u>8,523,961</u>

Liabilities

Accounts payable and accrued liabilities	3,235
Interest payable	118,446
Long-term debt	
Due within one year	560,625
Due in more than one year	<u>12,917,102</u>
Total liabilities	<u>13,599,408</u>

Net Position

Held in trust for other governments	<u>\$ (5,075,447)</u>
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CITY OF KING CITY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION PRIVATE-PURPOSE TRUST FUND – SUCCESSOR AGENCY JUNE 30, 2017

Additions

Property taxes	\$ 1,193,521
Investment earnings and other	32,762
Sale of land held for resale	457,184
Total additions	<u>1,683,467</u>

Deductions

Administrative costs	33,888
Program expenses of former redevelopment agency	1,545,812
Bond issuance related costs	144,379
Interest and fiscal agency expenses of former redevelopment agency	504,428
Total deductions	<u>2,228,507</u>

Change In Net Position (545,040)

Net Position

Beginning of year	<u>(4,530,407)</u>
End of year	<u>\$ (5,075,447)</u>

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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. In June 2010, the voters of the City approved a Charter, which gives the City Council greater self-rule. 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, 2017

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.

Gas Tax Fund – The fund is used to account for mitigation fees received from gasoline taxes and to be used on street projects.

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, 2017

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, 2017, 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, 2017

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, 2017

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, 2017

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, 2017

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.

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, 2017

Note 3 – Cash and Investments (Continued)

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 6,741,502
Restricted Cash and Investments	340,400
Fiduciary Funds:	
Cash and Investments	1,673,011
Cash and Investments with fiscal agent	<u>6,230,950</u>
Total Cash and Investments	<u>\$ 14,985,863</u>

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 972
Deposits with Financial Institutions	6,146,010
Local Agency Investment Fund	2,267,531
Held by Fiscal Agent:	
Money Market Mutual Funds	692,159
US Government Issues	<u>5,879,191</u>
Total Cash and Investments	<u>\$ 14,985,863</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, 2017

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, 2017:

	Level 1	Level 2	Level 3	June 30, 2017 Balance
Investments by fair value level:				
Debt Securities:				
U.S. Treasury Obligations	\$ -	\$ 5,879,191	\$ -	\$ 5,879,191
Total Debt Securities	<u>-</u>	<u>5,879,191</u>	<u>-</u>	<u>5,879,191</u>
Equity Securities:				
LAIF	-	2,267,531	-	2,267,531
Total Equity Securities	<u>-</u>	<u>2,267,531</u>	<u>-</u>	<u>2,267,531</u>
Investments carried at amortized cost:				
Deposits				6,146,982
Money Market Mutual Funds				692,159
Total Investments amortized at cost				<u>6,839,141</u>
Total Investments				<u>\$ 14,985,863</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, 2017

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, 2017

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, 2017 the City had the following investments:

Investment Type	12 Months or less	13 to 24 Months	25 to 84 Months	Total
LAIF	\$ 2,267,531	\$ -	\$ -	\$ 2,267,531
Money Market Mutual Funds	692,159	-	-	692,159
US Government Issues	304,795	362,057	5,212,339	5,879,191
Total Investments	\$ 3,264,485	\$ 362,057	\$ 5,212,339	8,838,881
Cash in bank and on hand				6,146,982
Total Cash and Investments				\$ 14,985,863

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	
Investments				
Money Market Mutual Funds	\$ 692,159	\$ -	\$ -	\$ 692,159
Total Investments	\$ 692,159	\$ -	\$ -	692,159
Not rated:				
LAIF				2,267,531
US Government Issues				5,879,191
Cash in bank and on hand				6,146,982
Total Cash and Investments				\$ 14,985,863

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, 2017

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, 2017, 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	\$ 692,159
US Government Issues	5,879,191

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, 2017

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, 2017 are as follows:

	<u>Advance To</u>	<u>Advance From</u>
Sewer Fund	\$ 2,519,087	\$ -
General Fund	-	2,519,087
	<u>\$ 2,519,087</u>	<u>\$ 2,519,087</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, 2017 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 718,023	\$ -
Gas Tax Fund	-	816,721
Development Impact Fees Fund	230,357	48,675
Airport Operations Fund	-	82,984
	<u>\$ 948,380</u>	<u>\$ 948,380</u>

The interfund payable balance due to the General Fund and 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, 2017

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>
Major Governmental Funds:		
General Fund	\$ 618,298	\$ -
Enterprise Funds:		
Sewer Fund	-	(350,000)
Nonmajor Governmental Funds:		
UT-Public Safety Fund	-	(268,298)
	<u>\$ 618,298</u>	<u>\$ (618,298)</u>

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

Note 5 – Capital Assets

Capital asset activities for the year ended June 30, 2017 were as follows:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 194,727	\$ -	\$ -	\$ 194,727
Construction in progress	-	1,311,387	-	1,311,387
Total capital assets, not being depreciated	<u>194,727</u>	<u>1,311,387</u>	<u>-</u>	<u>1,506,114</u>
Capital assets, being depreciated				
Buildings and improvements	8,581,044	1,216,146	-	9,797,190
Infrastructure	14,034,131	-	-	14,034,131
Machinery and equipment	2,999,582	200,592	(125,592)	3,074,582
Total capital assets, being depreciated	<u>25,614,757</u>	<u>1,416,738</u>	<u>(125,592)</u>	<u>26,905,903</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,017,372)	(242,279)	-	(6,259,651)
Infrastructure	(4,983,370)	(623,645)	-	(5,607,015)
Machinery and equipment	(2,653,159)	(70,305)	125,592	(2,597,872)
Total accumulated depreciation	<u>(13,653,901)</u>	<u>(936,229)</u>	<u>125,592</u>	<u>(14,464,538)</u>
Total capital assets, being depreciated, net	<u>11,960,856</u>	<u>480,509</u>	<u>-</u>	<u>12,441,365</u>
Governmental activities capital assets, net	<u>\$ 12,155,583</u>	<u>\$ 1,791,896</u>	<u>\$ -</u>	<u>\$ 13,947,479</u>
<u>Business-Type Activities</u>				
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>4,425,485</u>	<u>-</u>	<u>(3,661,392)</u>	<u>764,093</u>
Capital assets, being depreciated				
Building and improvements	6,312,912	7,714,662	-	14,027,574
Plant and equipment	1,206,238	-	-	1,206,238
Total capital assets, being depreciated	<u>7,519,150</u>	<u>7,714,662</u>	<u>-</u>	<u>15,233,812</u>
Less: accumulated depreciation	<u>(5,546,491)</u>	<u>(180,506)</u>	<u>-</u>	<u>(5,726,997)</u>
Total capital assets, being depreciated, net	<u>1,972,659</u>	<u>7,534,156</u>	<u>-</u>	<u>9,506,815</u>
Business-type activities capital assets, net	<u>\$ 6,398,144</u>	<u>\$ 7,534,156</u>	<u>\$ (3,661,392)</u>	<u>\$ 10,270,908</u>

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

Note 5 – Capital Assets (Continued)

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

Governmental Functions:

General Government	\$	53,689
Public Safety		156,503
Public Works		507,838
Culture and Recreation		218,199
	\$	<u>936,229</u>

Business-Type Functions:

Sewer	\$	<u>180,506</u>
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Note 6 – Notes Receivables

Notes receivable and deferred loans consisted of the following at June 30, 2017:

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, 2017 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:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
<u>Governmental Activities Long Term Debt</u>					
2016 Police Vehicles Capital Lease	\$ 70,470	\$ -	\$ (22,146)	\$ 48,324	\$ 23,464
2017 Police Vehicles Capital Lease	-	77,782	(20,079)	57,703	18,741
Telephone Capital Lease	-	52,744	(8,665)	44,079	9,514
Solar Energy Capital Lease	-	1,058,963	(49,610)	1,009,353	23,960
Total Governmental Activities Long-term Debt	<u>\$ 70,470</u>	<u>\$ 1,189,489</u>	<u>\$ (100,500)</u>	<u>\$ 1,159,459</u>	<u>\$ 75,679</u>
<u>Business-Type Activities Long Term Debt</u>					
2009 Refunding Certificates of Participation	\$ 4,450,000	\$ -	\$ (100,000)	\$ 4,350,000	\$ 105,000
Solar Energy Capital Lease	-	1,585,224	(74,263)	1,510,961	35,867
Total Business-Type Activities Debt	<u>\$ 4,450,000</u>	<u>\$ 1,585,224</u>	<u>\$ (174,263)</u>	<u>\$ 5,860,961</u>	<u>\$ 140,867</u>
<u>Compensated Absences</u>					
Governmental Activities	<u>\$ 420,670</u>	<u>\$ 96,570</u>	<u>\$ -</u>	<u>\$ 517,240</u>	

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

Note 7 – Long-Term Debt (Continued)

Long-term debt payable at June 30, 2017 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 2016-17 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.

2017 Police Vehicles Capital Lease – On September 16, 2016, the City entered into a lease agreement for two police vehicles. The lease bears an interest rate of 2.583% and terminates on October 16, 2019.

Telephone Capital Lease – On June 14, 2016, the City entered into 60-month phone equipment lease for a monthly payment of \$1,107 at 9.460% interest rate. Annual payments are \$13,278 and terminates on July 1, 2021.

Solar Energy Capital Lease – On July 10, 2016, the City started making payments on a solar lease arrangement. The amount financed was \$2,644,187. Annual payments are from \$94,649 to \$156,907 and terminates on January 10, 2030. Interest rate is 3.231%.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

Note 7 – Long-Term Debt (Continued)

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2017 was:

Years ending June 30,	Government-Wide Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 75,679	\$ 42,174	\$ 140,867	\$ 259,872
2019	102,295	36,777	181,480	273,844
2020	84,097	32,178	194,155	266,702
2021	70,931	28,776	207,285	258,864
2022	64,058	26,190	220,890	250,337
2023-2027	418,849	95,006	1,347,001	1,093,264
2028-2032	343,550	19,980	1,439,283	759,796
2033-2037	-	-	1,220,000	432,600
2038-2040	-	-	910,000	78,400
	<u>\$ 1,159,459</u>	<u>\$ 281,081</u>	<u>\$ 5,860,961</u>	<u>\$ 3,673,679</u>

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, 2017 the outstanding balance on both COPS Series was \$6,767,594. As of June 30, 2017 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, 2017:

Governmental Funds	
General	\$(1,608,325)
Gas Tax	(310,124)
Airport Operations	(70,051)
Measure X	<u>(91,629)</u>
	<u>\$(2,080,129)</u>

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

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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 2016-17 pension contributions subsequent to measurement date	\$ 76,674
Difference between expected and actual experience	7,096
Adjustment due to differences in proportions	22,946
Difference between projected and actual contributions	29,304
Net differences between projected and actual earnings on pension plan investments	<u>761,240</u>
Total deferred outflows of resources	<u>\$ 1,297,260</u>

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:

Changes in assumptions	\$ 149,774
Adjustment due to differences in proportions	206,992
Difference between projected and actual contributions	51,390
Difference between expected and actual experience	<u>14,378</u>
Total deferred inflows of resources	<u>\$ 422,534</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 6.25-14.785% 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, 2017

Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)

The Plans’ provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
	Prior to <u>January 1, 2013</u>	Prior to <u>January 1, 2013</u>
Hire Date		
Benefit Formula	2.0% at 55; maximum 2%	2.0% at 50; maximum 2%
	COLA	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	8.377%	14.785%
	 PEPRA	
	<u>Miscellaneous</u>	<u>PEPRA Safety</u>
	On or after <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Hire Date		
Benefit Formula	2.0% at 62; maximum 2%	2.7% at 57; maximum 2%
	COLA	COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	62	57
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	6.25%	11.50%
Required Employer Contribution Rates	6.555%	12.082%

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, 2017

Note 10 – City Employees' Retirement Plan (Defined Benefit Pension Plan) (Continued)

For the year ended June 30, 2017, the contributions recognized as part of the pension expense is as follows:

Contributions – employer	\$ 476,674
Contributions – employee	\$ 167,551

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

As of June 30, 2017, 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	\$2,967,126
Safety	\$2,084,205

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, 2015, 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, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2015	0.008862%	0.04014%
Proportion - June 30, 2016	0.008541%	0.04024%
Change	-0.000321%	0.00010%

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)

For the year ended June 30, 2017, the City recognized pension expense of \$298,431. At June 30, 2017, 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	\$ 476,674	\$ -
Differences in expected and actual experience	7,096	(14,378)
Adjustment due to differences in proportions	22,946	(206,992)
Changes in assumptions or other inputs	-	(149,774)
Differences in projected and actual contributions	29,304	(51,390)
Net differences between projected and actual earnings on pension plan investments	761,240	-
Total	<u>\$ 1,297,260</u>	<u>\$ (422,534)</u>

The \$476,674 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, 2017. 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>	
2018	\$ (82,181)
2019	(48,406)
2020	331,063
2021	197,576
Total	<u>\$ 398,052</u>

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

Note 10 – City Employees’ Retirement Plan (Defined Benefit Pension Plan) (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
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 ¹ 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%

¹ 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 April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online.

All other actuarial assumptions used in the June 30, 2015 valuation was 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.

Change of assumptions – There were no changes of assumptions during the measurement period ended June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the Schedule of Collective Pension Amounts represents the unamortized portion of the changes of assumptions related to prior measurement periods.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

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, the amortization and smoothing periods recently adopted by the Board were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan and a safety agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover 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, 2016.

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 ¹	Real Return Years 11+ ²
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	1%	-0.55%	-1.05%
Total	100%		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

CITY OF KING CITY

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

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	\$ 4,419,130	\$ 2,967,126	\$ 1,767,116
Safety	\$ 3,221,341	\$ 2,084,205	\$ 1,150,731

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, 2017, the City has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Note 11 – Risk Management

The City provides for workers' compensation and liability through a self-funded joint powers agency, Monterey Bay Area Self Insurance Authorities. Joint Powers Agreement (JPA) accounts are not separately maintained for each participant.

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the Monterey Bay Area Self Insurance Authority (MBASIA). MBASIA is composed of 10 California public entities and is organized under a joint powers agreement pursuant to California Government Code 6500 et seq. The purpose of MBASIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage.

General Liability: The City has a deductible of \$10,000 for each liability claim. Claims above \$10,000 up to \$1,000,000 are paid by MBASIA. Claims above \$1,000,000 up to \$29,000,000 are covered by insurance purchased by MBASIA.

Workers’ Compensation: The City does not retain deductible for workers’ compensation claims. Annual premiums for coverage up to statutory levels are paid to MBASIA based on a Board approved Budget methodology. A third party claims administrator is contracted by MBASIA to manage claims activity.

CITY OF KING CITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

Note 11 – Risk Management (Continued)

Adequacy of Protection

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded insured coverage. There have been no significant reductions in insured liability coverage from coverage in the prior year. Audited financial statements for MBASIA can be obtained from their management at 100 Pine Street, 11th Floor, San Francisco, CA 94111.

Note 12 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through December 19, 2017, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2017 that required recognition or disclosure in such financial statements.

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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KING CITY

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenue				
Taxes	\$ 4,714,000	\$ 4,754,000	\$ 4,930,662	\$ 176,662
Intergovernmental	92,500	92,500	38,367	(54,133)
Charges for services	12,600	12,600	13,469	869
Licenses and permits	548,100	648,100	624,393	(23,707)
Fines and forfeitures	91,500	91,500	64,253	(27,247)
Interest and rents	32,500	32,500	45,797	13,297
Other	50,000	350,000	425,185	75,185
Total revenue	<u>5,541,200</u>	<u>5,981,200</u>	<u>6,142,126</u>	<u>160,926</u>
Expenditures				
Current				
General government	765,293	849,793	1,057,566	(207,773)
Public safety	3,288,697	3,288,697	3,244,489	44,208
Public works	491,603	496,603	482,878	13,725
Culture and recreation	335,889	350,889	307,338	43,551
Community development	1,030,718	1,355,718	1,290,662	65,056
Capital outlay	315,000	315,000	794,234	(479,234)
Debt service				
Principal	-	-	39,758	(39,758)
Interest and fiscal charges	-	-	29,954	(29,954)
Total expenditures	<u>6,227,200</u>	<u>6,656,700</u>	<u>7,246,879</u>	<u>(590,179)</u>
Revenue over (under) expenditures	(686,000)	(675,500)	(1,104,753)	(429,253)
Other Financing Sources				
Sale of property	1,575,000	2,249,000	2,253,291	4,291
Loan proceeds	-	-	794,234	794,234
Transfers in (out), net	(889,000)	(889,000)	618,298	1,507,298
Total other financing sources/(uses)	<u>686,000</u>	<u>1,360,000</u>	<u>3,665,823</u>	<u>2,305,823</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 684,500</u>	2,561,070	<u>\$ 1,078,045</u>
Fund Balance				
Beginning of year			(4,169,395)	
End of year			<u>(1,608,325)</u>	

CITY OF KING CITY

**BUDGETARY COMPARISON SCHEDULE
DEVELOPMENT IMPACT FEES FUND
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Intergovernmental	\$ -	\$ -	\$ 74,775	\$ 74,775
Charges for services	15,000	15,000	27,714	12,714
Licenses, permits and impact fees	127,500	127,500	304,926	177,426
Interest and rent	-	-	3,272	3,272
Total revenue	<u>142,500</u>	<u>142,500</u>	<u>410,687</u>	<u>268,187</u>
Expenditures				
Current				
Public works	-	-	14,538	(14,538)
Community development	22,870	22,870	33,704	(10,834)
Capital outlay	<u>55,000</u>	<u>130,000</u>	<u>192,885</u>	<u>(62,885)</u>
Total expenditures	<u>77,870</u>	<u>152,870</u>	<u>241,127</u>	<u>(73,719)</u>
Revenue over/(under) expenditures	<u>\$ 64,630</u>	<u>\$ (10,370)</u>	169,560	<u>\$ 194,468</u>
Fund Balance				
Beginning of year			<u>1,217,063</u>	
End of year			<u>\$ 1,386,623</u>	

CITY OF KING CITY

BUDGETARY COMPARISON SCHEDULE

GAS TAX FUND

YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Taxes	\$ 328,000	\$ 328,000	\$ 58,514	\$ (269,486)
Intergovernmental	-	-	83,427	83,427
Total revenue	<u>328,000</u>	<u>328,000</u>	<u>141,941</u>	<u>(186,059)</u>
Expenditures				
Current				
Public works	<u>328,000</u>	<u>328,000</u>	<u>233,570</u>	<u>94,430</u>
Total expenditures	<u>328,000</u>	<u>328,000</u>	<u>233,570</u>	<u>94,430</u>
Revenue over (under) expenditures	-	-	(91,629)	(91,629)
Other Financing Sources				
Transfers in (out), net	-	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(91,629)</u>	<u>\$ (91,629)</u>
Fund Balance				
Beginning of year			-	
End of year			<u>\$ (91,629)</u>	

SUPPLEMENTAL ONLY INFORMATION

CITY OF KING CITY

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue Funds			
	SLESE/COPS Grant	Asset Seizure	Riverview Gardens Landscape	Airport Operations
ASSETS				
Cash and investments	\$ 178,794	\$ 11,085	\$ 45,844	\$ 375
Accounts receivable	-	-	-	14,215
Interest receivable	133	8	31	16
Due from other governments	17,809	-	-	1,700
Total assets	\$ 196,736	\$ 11,093	\$ 45,875	\$ 16,306
LIABILITIES				
Accounts payable and accrued expense	\$ 363	\$ -	\$ 18	\$ 3,373
Due to other funds	-	-	-	82,984
Total liabilities	363	-	18	86,357
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCE				
Restricted				
Circulation improvements	-	-	-	-
Capital improvement projects	-	-	-	-
Public safety	196,373	11,093	-	-
Landscape maintenance	-	-	45,857	-
Unassigned	-	-	-	(70,051)
Total fund balance	196,373	11,093	45,857	(70,051)
Total liabilities, deferred inflows of resources, and fund balance	\$ 196,736	\$ 11,093	\$ 45,875	\$ 16,306

CITY OF KING CITY

COMBINING BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2017

	Special Revenue Funds					Total
	Traffic Safety	CDBG Grant	Measure X	UUT-Public Safety	Non-major Governmental Funds	
ASSETS						
Cash and investments	\$ 47,314	\$ 119,297	\$ -	\$ 8,339	\$ 411,048	
Accounts receivable	-	-	-	-	14,215	
Interest receivable	32	82	-	113	415	
Due from other governments	75	-	141,941	28,096	189,621	
Total assets	\$ 47,421	\$ 119,379	\$ 141,941	\$ 36,548	\$ 615,299	
LIABILITIES						
Accounts payable and accrued expense	\$ -	\$ -	\$ 233,570	\$ -	\$ 237,324	
Due to other funds	-	-	-	-	82,984	
Total liabilities	-	-	233,570	-	320,308	
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues	-	-	-	-	-	
Total deferred inflows of resources	-	-	-	-	-	
FUND BALANCE						
Restricted						
Circulation improvements	47,421	-	-	-	47,421	
Capital improvement projects	-	119,379	-	-	119,379	
Public safety	-	-	-	36,548	244,014	
Landscape maintenance	-	-	-	-	45,857	
Unassigned	-	-	(91,629)	-	(161,680)	
Total fund balance	\$ 47,421	\$ 119,379	\$ (91,629)	\$ 36,548	\$ 294,991	
Total liabilities, deferred inflows of resources, and fund balance	\$ 47,421	\$ 119,379	\$ 141,941	\$ 36,548	\$ 615,299	

CITY OF KING CITY

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds			
	SLESF/COPS Grant	Asset Seizure	Riverview Gardens Landscape	Airport Operations
Revenue				
Taxes	\$ -	\$ -	-	-
Intergovernmental	158,609	-	-	44,971
Charges for services	-	-	-	96,541
Fines and forfeitures	-	-	-	-
Interest and rent	470	32	133	51
Total revenue	159,079	32	133	141,563
Expenditures				
Public safety	30,849	-	-	-
Public works	-	-	131	144,957
Capital outlay	34,364	-	-	-
Debt service	-	-	-	-
Principal	42,225	-	-	-
Interest	4,362	-	-	-
Total expenditures	111,800	-	131	144,957
Revenue over (under) expenditures	47,279	32	2	(3,394)
Other financing sources/(uses)				
Transfers in/(out), net	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in Fund Balance	47,279	32	2	(3,394)
Fund Balance				
Beginning of year	149,094	11,061	45,855	(66,657)
End of year	\$ 196,373	\$ 11,093	\$ 45,857	\$ (70,051)

CITY OF KING CITY

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds					Total Non-major Governmental Funds
	Traffic Safety	CDBG Grant	Measure X	UUT-Public Safety		
Revenue						
Taxes	\$ -	\$ -	\$ 58,514	\$ 268,010	\$ -	\$ 326,524
Intergovernmental	-	-	83,427	-	-	287,007
Charges for services	-	-	-	-	-	96,541
Fines and forfeitures	943	-	-	-	-	943
Interest and rent	136	346	-	289	-	1,457
Total revenue	1,079	346	141,941	268,299	-	712,472
Expenditures						
Public safety	-	-	-	-	-	30,849
Public works	-	-	233,570	-	-	378,658
Capital outlay	-	-	-	-	-	34,364
Debt service	-	-	-	-	-	42,225
Principal	-	-	-	-	-	4,362
Interest	-	-	-	-	-	490,458
Total expenditures	-	-	233,570	-	-	490,458
Revenue over (under) expenditures	1,079	346	(91,629)	268,299	-	222,014
Other financing sources/(uses)						
Transfers in/(out), net	-	-	-	(268,298)	-	(268,298)
Total other financing sources (uses)	-	-	-	(268,298)	-	(268,298)
Change in Fund Balance	1,079	346	(91,629)	1	-	(46,284)
Fund Balance						
Beginning of year	46,342	119,033	-	36,547	-	341,275
End of year	\$ 47,421	\$ 119,379	\$ (91,629)	\$ 36,548	\$ -	\$ 294,991

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

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, 2017, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated December 19, 2017.

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.

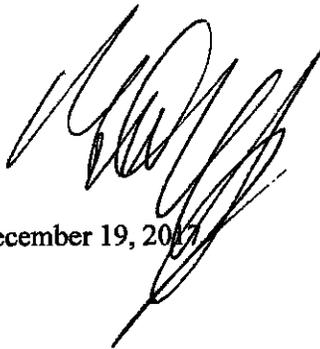
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 a stylized name, located above the date.

December 19, 2017

CITY OF KING CITY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

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, 2017

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BRYANT L. JOLLEY

CERTIFIED PUBLIC ACCOUNTANTS

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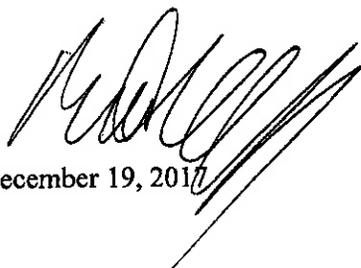
To the Honorable Mayor and City Council
City of King City, California

In planning and performing our audit of the basic financial statements of the City of King City (City) for the year ended June 30, 2017, 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 19, 2017, 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 19, 2017

BRYANT L. JOLLEY

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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, 2017. 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 19, 2017. 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 Gonzales are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. 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 19, 2017.

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

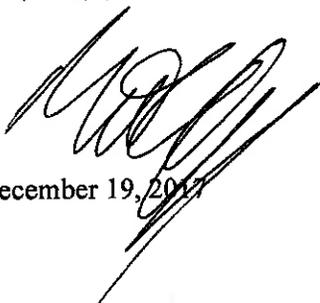
We applied certain limited procedures to the Budgetary Comparison Schedules, Proportionate Share of Net Pension Liability, and Schedule of Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management 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 'M. J. ...', written over the date.

December 19, 2017



Item No. 9(H)

REPORT TO THE CITY COUNCIL

DATE: JANUARY 9, 2018

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

RE: CONSIDERATION OF UPDATE TO MASTER FEE SCHEDULE

RECOMMENDATION:

It is recommended the City Council adopt a Resolution updating the Master Fee Schedule.

BACKGROUND:

In July 2016, the City Council approved a major update to the City's Master Fee Schedule and initiated a practice of reviewing and updating its fees on annual basis. This is important in order to make minor incremental adjustments rather than waiting several years and then needing to make major adjustments.

In November 2016, the City Council also approved a number of changes to the City's development impact fees, which were grouped into two categories. The first are those fees designed to fund projects with scopes that have been clearly identified and are a high priority because they must be completed in order for General Plan buildout to occur. For these fees, the City Council approved beginning a practice of adjusting them by the California Construction Cost Index (CCCI) on an annual basis. The second category of fees are those that do not currently have high priority projects identified and defined at this time, which were reduced by 50% for a three-year period. This was part of an overall effort to reduce development impact fees that have become an obstacle to City's efforts to promote economic development, attract new businesses and jobs, and address the City's housing needs.

DISCUSSION:

Only minor adjustments are proposed to the City's Master Fee Schedule this year. The following is a summary of recommendations included in the attached proposed Master Fee Schedule Update:

**CITY COUNCIL
CONSIDERATION OF UPDATE TO MASTER FEE SCHEDULE
JANUARY 9, 2018
PAGE 2 OF 3**

- The amount of the minimum deposit charged by the Community Development Department for conditional use permits, General Plan amendments, parcel maps, variances, and zoning changes are recommended to be increased. The amount charged for these items is based on the actual cost to the City for each item in addition to a 5% administrative fee. Therefore, the cost of the fee is not recommended to change. However, it would be helpful to increase the deposit because most projects have been exceeding the amount of deposit, which creates additional work and delays the process when staff needs to request additional funds from the applicant.
- The Recreation Department recently recommended an increase in the deposit amount for rental of the Recreation Center due to problems that have been experienced involving damage to the facility and lack of appropriate cleanup. However, staff has found that the new deposit is often a hardship for small events that have little risk of causing problems. Therefore, staff is recommending a smaller deposit be required for daytime events that won't be serving food or alcohol.
- The Salinas Valley Fairgrounds has expressed an interest in utilizing the City Park ballfields for parking for another event. Rather than requiring the City Council to approve an agreement each time they hold an event where the facility may be needed, it is recommended to adopt a fee in the Master Fee Schedule for use of the City Park for major events, which is \$160 per day.
- Staff still believes the Development Impact Fees are making most new development projects infeasible. Therefore, it is recommended to defer the CCCI increase this year. During the upcoming year, staff intends to conduct a more detailed study to determine what level of fee adjustments may be necessary in order to make projects economically viable.
- The proposed Master Fee Schedule also includes corrections to errors that were found in the last version approved, which were the result of some fee changes already approved by City Council that were not reflected in the Master Fee Schedule at that time.

COST ANALYSIS:

The proposed changes are not projected to materially impact the City's projected costs or revenues.

**CITY COUNCIL
CONSIDERATION OF UPDATE TO MASTER FEE SCHEDULE
JANUARY 9, 2018
PAGE 3 OF 3**

ENVIRONMENTAL REVIEW:

The Master Fee Schedule adjustments are not a "project" for the purposes of the California Environmental Quality Act (CEQA) as they do not have the potential for resulting in either a direct physical change to the environment or a reasonably foreseeable indirect physical change in the environment. No further action is required under CEQA for City Council action.

ALTERNATIVES:

The following alternatives are provided for City Council consideration:

1. Adopt the Resolution;
2. Make changes to the Master Fee Schedule and adopt the Resolution;
3. Do not approve the update of the Master Fee Schedule;
4. Provide staff with other direction.

Prepared and Approved by:



Steven Adams, City Manager

RESOLUTION NO. 2018-
RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KING
APPROVING AN UPDATED MASTER FEE SCHEDULE

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 reviews and updates the Master Fee Schedule on an annual basis to ensure that fees accurately reflect changes in costs to provide services; and

WHEREAS, the City Council has approved increasing development impact fees for Bridges, Signals and Thoroughfares; Wastewater Collection System; Wastewater Treatment Plant; Law Enforcement Facilities, Vehicles and Equipment; and Fire Suppression Facilities, Vehicles and Equipment automatically by the California Construction Cost Index (CCCI) on an annual basis effective every January 1st; and

WHEREAS, the City has completed its annual review of the Master Fee Schedule and the City Council has determined it to be in the City's interest to make changes reflected in the updated Master Fee Schedule.

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.

FURTHER BE IT FURTHER RESOLVED that the City Council of the City of King hereby approves deferring the CCCI increase for 2018 for the Bridges, Signals and Thoroughfares; Wastewater Collection System; Wastewater Treatment Plant; Law Enforcement Facilities, Vehicles and Equipment; and Fire Suppression Facilities, Vehicles and Equipment development impact fees.

This resolution was passed and adopted this 9th day of **January, 2018** 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 1/15/18

Fee	Per Unit	Fee	Minimum
Franchise Fees			
PG&E Electric Franchise Fee		2.00%	
CATV Franchise Fee		5.00%	
Refuse Franchise Fee		11.00%	
Cal Water Franchise Fee		2.00%	
City Hall Front Counter Fees			
Bicycle License		\$10.00	
Garage Sale Permit		\$15.00	
Returned Check Charge		\$40.00	
Rebilling 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	
Public Works Permit Fees			
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 1/15/18

Fee	Per Unit	Fee	Minimum
Police Department Fees			
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	Event	\$27.00	Plus actual cost
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	
Concealed Weapon Permit			
Animal Control Fees			
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	
	1 month to 1 year	\$40.00	
	13 months to 2 years	\$50.00	
	25 months to 3 years	\$60.00	
Licensing Fees (Not Spayed/Neutered)			

KING CITY MASTER FEE SCHEDULE
Effective 1/15/18

Fee	Per Unit	Fee	Minimum
Animal Control Fees (Continued)			
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			
Surrender Fee		Actual Cost	
		\$50.00	

KING CITY MASTER FEE SCHEDULE
Effective 1/15/18

Fee	Per Unit	Fee	Minimum
Community Development Department Fees			
Staff Time		Actual Cost Plus 5% Administrative Fee	\$3,000.00
Annexation		Actual Cost	
Appeals		Actual Cost	\$250.00
City Council		Actual Cost	\$250.00
Planning Commission		Actual Cost	
Architectural Review		Actual Cost	\$600.00
New		Actual Cost	\$400.00
Amendment		Actual Cost	
Cannabis Cultivation/Nursery/Manufacturing/Testing License		\$11,000.00	
Application		\$7,500.00	
License	Annual	Actual Cost	\$300.00
Certificate of Compliance		Actual Cost	
Conditional Use Permit		Actual Cost	\$1,000.00
Remodel/Change of Use		Actual Cost	\$3,000.00
New Construction		Actual Cost	\$650.00
Amendment		Actual Cost	\$300.00
Special Event Use Permit		Actual Cost	\$300.00
Temporary Use Permit		Actual Cost	\$300.00
Mural Permit		Actual Cost	\$650.00
Condominium Conversion		Actual Cost	
Development Agreement		Actual Cost	\$5,000.00
New		Actual Cost	\$3,000.00
Amendment		Actual Cost	
Environmental Review		Actual Cost	\$100.00
Categorical Exemption		Actual Cost	\$500.00
Environmental Impact Report Admin		Actual Cost	\$2,000.00
Environmental Impact Report	Residential - Per Lot	Actual Cost	\$250.00
	Other - Per Lot	Actual Cost	

KING CITY MASTER FEE SCHEDULE
Effective 1/15/18

Fee	Per Unit	Fee	Minimum
Community Development Department Fees (continued)			
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	\$2,000.00
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 Cultivation, Nursery, Manufact., Testing License			
Application Fee		\$11,000.00	
License	Annual	\$7,500.00	
Miscellaneous Items			
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
Specific Plan and Planned Development			
New		Actual Cost	\$3,500.00
Amendment		Actual Cost	\$1,000.00
Planned Development		Actual Cost	\$1,000.00

KING CITY MASTER FEE SCHEDULE
Effective 1/15/18

	Fee	Per Unit	Minimum
Community Development Department Fees (continued)			
Sign Permit			
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
Subdivision	Actual Cost		\$5,000.00
Tentative Tract Map and Parcel Maps			
Vesting	Actual Cost		\$2,000.00
Non-Vesting	Actual Cost		Plus \$30.00 per lot
Time Extensions	Actual Cost		\$2,000.00
Variance	Actual Cost		Plus \$50.00 per lot
Zoning Change Text & Map	Actual Cost		\$300.00
New	Actual Cost		\$750.00
Pre-Zoning Request	Actual Cost		\$2,000.00
	Actual Cost		\$600.00
Building Department Fees			
Staff Time	Actual Cost Plus 5% Administrative Fee		
Minimum Permit Fee	\$100.00	Per Permit	
Certificate of Occupancy	\$180.00		
Building Permit Fees	110.00%	2015 International Code Council	
Plan Check Fees	110.00%	2015 International Code Council	
Permit Issuance Fee	\$100.00	Per Permit	
Building Permit Training Surcharge	\$15.00	Per Permit	
Minor Building, Electrical and Plumbing Permit	\$60.00	Per Permit	

KING CITY MASTER FEE SCHEDULE
Effective 1/15/18

Fee	Per Unit	Fee	Minimum
Building Department Fees (continued)			
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 and One Re-Inspection	\$200.00	
Fire Re-Inspection	Per Inspection After First Two	\$125.00	
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	
Recreation Department Fees			
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	
After School Sports Club	Year	\$10.00	
	Drop-in	\$1.00	
	Late Fee - Percentage of Registration	20.00%	
Aquatic Center			
Open Rec Swim			
6 years and under	Day	\$2.50	
6 years and older	Day	\$3.00	
Pass	10 visits	\$25.00	

KING CITY MASTER FEE SCHEDULE
Effective 1/15/18

Fee	Per Unit	Fee	Minimum
Recreation Department Fees (continued)			
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	
Swim Lessons			
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	
Basketball - Girls and Boys	Child per season	\$60.00	
	2 children per season	\$100.00	
	3 children per season	\$130.00	
Facility/Amenity Rentals			
Recreation Center	Hour Non-Profit	\$15.00	
	Hour Private	\$55.00	
Security Deposit	Event - Before 5:00 p.m. and no alcohol	\$200.00	
	Event - After 5:00 p.m. and/or alcohol	\$50.00	
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	

KING CITY MASTER FEE SCHEDULE

Effective 1/15/18

Fee	Per Unit	Fee	Minimum
Recreation Department Fees (continued)			
Aquatic Complex			
Wade Pool	Hour Non-Profit	\$40.00	
	Hour Private	\$52.00	
Dive Pool	Hour Non-Profit	\$80.00	
	Hour Private	\$100.00	
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	
Use of City Park for Major Events	Day	\$160.00	

KING CITY MASTER FEE SCHEDULE
Effective 1/15/18

Fee	Per Unit	Fee	Minimum
Recreation Department Fees (continued)			
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	
Raquetball (Access up to four)	Year	\$110.00	
	Quarter	\$30.00	
	Month	\$10.00	
	Day	\$2.00	
Soccer	Child per season	\$60.00	
	2 children per season	\$100.00	
	3 children per season	\$130.00	
Softball - Girls	Child per season	\$60.00	
	2 children per season	\$100.00	
	3 children per season	\$130.00	
Miscellaneous Fees			
Personnel	Hour		Actual Cost Plus 5% Administrative Fee

KING CITY MASTER FEE SCHEDULE
 Effective 1/15/18

Fee	Per Unit	Fee	Minimum
Airport Fees			
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 1/15/18

Fee	Per Unit	Fee	Minimum
Impact Fees for Projects Vested as of August 21, 2010			
Law Enforcement Facilities			
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	
Fire Protection Facilities			
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	
Bridges Signals and Thoroughfares			
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 1/15/18

	Fee	Per Unit	Fee	Minimum
Impact Fees for Projects Vested as of August 21, 2010 (continued)				
Storm Drainage Facilities				
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	
General Government Facilities				
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	
Library Expansion Facilities				
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 1/15/18

	Fee	Per Unit	Fee	Minimum
Impact Fees for Projects Vested as of August 21, 2010 (continued)				
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 1/15/18

	Fee	Per Unit	Fee	Minimum
Impact Fees for Projects Vested as of August 21, 2010 (continued)				
Total Impact Fees				
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	
Impact Fees for Projects Vested after August 21, 2010				
Law Enforcement Facilities				
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	
Fire Protection Facilities				
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 1/15/18

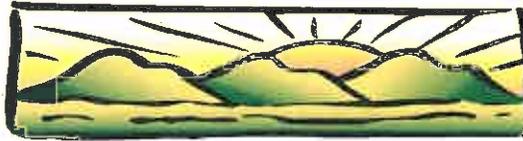
Fee	Per Unit	Fee	Minimum
Impact Fees for Projects Vested after August 21, 2010 (continued)			
Bridges Signals and Thoroughfares			
Single Family Dwelling	Unit	\$7,658.83	
Multiple Family Dwelling	Unit	\$5,112.80	
Mobile Home Dwelling	Unit	\$4,006.83	
Commercial Lodging Unit	Unit	\$4,028.61	
Commercial	Square foot	\$9.269	
Industrial	Square foot	\$5.003	
Storage Units	Square foot	\$2.191	
Storm Drainage Facilities			
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	
General Government Facilities			
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 1/15/18

	Fee	Per Unit	Fee	Minimum
Impact Fees for Projects Vested after August 21, 2010 (continued)				
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 1/15/18

	Fee	Per Unit	Fee	Minimum
Impact Fees for Projects Vested after August 21, 2010 (continued)				
Aquatic Center Facilities				
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	-	
Park and Open Space Acquisition				
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	-	
Total Impact Fees				
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	



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

Item No. 9(1)

REPORT TO THE CITY COUNCIL

DATE: JANUARY 9, 2017

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

RE: CONSIDERATION OF FUNDING PLAN FOR MULTIMODAL CENTER TIRCP APPLICATION

RECOMMENDATION:

It is recommended the City Council: 1) approve the proposed funding plan for the Multimodal Transit Center to be included in the Transit and Intercity Rail Program (TIRCP) grant application, including a \$750,000 local match; and 2) authorize the City Manager to submit the TIRCP grant application.

BACKGROUND:

One of the key features of the Smith-Monterey, LLC Downtown Addition project is the proposed Multimodal Transportation Center (MTC). In 2008, the City hired Railpros to prepare preliminary design work on the MTC and entered into an agreement with Smith-Monterey, LLC to reimburse the City for the costs of the Railpros contract, as well as other City consultants and staff time associated with the study. The City agreed to pay back one-third of the costs contributed by Smith-Monterey, LLC. When the Development Agreement with Smith-Monterey, LLC was approved in 2014, it was agreed to provide Smith-Monterey, LLC credit towards future transportation development impact fees in lieu of the amount owed by the City. The Development Agreement also set forth that Smith-Monterey, LLC would pay the costs of the railroad crossing improvements and receive credit for that amount towards their transportation development impact fees.

The original plan involved funding construction of the MTC with Redevelopment Agency tax increment funds. Since the Redevelopment Agency no longer exists, that funding source will not be possible. As a result, the City is now preparing a TIRCP grant application to fund the majority of project costs, which is due by January 12, 2018. At the December 12, 2017 meeting, the City Council

**CITY COUNCIL
CONSIDERATION OF FUNDING PLAN FOR MULTIMODAL CENTER TIRCP
APPLICATION
JANUARY 9, 2018
PAGE 2 OF 3**

approved an agreement with Smith-Monterey, LLC to share in costs associated with preparation of the grant application and an overall funding strategic plan.

DISCUSSION:

As part of the process of preparing the grant application, a new contract was established with Railpros to complete the cost estimates and schedule for construction of the TMC project. Staff believes a minimum 5% local match for the grant application should be provided for it to be considered.

The railroad crossing improvements are being included in the project description because they will be necessary for the MTC to be constructed. Even though Smith-Monterey, LLC has committed to those costs, waiting for them to fund those improvements may prevent the MTC from proceeding because they will not be completed until the Downtown Addition project is developed. Therefore, it is proposed the City fund the local match, which would be reimbursed by the developer once the Downtown Addition project proceeds.

The cost estimate includes the environmental review, design, right-of-way acquisition, and construction of the TMC and railroad crossings. It does not include other track improvements that may be required by Union Pacific. Railpros has provided an estimate of what those might be, which are very costly. However, it is not possible at this point to determine with any accuracy what specifically will be required and other funding sources may be available for those costs. Therefore, it is recommended they not be included in the grant application and other grant funding will be pursued once they are determined.

COST ANALYSIS:

The initial cost estimate from Railpros is in the range of \$14 million to \$15 million. The final cost estimate will be distributed to the City Council prior to the meeting. A local match of \$750,000 is recommended that would be paid from transportation development impact and/or cannabis tax funds. Once the Downtown Addition project proceeds, it would be reimbursed by the developer. The funding is not anticipated to be needed until 2020. No final commitment to the funds will be made until the grant is approved.

ENVIRONMENTAL REVIEW:

The funding plan and cost sharing agreement is not a "project" for the purposes of the California Environmental Quality Act (CEQA) as it is a funding mechanism that does not have the potential for resulting in either a direct physical change to the environment, or a reasonably foreseeable indirect physical change in the

**CITY COUNCIL
CONSIDERATION OF FUNDING PLAN FOR MULTIMODAL CENTER TIRCP
APPLICATION
JANUARY 9, 2018
PAGE 3 OF 3**

environment. Additionally, the MTC project has already been environmentally assessed as part of its approval with the Downtown Addition Specific Plan. No further action is required under CEQA for City Council action.

ALTERNATIVES:

The following alternatives are provided for Council consideration:

1. Approve staff's recommendation;
2. Modify the proposed amount of the local match and approved the funding plan;
3. Direct staff to submit the grant application with no proposed local matching funds;
4. Do not approve submitting a TIRCP grant application; or
5. Provide staff other direction.

Exhibits:

1. Railpros Draft Cost Estimate (will be distributed separately)

Prepared and Approved by:



Steven Adams, City Manager



Item No. 10(A)

REPORT TO THE CITY COUNCIL

DATE: JANUARY 9, 2018

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

BY: MARICRUZ AGUILAR, ASSISTANT PLANNER

RE: CONSIDERATION OF TAXI SERVICE APPLICATION FOR PATRICIA RAMIREZ, RIDERS TRANSIT

RECOMMENDATION:

It is recommended City Council approve a Taxi Service/Taxi Driver application submitted by Patricia Ramirez, Riders Transit (Application Case No. TS2017-001).

BACKGROUND:

On November 15, 2017, Patricia Ramirez, Riders Transit ("Applicant"), submitted an application for taxi services to operate within the city limits. Per Municipal Code §5.30.020, no person shall operate any public transportation vehicle within the city without first obtaining a permit. Municipal Code Chapter 5.30 Public Transit Vehicles, establishes two (2) types of approvals. The first type of approval is granted by the City Council, which is to establish the taxi service in the city. The second type of approval is granted by the City Manager for approval of the driver/operator of the business. The process of approval can either be a combined application or processed separately.

DISCUSSION:

The Applicant has submitted a request for a Combined Approval to establish Taxi Service and approval of a Taxi Driver.

ANALYSIS:

Storage of Vehicle

The Applicant proposes to store the vehicle at 404 Willow Court, King City. To use the residence as part of the taxi service operation to store the vehicle and operate a home office, per Municipal Code §17.77.010 a Home Occupation

Permit ("HOP") will be required. A HOP will need to be processed prior to issuance of a Business License.

Fares & Charges

No charging meter is proposed as part of the operation as the Applicant is proposing to charge a local flat rate of \$6.00 per one-way trip. Per Municipal Code §5.30.080, no rates shall be set, established, changed, modified or amended without a hearing before the City Council. A notice of public hearing was published in South County Newspaper The Rustler on December 27, 2017.

Taxi Service Vehicle

The Applicant will be driving a 2007 Honda Odyssey Van EX-L for the taxi services. Per Municipal Code §5.30.090 every vehicle operating under the provisions of this chapter is subject to inspection at any time by the chief of police or his authorized representative. Any vehicle found to be unsafe or unsuitable for service is immediately taken out of service until the vehicle is in safe and proper condition. The inside of the vehicle must be kept in a clean and sanitary condition and is required to be cleaned thoroughly at least once in every 24-hours.

Taxi Driver

Approval by the City Manager of Taxi Driver is required for all drivers. All drivers are required to renew their Driver Permit at the end of each calendar year. The Applicant is proposed to be the Driver/Operator and will be required to submit for an HOP if they are planning on utilizing a residential address for their home office/taxi vehicle storage operation. HOPs are also reviewed and approved by the City Manager. After the Taxi Service, Taxi Driver Permit and HOP (if applicable) have been approved, then the Business License can be processed for issuance.

Each taxi driver application will undergo a background check. Per Municipal Code §5.30.100 No permit shall be issued to anyone under age of eighteen years, to anyone who has been committed of a felony or of a crime involving moral turpitude, or to anyone who has been convicted of reckless driving or driving while under the influence of intoxicating liquors or narcotics; provided, however, that the city council may, in its discretion, issue a permit in cases where such conviction occurred more than three years immediately preceding the filing of the application.

If the driver has violated the provisions of this chapter after the permit has been issued, the City Council has the authority to revoke or refuse to renew a driver's permit.

Insurance

Per Municipal Code §5.30.110, insurance is required. The Applicant shall provide evidence of an insurance policy of public liability and property damage insurance. Such policy shall have a single limit of not less than \$500,000 liability per vehicle with ten or less passengers.

Hours of Service

The service will be available for operation every day of the week (Monday through Sunday) from 6:00 AM to 10:00 PM. The Applicant will be distributing flyers and business cards to inform the community of the service. Sign/Decals will be placed on the vehicle with contact number and business name.

Advantages

Public Hearings are normally required for taxi service in order to determine the need and avoid oversaturation of services there is definitely the need for this service in King City since no other taxi service currently exists.

The taxi service will also integrate well with the future multi-modal transit being planned for First Street. The Applicant also sees this as an opportunity to provide shuttle service to the community, which will serve a currently unmet need.

Disadvantages

The vehicle does not have a ramp for accessibility needs.
There are no other known disadvantages.

PUBLIC NOTIFICATION AND INPUT:

A public hearing notice was published in the King City Rustler newspaper on December 27, 2017 and notice was posted on the bulletin board at City Hall notifying of this evening's public hearing and invited to voice any concerns on this application. The public hearing will be conducted on January 9, 2018.

ENVIRONMENTAL DETERMINATION:

As this matter does not require special discretion or judgement in reaching a decision, but instead merely is the application of the law to the facts, this project approval is ministerial and no further action is required under the California Environmental Quality Act ("CEQA").

COST ANALYSIS:

The Applicant is covering the cost required for review and processing of the application.

Exhibit(s):

Exhibit 1: Application for Taxi Service Case No. TS 2017-001

Prepared by: 

Maricruz Aguilar-Navarro, Assistant Planner

Approved by: 

Steven Adams, City Manager

EXHIBIT 1

Attention City Council,

My name is Patricia Ramirez, I am submitting an application for taxi services. I will provide transportation for King City residents in a Honda Odyssey which will not have a light nor a meter due to I will charge a flat fee.

Sincerely,

Patricia Ramirez



Office Use Only

City Council Approval: _____

City Manager Approval: _____

Police Department Clearance: _____

**CITY OF KING
APPLICATION FOR TAXI SERVICE
MUNICIPAL CODE CHAPTER 5.30: PUBLIC TRANSIT VEHICLES**

Municipal Code Section 5.30.020 requires that no person shall operate any public transportation vehicle within the city without first obtaining a permit. To establish a taxi service in the city, approval is needed by the City Council. Additionally, Municipal Code Section 5.30.100 requires each driver/operator of a taxicab to receive approval by the City Manager. The two processes can be combined, or processed separately.

APPLICATION REQUIREMENTS:

- Application must be accompanied by a bond or policy of insurance.
- Fee Deposit: \$100. Time and Material will be Charged
- No permit shall be issued to any person (5.30.100 (c)):
 - o under the age of eighteen years,
 - o convicted of a felony or of a crime involving moral turpitude, or
 - o convicted of reckless driving or driving while under the influence of intoxicating liquors or narcotics; provided, however, that the city council may, in its discretion, issue a permit in cases where such conviction occurred more than three years immediately preceding the filing of the application.

Please type or print clearly in ink. If additional space is necessary to complete any answer, please complete on additional sheet(s) indicating question number being answered. Reference to any attachments/exhibits must be clearly identified in this application and properly labeled.

1. Permit Requested

- Taxi Service Only (City Council Approval)
- Taxi Driver Approval Only (City Manager Approval)
- Combined Approval, Taxi Service and Taxi Driver (City Council Approval)

2. Type Of Company (check one)

- Corporation. State of Incorporation: _____
- Partnership, Limited or General. State of Formation: _____
- Sole Proprietor

CITY OF KING

NOV 15 2017



- a. Applicant's Name: Patricia Ramirez b. Date Of Birth: 6/19/74
- c. Home Address: 404 Willow Ct King City, CA 93930
- d. Home Telephone Number: 831.512.5135
- e. Business Address: 404 Willow Ct King City, CA 93930
- f. Business Telephone And Fax Numbers:
- g. Web Address:

CHAOEKING

h. Names, Associations, Place Of Business And Residence Of Each Partner (If corporation or limited or general partnership, list name and title of all officers or joint ventures or partners, and the permanent addresses and telephone numbers, and percentage of participation in business of each on separate page(s) identified as response to this question and attach to this application 5.30.030(1).)

4. Please Identify The Name Of The Person Who Will Be Responsible Or Oversee Day-To-Day Operations.

Patricia Ramirez

5. Have Any Of The Principals Associated With This Business Been Convicted Of A Felony? If Yes, Please Explain.

NO

6. Please Describe In Detail Why There Is A Need For Your Proposed Service.

There is a great need in the community to provide some type of shuttle service - or rides; i.e. to grocery store, bank, & other errands.

7. Description Of Motor Vehicles To Be Used (Disclose the manufacturer name, vehicle color, the motor number, and state license plate number of each vehicle, and the type of insignia 5.30.030 (2).)

Honda, silver, Vte (Dealer plate still), RT.
(Riders Transf)



8. Explain Where The Vehicles Will Be Serviced, Maintained AND Stored during non-operating hours.

Serviced: Chuvva's Garage, 905-C Broadway St, King City, CA 93930
Maintained: Chuvva's Garage-905-C Broadway St, King City, CA 93930
Stored: 404 Willow Crt, King City, CA 93930

9. Provide A Summary Statement Of Operation (include a description of the type of service to be provided, the hours of proposed operation, proposed routes and schedules for regularly scheduled service on fixed routes or a statement of the proposed method of operation of a nonscheduled service, a statement of fares to be charged, the street number and exact location of each place where the applicant proposes to stand any such vehicle or pick up passengers 5.30.030 (3).)

Rides will be provided as needed, times, schedules + routes - will change most likely from day to day of service.

Fares local: \$6.00-one way within the City.

Passengers will be picked up from their location.

10. Provide A Statement And Evidence Of Financial Responsibility (Describe how the business will be financially operated and attach additional information, if needed. Additional information may be required by the City Manager or City Council, and shall be to the satisfaction of the City Manager or City Council 5.30.030 (4).)

It will be financially operated by self.



11. Provide Detail On How The Applicant Proposes To Provide Service In The City Of King, Including The Number Of Vehicles, Vehicles On Duty Per Shift And Number Of Drivers.

one (1) vehicle, one (1) driver.

12. Provide Information On Whether The Applicant Has Had An Operating Permit, Franchise, License Or Other Authorization To Operate A Taxicab Business Revoked, Suspended Or Cancelled And The Reasons Why. Indicate The Jurisdiction Where This Took Place.

N/A

13. How Do You Intend To Market Your Services To The Taxicab Riding Public?

Business card, car sign-decal/logo, flyers.

14. Do You Plan To Operate Any Other Type Of Transportation Business In The City Of King Now Or In The Future? If Yes, Please Explain.

no.

15. Does The Applicant Have A Training Program For Its Drivers. Please Explain.

no.



16. Does The Applicant Currently Lease Cabs To Drivers. If Yes, Please Explain (If The Applicant Plans To Lease Vehicles To The Drivers, Please Provide A Sample Copy Of The Lease Agreement And The Cost To The Driver.)

NO.

17. Describe In Detail How Calls Will Be Dispatched And How The Applicant Will Monitor The Dispatch Operation And Response Times. How Are Calls Allocated To Drivers?

Owner/operator will directly answer all calls for service.

18. What Procedure Do You Follow When A Complaint Is Received?

listen to complaint understand their concern and resolve issue as professionally as possible.

19. Provide Evidence Of Two-Way Communication In Each Authorized Taxicab In Use For Both Business Use And In Case Of Emergency. (Provide Attachment(s) As Evidence Of Compliance.)

Business cellphone (see attached).

20. Describe Your Record Keeping And Data Generation Procedure In Terms Of Information Produced And How The Data Can Be Used To Measure Performance.

15+ years of record-keeping experience.

21. Does The Applicant Plan To Have An Office Or Other Facility Within The City Of King? If Yes, Please Explain.

NO.

22. Will The Applicant Be Requesting A Stand(s) In The Public Street? If Yes, Please Explain.

NO.



23. Have Any Of The Passenger Carrying Vehicles Operated By Applicant Been Taken Out Of Service For Safety Or Other Reasons By The California Highway Patrol, Any Other California Law Enforcement Agency, Or Any Governmental Agency Of This State? If Yes, Please Explain. NO.

24. List Names Of All Drivers Operating The Taxicab(s), California Driver's License Number And Residence Address Of The Driver(s) Including Street, City, State And Zip Code And Telephone Number With Area Code As Well As A Photocopy Of Each Driver's Valid DMV License And A Photocopy Of Both Sides Of The Driver's Permit On Separate Page(s).

Patricia Ramirez
 CDL: B47809A51
 404 Willow Cr., King City, CA 93530
 831-512-5135

25. Does The Applicant Plan To Serve The Disabled And The Elderly? Please Explain.
 When physically able to, for both rider + driver.
 (vehicle will not have a ramp for loading passengers)

26. Does Your Firm Plan To Accept Credit Cards For Services Provided?

yes

27. Does Your Firm Plan To Offer Discounts Or Special Fares? If Yes, Please Explain.

NO.

I hereby declare under penalty of perjury under the laws of the State of California that the foregoing information in this application is true and correct to the best of my knowledge. Applicant signifies by signing this application, the applicant agrees to meet the requirements of the City of King Municipal Code, if the application is approved by the City.

Applicant Signature: Patricia Ramirez

Date: 10/24/17



Item No. 10(B)

REPORT TO THE CITY COUNCIL

DATE: JANUARY 9, 2018

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: STEVEN ADAMS, CITY MANAGER

RE: CONSIDERATION OF AN ORDINANCE OF THE CITY COUNCIL OF THE CITY KING AMENDING CHAPTER 5.12 OF THE KING CITY MUNICIPAL CODE PERTAINING TO BUSINESS LICENSES

RECOMMENDATION:

It is recommended the City Council: 1) open the Public Hearing and consider public testimony; and 2) introduce and conduct the First Reading, by title only, an Ordinance amending Chapter 5.12 of the King City Municipal Code pertaining to business licenses.

BACKGROUND:

At the September 12, 2017 meeting, the City Council approved a new program to conduct annual fire inspections of businesses and apartment buildings, which is now being contracted with the City's contract Fire Marshall. The fire inspection fee was also reduced from \$250 to \$200. The purpose of the program is to comply with State Fire Code requirements and to reduce the dangers of fires to life and property. Even though the fee was reduced, it represents an increased cost to most businesses because the inspections were not being completed on a regular basis in the past. In order to simplify the process for both the City and businesses, it was proposed to combine the payment of the inspection fee with the business license process.

DISCUSSION:

Business license renewal letters and invoices were distributed in December, along with invoices for the fire inspections. In order to help ensure compliance with the requirements, staff proposes adoption of an Ordinance that will clarify in the Municipal Code that business licenses will not be issued until both the

**CITY COUNCIL
CONSIDERATION OF AN ORDINANCE OF THE CITY COUNCIL OF THE CITY
KING AMENDING CHAPTER 5.12 OF THE KING CITY MUNICIPAL CODE
PERTAINING TO BUSINESS LICENSES
JANUARY 9, 2018
PAGE 2 OF 2**

business license and fire inspection fees are paid. If the City does not require payment of the fire inspection fee prior to issuance of the business license, staff is concerned it will be labor intensive to obtain payment from those that do not do so voluntarily.

COST ANALYSIS:

There is no cost projected to the City to implement the proposed Ordinance. The fire inspection fee was established to reimburse the City's actual costs for the contract Fire Marshall to perform the inspections and a portion of the costs for a part-time position in the Fire Department to record and track the fire inspections. Therefore, payment of the fees is needed in order to receive the revenue programmed in the Biennial Budget to administer the program.

ENVIRONMENTAL REVIEW:

This matter is not a "project" for the purposes of the California Environmental Quality Act (CEQA) as it does not have the potential for resulting in either a direct physical change to the environment, or a reasonably foreseeable indirect physical change in the environment. No further action is required under CEQA for City Council action.

ALTERNATIVES:

The following alternatives have been identified for City Council consideration:

1. Introduce the Ordinance;
2. Direct staff to modify the Ordinance and introduce;
3. Do not introduce the Ordinance and direct staff to pursue other ways in which to seek payment of the fire inspection fees, such as letters, collection agency, and/or legal action; or
4. Provide staff other direction.

Prepared and Approved by:



Steven Adams, City Manager

ORDINANCE NO. ____

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF KING AMENDING
TITLE 5 OF CHAPTER 5.12 OF THE KING CITY MUNICIPAL CODE PERTAINING
TO BUSINESS LICENSES**

WHEREAS, the City of King (“the City”) has the authority to charge businesses a license tax for revenue under the California Constitution Article XI, section 6; and

WHEREAS, Chapter 5.12 of the Municipal Code sets forth requirements for businesses, trades, professions, callings and occupations to obtain a business license and to pay a business license tax; and

WHEREAS, Section 106 of the State of California Fire Code authorizes the fire code official to conduct inspections as are deemed necessary to provide compliance with the fire code; and

WHEREAS, the City Council has approved establishing an annual fire inspection program of all businesses operating in a physical structure and multi-family dwelling units in order to comply with the requirements of the State of California Fire Code and to protect life and property by preventing structure fires; and

WHEREAS, the City Council has adopted by Resolution fees to pay for the cost of administering the fire inspection program; and

WHEREAS, it is the City Council’s intent to coordinate the processing of both fees for the efficiency of the City’s operations and the convenience of local businesses.

NOW THEREFORE, the people of the chartered City of King do ordain as follows:

SECTION 1. The above recitals are hereby incorporated by reference.

SECTION 2. The Ordinance is exempt from the California Environmental Quality Act (“CEQA”) because it is not a “project” for the purposes of the CEQA as it does not have the potential for resulting in either a significant effect on the environment, or a reasonably foreseeable indirect physical change in the environment because it involves fiscal activities relating to licensing.

SECTION 3. Section 5.12.140 is hereby added to Chapter 5.12 of the King City Municipal Code and adopted to read as follows:

Section 5.12.140 Payment of Fire Inspection Fees.

Fees owed to city by any business for an inspection determined necessary by the fire code official to ensure compliance with requirements of the State of California Fire Code shall be paid prior to issuance or renewal of license.

SECTION 4: EFFECTIVE DATE.

This Ordinance shall take effect and be in full force and effect from and after thirty (30) calendar days after its final passage and adoption. Within fifteen (15) calendar days after its

adoption, the Ordinance, or a summary of the Ordinance, shall be published once in a newspaper of general circulation.

I HEREBY CERTIFY that the foregoing Ordinance was introduced by the City Council after waiving reading, except by Title, at a regular meeting thereof held on the ____ day of _____ 2017, and adopted the Ordinance after the second reading at a regular meeting held on the ____ day of _____ 2017, by the following roll call vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

ATTEST

STEVEN ADAMS, City Clerk

CITY OF KING

By: _____
MIKE LEBARRE, Mayor

APPROVED AS TO FORM:

By: _____
SHANNON L. CHAFFIN, City Attorney
Aleshire & Wynder, LLP

I, _____, City Clerk of the City of King, California, DO HEREBY CERTIFY that the foregoing is a true and accurate copy of the Ordinance passed and adopted by the City Council of the City of King on the date and by the vote indicated herein.