

**REGULAR MEETING OF THE
MADERA CITY COUNCIL
AND
REGULAR MEETING OF THE
MADERA PUBLIC FINANCING AUTHORITY**

205 W. 4th Street, Madera, California 93637

NOTICE AND AGENDA

**Wednesday, April 17, 2019
6:00 p.m.**

**Council Chambers
City Hall**

CALL TO ORDER

ROLL CALL: Mayor Andrew J. Medellin
Mayor Pro Tem Steve Montes, District 3
Council Member Cece Gallegos, District 1
Mayor Pro Tem Jose Rodriguez, District 2
Council Member Derek O. Robinson Sr., District 4
Council Member Santos Garcia, District 5
Council Member Donald E. Holley, District 6

INVOCATION: Pastor Joyce Lane of Glory of Zion

PLEDGE OF ALLEGIANCE:

PUBLIC COMMENT:

The first fifteen minutes of the meeting are reserved for members of the public to address the Council on items which are within the subject matter jurisdiction of the Council. Speakers shall be limited to three minutes. Speakers will be asked to identify themselves and state the subject of their comment. If the subject is an item on the Agenda, the Mayor has the option of asking the speaker to hold the comment until that item is called. Comments on items listed as a Public Hearing on the Agenda should be held until the hearing is opened. The Council is prohibited by law from taking any action on matters discussed that are not on the Agenda, and no adverse conclusions should be drawn if the Council does not respond to public comment at this time.

PRESENTATIONS

1. Presentation by Kevin Hamilton, CEO of the Central California Asthma Collaborative, About Their Asthma Impact Model Program and its Genesis as the Madera County Public Health Department's MATH Program
2. Proclamation Recognizing Relay for Life
3. Budget Process and Document Review (Presentation by Bill Statler)

INTRODUCTIONS

A. WORKSHOP

- A-1 Measure K Workshop (Presentation by Brian Esteves)
- A-2 911 Upgrade (Presentation by Tanya Riviere)

B. CONSENT CALENDAR

- B-1 Minutes – No Minutes for Consideration
- B-2 Warrant Disbursement Report (Report by Tim Przybyla)
- B-3 Consideration of a Resolution Amending the City of Madera Classification Plan to Update the City Clerk Job Description (Report by Wendy Silva)
- B-4 Informational Report on Contract Legal Service Expenditures for City Attorney Services (Report by Wendy Silva)
- B-5 Consideration of a Resolution Accepting Public Utility Easement Deed, Located at the Southeast Corner of Linden Street and West Park Drive, Offered by Ivan and Dina Cloeters, and Authorizing the City Clerk to Execute and Cause to be Recorded, a Certificate of Acceptance (Keith Helmuth)
- B-6 Letter to the San Joaquin Valley Air Pollution Control District (Air District) requesting reinstatement of the Public Benefit Grant Program (PBG) funding for Affordable Housing Sustainable Communities (AHSC) projects (Report by Chris Boyle)

C. HEARINGS, PETITIONS, BIDS, RESOLUTIONS, ORDINANCES, AND AGREEMENTS

- C-1 A) Resolution of the Board of Directors of the Madera Public Financing Authority (MPFA) Approving the Forms of and Authorizing Execution and Delivery of Site Lease, A Facilities Lease, and a Trust Agreement; Authorizing the Issuance of Series 2019 Bonds in an Amount Not to Exceed \$5 million; and Approving Other Actions Related to the Madera Public Financing Authority Lease Revenue Bonds, Series 2019 (MPFA Action)

B) Resolution of the City Council of the City of Madera Approving the Issuance by the Madera Public Financing Authority of the Authority's Lease Revenue Bonds, Series 2019; in an Amount Not to Exceed \$5 Million; Approving the Forms of and Authorizing Execution and Delivery of a Facilities Lease, a Site Lease, and Related Documents; and Authorizing Related Actions (City Council Action) (Report by Tim Przybyla)

C-2 Consideration of a Resolution Authorizing Reallocating a Housing Related Parks Program Grant in the Amount of \$134,571 and Submittal of Grant Amendment to State (Ivette Iraheta)

D. WRITTEN COMMUNICATIONS

There are no items for this section.

E. ADMINISTRATIVE REPORTS

E-1 Status Report on City Clerk Recruitment and Request to Set Dates for Both Applicant Selection and Interviews (Report by Wendy Silva)

E-2 Status Report on City Attorney Recruitment and Request for Proposals to Provide Legal Services, and Request to Set Dates for Candidate Selection and Interviews (Report by Wendy Silva)

E-3 Request for City Council Direction Regarding Operation and Management Lease Agreement with SGM Inc. dba Sierra Golf Management Inc. Regarding Renewal Options for the Madera Municipal Golf Course Operations (Report by John Scarborough)

E-4 Acceptance of the Audited Financial Statements for the Fiscal Year ended June 30, 2018 (Report by Tim Przybyla)

F. COUNCIL REPORTS

G. CLOSED SESSION

G-1 Closed Session Announcement – City Attorney

G-2 Conference with Legal Counsel – Existing Litigation
Government Code Section 54956.9
Name of Case: MCA 1803, LLC v. City of Madera, Madera County Superior Court Case No. MCV073252

G-3: Conference with Real Property Negotiators – Pursuant to Government Code §54956.8
Property: 2 Parcels
City of Madera APNs: 009-331-010 and 011 (Freedom Industrial Park)
Agency Negotiator(s): Arnoldo Rodriguez
Negotiating Party: TranPak, Inc
Under Negotiations: Price and Terms

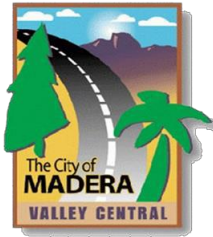
ADJOURNMENT – Next regular meeting May 1, 2019

- Please silence or turn off cell phones and electronic devices while the meeting is in session.
 - Regular meetings of the Madera City Council are held the 1st and 3rd Wednesday of each month at 6:00 p.m. in the Council Chambers at City Hall.
 - Any writing related to an agenda item for the open session of this meeting distributed to the City Council less than 72 hours before this meeting is available for inspection at the City of Madera Office of the City Clerk, 205 W. 4th Street, Madera, California 93637 during normal business hours.
 - The meeting room is accessible to the physically disabled, and the services of a translator can be made available. Request for additional accommodations for the disabled, signers, assistive listening devices, or translators needed to assist participation in this public meeting should be made at least seventy-two (72) hours prior to the meeting. Please call the Human Resources Office at (559) 661-5401. Those who are hearing impaired may call 711 or 1-800-735-2929 for TTY Relay Service.
 - Questions regarding the meeting agenda or conduct of the meeting, please contact the City Clerk's office at (559) 661-5405.
 - Para asistencia en Español sobre este aviso, por favor llame al (559) 661-5405.
-

I, Claudia Mendoza, Interim City Clerk for the City of Madera, declare under penalty of perjury that I posted the above agenda for the regular meeting of the Madera City Council for April 17, 2019, near the front entrances of City Hall at 5:00 p.m. on April 11, 2019.



Claudia Mendoza, Interim City Clerk

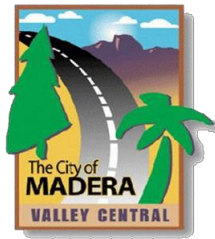


**Madera City Council Agenda 04/17/19
Agenda Item Presentation-1**

Presentation by Kevin Hamilton, CEO of the Central California Asthma Collaborative, About Their Asthma Impact Model Program and its Genesis as the Madera County Public Health Department's MATH Program

Presentation only.

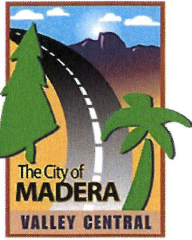
[RETURN TO AGENDA](#)



**Madera City Council Agenda 04/17/19
Agenda Item Presentation-2**

Proclamation Recognizing Relay for Life

Presentation only.



REPORT TO CITY COUNCIL

RETURN TO AGENDA

Approved by:



Tim Przybyla, Director of Financial Services



Arnaldo Rodriguez, City Manager

Council Meeting of: April 17, 2019

Agenda Number: Presentation 3

SUBJECT:

Budget Process and Document Review Presentation

RECOMMENDATION:

No action required. Informational only.

SUMMARY:

On February 20, 2019, the Madera City Council (Council) adopted a resolution approving a special services agreement between the City of Madera (City) and William C. Statler, upon the request of the City Manager. The purpose of that request was to seek to improve our budgeting process and meet the expectations of Council. Mr. Statler has completed his review of our budget documents and our budget process. He will present his findings and recommendations at this meeting.

DISCUSSION:

Mr. Statler met with key stakeholders to discuss their thoughts regarding the City's budget process and budget document and prepared the attached report. The report addresses:

- Strategies for community engagement
- Linking top priorities and goals with resources
- Fiscal policies that guide budget preparation
- Internal and external review process
- Budget document contents, orientation and presentation
- Long-term fiscal forecasts
- Zero-based budgeting
- Budget monitoring and reporting

Summary of Key Findings

Included in the key findings of Mr. Statler's report are:

- The City has a technically sound internal budget development process that could use improvement in the preparation schedule and linking of goals to resources.
- The City has a good fiscal story to tell, and the City should do a better job articulating its efforts.

- Some of the document changes that are recommended in this report could be made in the 2019-20 Budget. Most process changes may not be made unto 2020-21.

Mr. William C. Statler will provide a summary outlining his key findings.

FINANCIAL IMPACT:

The cost to the General Fund for Mr. Statler's consulting services is an amount not to exceed \$7,920, plus expenses estimated to be \$725.

ALTERNATIVES:

As this report is informational only and no action is recommended, no alternatives are being presented.

ATTACHMENTS:


The City of Madera Budget Process and Document Review, prepared by William C. Statler



City of Madera

BUDGET PROCESS AND DOCUMENT REVIEW

April 2019



William C. Statler

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

Budget Process and Document Review

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APPENDIX

- A. CSMFO Budget Excellence Criteria
- B. Budget Document Samples
- C. Sample Council Budget Calendar
- D. Sample Budgeting for Expenditure Savings
- E. Institute for Local Government: Public Engagement in Budgeting
- F. White Paper: City of San Luis Obispo's Two-Year Budgeting Experience
- G. Sample Interim Reports
- H. Consultant Background
- I. Consultant Background

William C. Statler

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review



City of Madera BUDGET PROCESS AND DOCUMENT REVIEW

REPORT PURPOSE

This report is in response to the City's interest in reviewing current Budget strengths and areas for improvement. Accordingly, the purpose of this report is to review the City's budget process and resulting budget document, and then make findings and recommendations as appropriate.

As discussed in more detail below, this report addresses:

- Strategies for community engagement
- Linking top priorities and goals with resources
- Fiscal policies that guide budget preparation
- Internal and external review process
- Budget document contents, orientation and presentation
- Long-term fiscal forecasts
- Zero-based budgeting
- Budget monitoring and reporting

Summary of Key Findings

Budget Document. The City has an excellent Budget document. It has earned the prestigious award from the California Society of Municipal Finance Officers for excellence in budgeting, which is only awarded after rigorous review by independent professionals in accordance with high "best practice" standards. While this report recommends several improvements, these are in the spirit of making an already outstanding budget document better,

Budget Process. The City has a technically sound internal budget develop process that makes good use of the City's financial management system (Tyler Munis). In interviews with key staff, there were very few criticisms of the internal budget preparation process, technology or administrative decision-making process (which is rare in my experience), with one notable exception: the preparation schedule. As discussed below, delays in the budget review process also have community and Council impacts. This report provides recommendations for improving this.

Budget Process and Document Review

This report also recommends improvements for better linking goals with resources – the heart of the budget process – by providing for early Council involvement in setting budget goals and meaningful opportunities for community engagement in the process.

Telling the City’s Fiscal Story. The City has a good fiscal story to tell. For example, it has weathered the greatest fiscal down turn since the Great Depression with balanced budgets and reserves at policy levels of 30% of expenditures. However, both the Council and staff expressed deep concerns with how the City’s financial condition is communicated. Stated simply, the City needs to do a better job of telling its fiscal story. This report provides recommendations for doing so.

Implementation. Many of the recommended *document* changes could be made with the 2019-20 Budget. On the other hand, most *process* changes cannot be made until 2020-21.

APPROACH

There were three key steps in performing this assessment:

- Key document review
- Best budget practices
- Stakeholder interviews

Key Document Review. Review key documents, policies and procedures, including:

- 2018-19 Budget
- Fiscal policies
- Long-term forecast
- Budget calendar
- Internal budget instructions and development process
- Budget monitoring and reporting practices
- Process for community engagement and Council goal-setting

Best Budget Practices. Review “best practices” recommended by leading organizations in this field (with links to key publications):

- National Advisory Council on State and Local Budgeting (NACSLB)
[Best Budget Practices in Public Budgeting](#)
- Institute for Local Government (ILG)
[Engaging the Public in Budgeting](#)
- Government Finance Officers Association of the United States and Canada (GFOA)
[Best Practices](#)
[Award for Distinguished Budget Presentation Criteria](#)
[Elected Officials Guide on Budgeting](#)
- California Society of Municipal Finance Officers (CSMFO)
[Budget Award for Excellence Guidelines](#)

Budget Process and Document Review

Stakeholder Interviews. Interview key “stakeholders” in the City’s budget development, review and approval process in assessing strengths and weaknesses in the City’s budget process by those most affected by it.

- Mayor and Council members (the ultimate “customers” of the process)
- Key staff in
 - City Manager’s Office
 - Finance
 - Human Resources
 - Public Works
 - Community Development
 - Parks & Community Services
 - Police

Additionally, as outlined in the Appendix, I have drawn on my extensive budgeting and financial planning experience as a Finance Director, consultant, trainer and author.

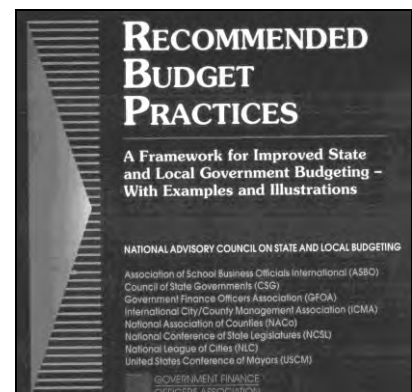
BACKGROUND

In evaluating the City’s budget process and resulting document, it is important to first ask: to do what? In short, what is the purpose of budget process and document?

Budget Purpose: Process

The National Advisory Council on State and Local Budgeting, which is the “gold standard” in setting budget principles for state and local governments, recommends that effective budgets reflect the following key features:

- Incorporate a long-term perspective.
- Establish linkages to broad organizational goals.
- Focus budget decisions on results and outcomes.
- Involve and promote effective communication with stakeholders.
- Evaluate performance and make adjustments.



Budget Purpose: Document

The GFOA recommends that effective budget documents play four key roles:

- ***Policy document*** that sets forth goals and objectives to be accomplished and articulates the fundamental principles upon which the budget is prepared.
- ***Fiscal plan*** that identifies and appropriates public resources.

Budget Process and Document Review

- **Operations guide** that describes the basic organizational units and activities of the agency.
- **Communications tool** that provides the community with a blueprint of how public resources are being used.

Budget Process: Fundamental Purpose

At the end of the day, the fundamental purpose of the budget is to link goals with resources: identifying the highest priority, most important things for the City to accomplish in the coming year with the resources necessary to do so.

Effective budgets do this by clearly setting major City goals and other important objectives; establishing reasonable timeframes and organizational responsibility for achieving them; and then appropriating required resources.

Stated simply, the budget determines what will get done; and more often: what won't. This will either happen intentionally or by default: "intentionally" is better. As discussed below, the key to success in linking goals with resources is early Council and community engagement in the budget process.

Together, these three concepts provide the framework for evaluating the City's budget process and document.

FINDINGS AND RECOMMENDATIONS

Budget Document

As noted above, the City has an excellent Budget document. It has earned the prestigious award from the CSMFO for excellence in budgeting, which is only awarded after rigorous review by independent professionals in accordance with high "best practice" standards. (The award criteria are provided in Appendix A. The CSMFO has two award categories: Meritorious and Excellent. The City's budget has earned the higher "Excellence" award.)



Both the GFOA and CSMFO have award programs. While each uses similar rating criteria, the CSMFO program has the advantage of being focused on California issues.

Budget Reality: Getting Stuff Done

The fact is that the City of Madera can do anything. And most likely any two or three things.

What the City of Madera can't do, even in the best of times, is everything.

This means it is essential that limited resources are used for the most important, highest priority things. Which is what the budget process is also about: making priority and resource trade-offs.

Budget Process and Document Review

And while winning these types of awards is always gratifying in knowing that you are performing in accordance with “best practices” and high industry standards, there is the added value that comes from the feedback participants receive from qualified, independent reviewers, in helping to continually make an already excellent Budget even better.

Budget Strengths

Key award-winning features reflected in the City’s budget include:

Program and performance orientation. The following information is provided for each for the each of the City’s major programs:

- Program purpose
- Organization and staffing
- Key accomplishments
- Goals for the coming year
- Performance measures
- Financial information for the past three years, current year budget and estimate, and budget for the coming year

Key features and contents. In meeting its role as a policy document, fiscal plan, operations guide and communications tool, the City’s Budget also includes:

- Budget message outlining key fiscal issues facing the City
- Budget process overview
- Broad linkage with goals (“Vision Madera 2025”)
- Fiscal policies
- Five-year forecast
- Summary information followed by progressively greater detail
- Changes in fund balance/working capital for all funds
- Staffing
- Summary of debt service obligations
- Five-year Capital Improvement Plan (CIP)

Suggestions for Improvement

- **Closer linkage of fund balance/working capital with audited financial statements.** This will simply require adding a prior year schedule to ensure that the budget begins based on the last audited position.
- **Consider consolidating programs for budget purposes.** There are 122 programs in the City’s budget. While they may be needed for internal management purposes (for example, there are numerous small grants throughout the departments), this many operating programs detracts from a focus on core operations like police patrol and street maintenance.

Budget Process and Document Review

- **Consider consolidating funds.** There are 146 funds in the City’s budget. Are all of these needed? (Under generally accepted principles, no funds should be established unless required, typically by outside agencies). And where required for internal management purposes, can some be consolidated for budget presentation purposes? In my experience, transparency and accountability are not enhanced by the proliferation of funds, but rather, become more diffused. For example, there are 84 individual landscape zone funds presented in the budget (requiring that many pages plus a few more). While it is important that financial activity be accounted for separately for each zone, there are other documents where this can be effectively presented (most notably the annual assessment report). On the other hand, it is important to ensure that restricted funds are not co-mingled. Stated simply, like the Programs, this is a balancing between simplicity, understandability, transparency and accountability.
- **Clearer linkage in operating programs with primary funding source.** Each of the programs shows direct program revenues but do not show the primary funding source (such as General Fund or Water Fund). This would be a simple addition to make.
- **Reduce line item detail.** As noted above, one of the key recommendations of the NACSLB is to “focus on resources and outcomes.” This is difficult to do when there are detailed line items for 122 programs. Many Program budgets in other cities provide staffing, contract and supply cost summaries rather than line item details in focusing on “what and why.”
- **Organize the Budget into three components: Operating, Debt Service and Capital.** This is how the City’s audited financial statements are organized; and it makes understanding the City’s fiscal situation easier. (City staff is already considering this change).

In fact, many of the City’s “story telling” problems stem from the lack of distinguishing between ongoing costs for day-to-day service delivery and one-time, capital projects.

For example, the perception of a “deficit” and the difference between projected and actual (one of the “story-telling” concerns discussed below) is largely “definitional.”

What is a balanced budget? This depends on how it is defined. In the City’s case, its policies define a balanced budget as:

The operating budgets shall be balanced and ongoing costs shall not exceed current revenues plus available fund balance that exceeds reserve fund requirements.

[Emphasis added]

In short, if operating expenditures and revenues are in balance and reserves are at minimum policy levels, then the budget is balanced: there is no “deficit.” And this is the City’s case today.

While having the same effect, the following revision to the balanced budget policy may make this clearer:

Budget Process and Document Review

Operating revenues must fully cover operating costs and ending fund balance (or working capital) must meet minimum policy levels. This means beginning fund balance can be used – total expenditures can exceed revenue – but only for CIP projects or other “one-time” uses.

Gap between budget and actual. Again, this is largely due to capital expenditures. While operating budgets are adopted for the fiscal year, capital budgets are typically “project length.” Accordingly, capital budgets are often not fully expended at year-end. While the balance will be re-appropriated into the next fiscal year (and thus, no net difference at the end of the following year), this can result in a perception of large gap between expectations and actual results.

Separating the operating and capital budget (and for the General Fund, creating a separate capital outlay fund supported by General Fund transfers) will help make this part of the City’s fiscal story simpler and easier to tell.

- **Expand use of summary tables.** With 122 programs, it is not possible to provide citywide data where there may be interest within the program itself. For this reason, the Budget provides several citywide summary sections, such as all debt service obligations and staffing. Based on stakeholder interviews and my experience with other budgets, possible additional summaries include (example references in parenthesis):
 - Summary of key budget changes (up or down)
 - Consultant services
 - Sales tax sharing agreement summary
 - Contracts for operation and maintenance services (like fire protection)
 - Summary of interfund transfers (ensures the purpose of interfund transfers is clear and that they net to zero: Appendix B.1).
 - Expanded summary of authorized regular positions (Appendix B.2)
 - Multiple-allocated positions (where one position is allocated over multiple programs or funds (Appendix B.3)
 - Pension and retiree health care obligations (Appendix B.4 and B.5)
- **Delete master fee and penalty schedule.** The Budget includes the City’s master fee and penalty schedules, which takes up 75 pages. It is unusual to include this in the Budget, and there are other places where this information can be more meaningfully published (such as the City’s web site).
- **Improve readability.** There are opportunities for greater use of graphics (see Appendix B.6: Article from *CSMFO Magazine* on presenting your city’s budget) and using a larger font, especially for narrative sections.
- **Consider preparing a “Budget-in-Brief.”** Even when “focused on resources and outcomes,” city Budget documents are still typically hundreds of pages long (the City’s 2018-19 Budget is 577 pages). To address this in providing a more “reader friendly” version, the City should consider preparing a “Budget-in-Brief” that highlights key budget information (Appendix B.7).

Budget Process and Document Review

Budget Preparation Process

There are two aspects to the City’s budget preparation process:

- **Internal.** Process used by City staff in developing the Preliminary Budget for community and Council consideration.
- **External.** Process used for community and Council engagement in the budget process, leading to Council review and adoption of the Budget.

The following addresses both the internal and external budget preparation process.

Internal Budget Preparation Process

As noted above, the City has a technically sound internal budget develop process that makes good use of the City’s financial management system (Tyler Munis). In interviews with key staff, there were very few criticisms of the internal budget preparation process, technology or administrative decision-making process (which is rare in my experience), with one notable exception: the preparation schedule. As discussed below, delays in the budget review process also have community and Council impacts.

- It impacts staff’s ability to prepare budgets.
- More importantly, it impacts the Council and community’s ability to consider the Budget.

External Budget Review Process

Two primary concerns surfaced in the interviews with both Council members and staff:

- As noted above: Budget schedule.
- Difference (“gap”) between budget/projected and actual results.

2019-20 review schedule. The initial schedule for Council consideration began with a reasonable timeframe for review and approval, and opportunities for community input:

Council Review	Date
• Mid-Year Budget Report	March 20
• Draft CIP Presentation	March 20
• Preliminary CIP Budget Presentation	April 3
• Preliminary Enterprise Fund Presentation	April 17
• Preliminary General Fund Budget Presentation	May 1
• Other Preliminary Budget Presentations	May 15
• Budget Workshop	June 5
• Final Budget Presentation and Adoption	June 19

However, many of these dates have already lapsed; and getting back on schedule without compressing the schedule (and thus opportunity for community and Council review) will be difficult.

Budget Process and Document Review

The following are recommendations for improvement in the future:

- *Prepare master calendar and process for key steps for Council approval in the Fall (Appendix C).* This will provide the Council, community and organization with a clear road map on the budget process and schedule. This will be especially useful if there will be any significant proposed changes to the process (such as Council goal-setting and community engagement as discussed below) as well as for new Council members. From this schedule of key Council review dates, more detailed calendars can be developed for internal purposes of key staff deadlines in meeting these Council meeting dates. And once adopted: stick with it.
- *Use budget workshops for review rather than regular Council meetings.* With regular Council meetings, it is tempting for important but not urgent issues like the Budget to be supplanted by more pressing, agenda-driven issues. Special budget workshops, that can be focused (and short) will help the Council and community remain focused on key budget issues and provide better opportunities for discussing the City's fiscal story.

Projected vs Actual Gap: Telling the City's Fiscal Story

As discussed above, the City has a good fiscal story to tell, but needs to tell it better. As discussed above, much of this is definitional: confusion about "how are we doing" can be avoided through a clearer understanding of what a balanced budget means and distinguishing between operating and capital budgets.

But it is also important to recognize when projections are "order of magnitude" to begin with; and that variances are inherent. In fact, be skeptical if projected and actual are the same (or very close to the same): this only happens in the real world if either the projections or actual results have been manipulated.

Other suggestions for better telling the City's fiscal story include:

- *Use interim reporting opportunities to narrow the gap between budget and actual.* Rather than using out-of-date estimates as the basis for comparing budget with actual, use the most recent information.
- *Recognize that there is "no good news or bad news: just unexpected news."* Again, the best way to mitigate "unexpected news" is ongoing reporting of results versus expectations.
- *Be clear on "why."* In many cases, it is important to distinguish between ongoing versus one-time variances. Again, better story telling is about narrowing the "expectation gap."
- *Use off-setting "expenditure savings" account in the Budget.* Some of the "expectation gap" is due expenditure savings from adopted budgets. Conceptually, this is a good thing: it means departments do not have a "use or lose it" mentality. On the other hand, even a modest savings of 2% from budget will result in a variance of almost \$1 million at the

Budget Process and Document Review

end of the year in a \$40 million budget. (And if revenues are just 2% better than estimated, this will result in a budget variance of almost \$2 million).

While it is difficult to project from year-to-year where cost savings might occur by department or program, past experience indicates that actual expenditures are likely to be less than budgeted amounts due to vacancies and purchase cost-savings. One approach to accounting for this is to project overall fund savings based on past trends and reflect this as off-setting savings within “Other Sources and Uses.” An example of this is provided in Appendix D (which also reflects an example of how to budget for possible labor cost increases that have not yet been agreed upon but are likely to impact the upcoming budget).

- *Sound clear trumpets.* Know the fiscal story you want to tell – and tell that one.

What’s the plot?

Who are the characters?

Why do we care what happens to them?

What’s the moral?

- *Use clear, simple graphics.* The article from CSMFO Magazine provided in Appendix B.5 provides some examples of this. That said, the best way of communicating complex numbers is to communicate what they mean.

Linking Goals with Resources

As discussed above, the heart of the budget process should be linking goals with resources. Doing so effectively requires early Council and community engagement in answering the question:

What are the most important, highest priority things for the City to accomplish next year?

In answering this question, few cities start with an empty plate: they are informed by policies and goals such as:

- General Plan (and its many elements)
- Facility and infrastructure master plans
- Vision Madera 2025

“Someday,” the City will achieve all of these goals. The key budget questions are:

Of all these, what are the most important to focus on this year? And what are the resources needed to do so?

In answering this question, many cities have found success using a four-step process of community engagement and Council goal-setting:

Budget Process and Document Review

❶ **Goal-Setting Input.** While Council goal setting is at the center of this process, it needs to be informed by the:

- **Status of current projects or goals.** Continuing these or moving to the next phase (like design to construction) may be candidate “carryover” goals.
- **Community outreach.** What does the community think are the most important, highest priority things for the City to accomplish in the coming year?



There are number of strategies for doing this effectively, but it does mean early planning for meaningfully engaging the community in the budget process, such as surveys, forums and workshops. The Institute for Local Government has prepared an excellent “white paper” on this, which is provided in Appendix E.

- **Fiscal Condition.** It is important to place Council goal-setting in the context of the City’s fiscal condition and outlook. This is where long-term forecasts can be especially helpful.

Many cities have found success in providing this kind of background information by holding a “Setting the Table” workshop in December (where newly-elected Council members are able to attend) that addresses:

- Status of current projects and goals
- Audited financial results for the prior fiscal year
- Results from the five-year forecast
- Proposed community engagement and Council goal-setting process

❷ **Council Goal-Setting.** This is the center of the process and typically takes place at a special workshop. These are most successful where there is a structured process for setting priorities facilitated by a skilled, independent facilitator. This step typically occurs in January.

❸ **Work Programs for Top Goals.** These are important in translating top Council goals into action plans that identify objectives, work already completed, key tasks and schedule, organizational responsibility and needed resources. As key budget drivers, these should be reviewed and conceptually approved by the Council before issuing the Preliminary Budget. This step typically occurs in April. It is also an opportunity to surface with the Council any “budget balancing strategies” that may be required.

Budget Process and Document Review

④ **Budget.** The Preliminary Budget is developed based on Council goals and work programs and typically issued in May, followed by workshops and hearings leading to its adoption by June 30.

Other Findings and Recommendations

The following presents findings and recommendations on other areas related to the City's budget:

- Five-year forecast
- Zero-based budgeting
- Two-year budgets
- Budget monitoring and reporting

Five-Year Forecast

There are two key success factors for effective forecasts:

Clear purpose. There are many reasons why cities prepare forecasts:

- Analyze financial condition and ability to fund CIP
- Prepare for revenue ballot measure
- Better assess long-term impact of short-term budget decisions
- Introduce the budget process: framework for goal-setting and budget process to follow
- Prepare contingency plans
- Assess challenges facing city in preparing the Budget early in the process

Stated simply, making good resource decisions today requires taking into account their impact on fiscal condition tomorrow. Forecasts are the best way to frame the policy decisions ahead of you: you can't fix a problem you haven't defined.

Clear and reasonable assumptions. Assumptions drive forecast results. Accordingly, assumptions need to be clearly stated and make sense given the circumstances facing the City.

How detailed forecasts need to be, and the strategy for preparation and assumptions, should be driven by its purpose.

Findings and recommendations. The City's forecast results are clearly presented in the 2018-19 Budget (page 38); and the assumptions are clear and reasonable. However, in "setting the table" for the budget challenges ahead, the forecast should come earlier in the process so it can affect budget-balancing actions. And depending on its purpose, more complex assumptions may be warranted. The following is a link of a forecast prepared for the City of Carpinteria, which like Madera, has a balanced operating budget but faces challenges in meeting its CIP goals: [Sample Forecast](#).

Budget Process and Document Review

Zero-Based Budgeting (ZPG)

Under ZPG, funding for all programs starts from scratch – zero – every budget cycle. There are no assumptions for any police officers, maintenance workers or accountants; or materials for asphalt or landscape supplies. Past expenditures play no role in the budget-building process.

Instead, the budget is built on individual “decision packages,” which are approved based on funding levels and competing priorities. This approach is resource intensive and relies on technocracy and hierarchy. It assumes a “rational, analytical, top-down decision-making” model.

ZPG has been most successful where it started: making private sector Research and Development budget decisions. In this context, making decisions based on “always-new, never done this before” information without regard for the past makes sense.

However, this model doesn’t make sense in the public sector; and for this reason, few (if any) governments that have launched this have stayed with it for two reasons:

- While there may be disagreement on where the line is, most people agree that there is some “base line” level for police, fire, parks and street maintenance service. In short, it doesn’t sense to literally start from scratch every year on all services.
- Difficult budget decisions are rarely technical in nature (which ZPG assumes) but driven by values. Stated simply, meaningful community engagement and representative, open government do not lend themselves to top-down, technocratic decision-making.

For these reason, the more common, ZPG-like approach has been to use “decision packages” based on changes from the base, such as options for 10% less or 10% more funding.

Two-Year Budgeting

Many cities have found success in using two-year budgets in better achieving the goals recommended by the NACSLB:

- Reinforcing the importance of long-range planning in managing the city's fiscal affairs.
- Concentrating on developing and budgeting for accomplishment of significant objectives.
- Setting realistic timeframes for achieving objectives.
- Creating a pro-active budget that provides for stable operations and assures the city's long-term fiscal health.
- Reducing the amount of time and resources allocated to preparing annual budgets.
- Promoting more orderly spending patterns by providing for the carryover of operating appropriations not spent during first fiscal year into the second year.

Budget Process and Document Review

A two-year budget timeframe is especially useful in integrating goal-setting with the budget process.

For context, the City of San Luis Obispo has used a two-year budget since 1983 (over 35 years), in both good times and bad. Provided in Appendix F is a “white paper” on the benefits of San Luis Obispo’s two-year budgeting experience and how this approach might benefit Madera as well.

Budget Monitoring and Reporting

As noted above, one of the NACSLB’s key budget principles is “evaluate performance and make adjustments.” There are two types of financial reports in monitoring budget performance:

- Annual reports: audited financial statements
- Interim reports

Annual Reporting

Findings. The City prepares “Basic Financial Statements” and routinely receives “clean” audit opinions.

Recommendations

- *Complete audits sooner.* The industry standard is to issue audits within 180 days after year-end (December 31 in the City’s case). The City’s audited financial statements for 2018-19 are scheduled for Council consideration on April 17, 2019. While there are reasons why audit completion is delayed this year, the City needs to complete this sooner in the future.
- *Best practice: consider preparing a “comprehensive annual financial report” (CAFR).* Preparing a CAFR, which includes “Basic Financial statements” as well as expanded financial schedules for all city funds and ten-year tables on key financial trends such as revenues, expenditures, debt management, and economic and demographic characteristics, is a “best practice” in annual financial reporting. While this takes significant effort to prepare the first year, subsequent updating is relatively simple.

Interim Reporting

Findings. The City prepares quarterly reports and mid-year budget reviews. It also prepares ongoing investment reports.

Recommendations

- *Quarterly newsletter.* The City should consider preparing more focused, structured quarterly reports, such as the sample in Appendix G.1. The goal should be to issue this report within 10 days after quarter end. Unless there is “new news,” these reports do not

Budget Process and Document Review

typically need to be formally presented to the Council. However, if there are key variances from expectations – such as significant variances in beginning fund balance, revenues or expenditures – then this should be formally presented to the Council, along with recommended corrective actions.

It should be noted that the Fourth Quarter report is also an interim financial report for the year. In this case, in ensuring the closest possible match with audited financial results, issuance within 60 days after year-end is a reasonable target (Appendix G.2).

Lastly, as reflected in the samples, I recommend distributing these reports to all employees (with a brief cover_email summarizing the results) and posting on the City’s web site.

- *Mid-year budget review.* Along with the second quarter (mid-year) newsletter, the mid-year budget review should provide the Council with updated year-end projections for revenues and expenditures. (This is an integral part of “narrowing the gap.”)
- *Other interim reports such as sales tax and transient occupancy tax (TOT).* Sales tax is the City’s most important General Fund revenue source. The City receives quarterly reports from its sales tax advisor (MuniServices). A summary of these results should be prepared and distributed to Council and key staff, and posted on the City’s web site. (While prepared by another firm, a sample report is provided in Appendix G.3).

There may be other focused revenue or expenditure reports that help tell the City’s fiscal story. Appendix G.4 provides a sample for monthly TOT revenues.

- *Consider “transparency, visualization” software such as Socrata or OpenGov.* At a moderate cost, this type of software supplements the City’s standard financial reports by providing intuitive, easy-to-use software that both summarizes data as well as allowing delving deeper into greater levels of detail, both graphically and in tables. Most cities that use this type of software have placed it on their web sites. As an example, the following is link for the [City of Rocklin](#).

SUMMARY

The City’s current budget process and document have many strengths. This this report has identified opportunities where the City can make a good process and document even better. I look forward to discussing these findings and recommendations with you further.



William C. Statler

Fiscal Policy ■ Financial Planning ■ Analysis ■ Training ■ Organizational Review

APPENDIX

- A. CSMFO Budget Excellence Criteria
- B. Budget Document Examples
- C. Sample Council Budget Calendar
- D. Sample Budgeting for Expenditure Savings
- E. Institute for Local Government: Public Engagement in Budgeting
- F. White Paper: City of San Luis Obispo's Two-Year Budgeting Experience
- G. Sample Interim Reports
- H. Consultant Background



CSMFO MERITORIOUS AWARD SECTION
Items Required For CSMFO Meritorious Award and Excellence Award
For Operating Budgets Beginning July 1, 2017

1. Is there a table of contents? Are the budget document's pages numbered?
2. Does the budget contain a transmittal letter or budget message?
3. Does the transmittal letter or budget message highlight the policy, economic and/or legislative issues facing the jurisdiction and their impact on the budget and are recommend actions included to resolve these issues?
4. Does the transmittal letter or budget message highlight major changes in the budget from the current year regarding service and/or funding levels?
5. Does the transmittal letter or budget message highlight major organization priorities and their funding sources?
6. Is the basis for budgeting described?
7. Is the jurisdiction's Prop 4 (Gann) Appropriation Limit included? *Not applicable for Special Districts.*
8. Is the budget process explained?
9. Is a jurisdiction-wide organization chart included?
10. Is the basis for assumptions for key revenue estimates described?
11. Does budget include at least the General Fund, special revenue funds, and enterprise funds of the jurisdiction, and a listing of all other funds used in the jurisdiction (such as internal service, debt service, and capital project funds)?
12. Is there a summary schedule of revenues, by fund, and does it display at least the proposed budget year(s) and the two prior years?
13. Is there a summary schedule of expenditures, by fund, and does it display at least the proposed budget year(s) and the two prior years?
14. Is there a summary schedule of expenditures, by department, organization, program or function, and does it display at least the proposed budget year(s) and the two prior years?
15. Is there a fund balance summary schedule, by fund, showing changes from the projected beginning balances through the end of the budget year(s)?
16. Do the budget detail pages describe the department, organization, program or function in question?
17. Does the budget describe the level of budget control exercised by the jurisdiction and is that level included in the budget document?
18. Is there a summary of personnel (headcount) by organization, fund or department for the proposed budget year(s) and the prior year?
19. Is the budget clearly enough organized and presented as a document?
20. Do the budget numbers and format appear to be accurate and consistent throughout the document?

Note: For reference purposes only. Not an application. To submit an application, use the Award Force software at csmfo.awardsplatform.com.

CSMFO EXCELLENCE AWARD SECTION
Additional Items Required For CSMFO Excellence Award
For Operating Budgets Beginning July 1, 2017

1. Does the document display an effective use of graphics, artwork and charts?
2. Is there an in-depth description of revenue sources and basis for estimates?
3. Does document include a jurisdiction profile, review of community demographics, location, and economic outlook?
4. Does document include actual budget adoption resolutions/ordinances enacted by the jurisdiction's governing body?
5. Are implications of Prop 4 (Gann) limit discussed and/or future trends analyzed? *Not applicable for Special Districts.*
6. Does document demonstrate the use of cost accounting or allocated costs?
7. Is there a description of financial/budget policies, which govern finance or budget development such as for reserves, debt management, CIP, and revenue projections?
8. Are there additional prior year revenues, expenditures and organizational detail schedules included beyond the summary schedules identified in Meritorious Award Section item #12, 13 and 14?
9. Are there additional future years of forecasted revenues, expenditures and organization detail schedules included?
10. Is there additional budget detail highlighting recent accomplishments?
11. Is there additional budget detail describing budget year goals for organization or program?
12. Is there additional budget detail identifying performance measures such as workload and/or efficiency or effectiveness indicators?
13. Are performance measures directly linked to stated goals?
14. Are personnel/staffing levels listed for each detail budget level (department, function, division, and program)?
15. Are departmental organizational charts included in the document?
16. Is there a description of staffing level changes compared to prior year?
17. Is there a discussion of employee compensation and benefits included?
18. Is there a description of budgeted debt obligations included?
19. Is there a list of acronyms used and are the acronyms defined?
20. Does the budget document include a glossary of terms?
21. Does document include financial trend indicators and the associated analysis?
22. Is there a comparison of financial status to other jurisdictions?
23. Does document display exceptional format clarity and presentation effectiveness?

Note: For reference purposes only. Not an application. To submit an application, use the Award Force software at csmfo.awardsplatform.com.

FINANCIAL AND STATISTICAL TABLES

INTERFUND TRANSACTIONS - REIMBURSEMENT TRANSFERS

	Actual 2007-08	Budget 2008-09	2009-11 Financial Plan	
			2009-10	2010-11
General Fund	(4,075,300)	(4,210,800)	(4,406,800)	(4,496,200)
Community Development Block Grant Fund	28,200	1,900		
Enterprise and Agency Funds				
Water	1,391,600	1,447,300	1,524,500	1,555,000
Sewer	1,643,100	1,708,800	1,789,700	1,825,500
Parking	460,900	479,300	500,400	510,400
Transit	280,900	292,100	300,700	306,700
Golf	157,300	163,600	169,700	173,100
Whale Rock Commission	113,300	117,800	121,800	125,500
Total Enterprise and Agency Funds	4,047,100	4,208,900	4,406,800	4,496,200
NET REIMBURSEMENT TRANSFERS	\$0	\$0	\$0	\$0

Summary of Purpose of 2009-11 Reimbursement Transfers

All of the City's General Government and CIP Project Engineering programs are initially accounted and budgeted for in the General Fund. However, these support service programs also benefit the City's CDBG, enterprise and agency fund operations, and accordingly, transfers are made from these funds to reimburse the General Fund for these services. These transfers are based on a Cost Allocation Plan prepared for this purpose which distributes these shared costs in a uniform, consistent manner in accordance with generally accepted accounting principles. Copies of the most current Cost Allocation Plan are available from the Department of Finance upon request. For fiscal years 2009-11, the following is a summary of total general government, CIP project engineering and facility use costs, and the percentage level supported by the General, CDBG, Enterprise and Agency Funds:

	2009-10	2010-11
General Government Programs		
City Council	135,600	138,800
General Administration		
City Administration	757,500	757,200
Public Works Administration	1,093,700	1,040,000
Transportation Planning & Engineering	582,900	575,800
Parks & Recreation Administration	650,300	665,900
Legal Services	549,900	552,700
City Clerk Services	328,000	438,700
Organizational Support Services		
Finance, Human Resources, Information		
Systems, and Geodata Services	4,408,800	4,580,100
Risk Management and Insurance Expenditures	2,434,900	2,456,800
Other Support Services (telephones, copiers, etc)	223,100	225,600
Buildings and Vehicle Maintenance	1,966,200	2,021,400
Total General Government Programs	13,130,900	13,453,000
CIP Project Engineering Program	1,526,400	1,584,100
Facilities and Equipment Use	4,578,500	4,715,900
Total Reimbursed Programs	19,235,800	19,753,000
Percent Funded By		
General Fund	77%	77%
Enterprise and Agency Funds	23%	23%
Total Reimbursed Programs	100%	100%

FINANCIAL AND STATISTICAL TABLES

INTERFUND TRANSACTIONS - OPERATING TRANSFERS

	Actual 2007-08	Budget 2008-09	2009-11 Financial Plan	
			2009-10	2010-11
General Fund				
Operating Transfers In				
Gas Tax Fund	835,100	785,000	787,000	791,000
TDA Fund	34,300	22,300	22,400	22,500
Airport Area Impact Fee Fund				
Open Space Protection Fund	5,000			
Proposition 1B	711,600			
Proposition 42	131,300	436,000	422,800	463,300
Total operating transfers in	1,717,300	1,243,300	1,232,200	1,276,800
Operating Transfers Out				
Downtown Association Fund				
Community Development Block Grant	(41,100)	(45,000)	(55,100)	(55,100)
Law Enforcement Block Grant Fund				
Capital Outlay Fund	(9,365,600)	(3,669,200)	(3,759,200)	(3,275,400)
Open Space Protection Fund	(323,000)	(234,000)	(322,500)	
Fleet Replacement Fund	(1,109,000)	(550,000)	(113,400)	
Debt Service Fund	(2,078,000)	(2,075,900)	(2,901,800)	(2,670,900)
Transportation Impact Fee	(701,900)			
Golf Fund	(440,700)	(335,000)	(242,600)	(207,200)
Total operating transfers out	(14,059,300)	(6,909,100)	(7,394,600)	(6,208,600)
Total Operating Transfers	(12,342,000)	(5,665,800)	(6,162,400)	(4,931,800)
Community Development Block Grant Fund				
Operating Transfer In				
General Fund	41,100	45,000	55,100	55,100
Gas Tax Fund				
Operating Transfer Out				
General Fund	(835,100)	(785,000)	(787,000)	(791,000)
Capital Outlay Fund				
Total operating transfers out	(835,100)	(785,000)	(787,000)	(791,000)
Transportation Development Act Fund				
Operating Transfer Out				
General Fund	(34,300)	(22,300)	(22,400)	(22,500)
Proposition 42 Fund				
Operating Transfer Out				
General Fund	(131,300)	(436,000)	(422,800)	(463,300)

FINANCIAL AND STATISTICAL TABLES

INTERFUND TRANSACTIONS - OPERATING TRANSFERS

	Actual 2007-08	Budget 2008-09	2009-11 Financial Plan	
			2009-10	2010-11
Proposition 1B Fund				
Operating Transfer Out				
General Fund	(711,600)	(657,700)		
Capital Outlay Fund				
Operating Transfer In				
General Fund	9,365,600	3,669,200	3,759,200	3,275,400
Transportation Impact Fee Fund	14,200			
Proposition 1B Fund		657,700		
Operating Transfer Out				
Golf Fund	(21,300)			
Total operating transfers in	9,358,500	4,326,900	3,759,200	3,275,400
Open Space Protection Fund				
Operating Transfers In				
General Fund	323,000	234,000	322,500	
Operating Transfer Out				
General Fund	(5,000)			
Total operating transfers in	318,000	234,000	322,500	0
Fleet Replacement Fund				
Operating Transfers In				
General Fund	1,109,000	550,000	113,400	
Debt Service Fund				
Operating Transfer In				
General Fund	2,078,000	2,075,900	2,901,800	2,670,900
Transportation Impact Fee Fund				
Operating Transfer In				
General Fund	701,900			
Operating Transfer Out				
Capital Outlay Fund	(14,200)			
Total operating transfers	687,700	0	0	0
LOVR Impact Fee Fund				
Operating Transfer Out				
Transportation Impact Fee Fund				
Golf Fund				
Operating Transfer In				
General Fund	440,700	335,000	242,600	207,200
Capital Outlay Fund	21,300			
Total operating transfers in	462,000	335,000	242,600	207,200
NET OPERATING TRANSFERS	\$0	\$0	\$0	\$0

FINANCIAL AND STATISTICAL TABLES

AUTHORIZED REGULAR POSITIONS BY DEPARTMENT

	Actual	Budget	2009-11 Financial Plan	
	2007-08	2008-09	2009-10	2010-11
ADMINISTRATION	11.0	11.0	10.3	10.3
City Administration				
City Manager	1.0	1.0	1.0	1.0
Assistant City Manager	1.0	1.0	1.0	1.0
Principal Administrative Analyst	1.0	1.0	0.5	0.5
Administration Executive Assistant	1.0	1.0	1.0	1.0
Administrative Assistant*	0.4	0.4	0.0	0.0
Total City Administration	4.4	4.4	3.5	3.5
Natural Resources Management				
Natural Resources Manager	1.0	1.0	1.0	1.0
City Biologist	1.0	1.0	1.0	1.0
Administrative Assistant*	0.3	0.3	0.0	0.0
Total Natural Resources Protection	2.3	2.3	2.0	2.0
Economic Development				
Economic Development Manager	1.0	1.0	1.0	1.0
Administrative Assistant*	0.3	0.3	0.0	0.0
Administrative Analyst **	0.0	0.0	0.3	0.3
Total Economic Development	1.3	1.3	1.3	1.3
Community Promotion				
Principal Administrative Analyst	0.0	0.0	0.5	0.5
Total Community Promotions	0.0	0.0	0.5	0.5
Records and Elections				
City Clerk	1.0	1.0	1.0	1.0
Administrative Assistant	2.0	2.0	2.0	2.0
Total Records and Elections	3.0	3.0	3.0	3.0
<i>*Position is being eliminated in January 2010.</i>				
<i>** Position authorized as 1.0 FTE in Finance & IT in 2007-09 budget; 0.3 is allocated to Economic Development in 2009-11.</i>				
CITY ATTORNEY	3.0	3.0	3.0	3.0
Legal Services				
City Attorney	1.0	1.0	1.0	1.0
Assistant City Attorney	1.0	1.0	1.0	1.0
Legal Assistant/Paralegal	1.0	1.0	1.0	1.0
Total Legal Services	3.0	3.0	3.0	3.0
HUMAN RESOURCES	5.0	5.0	5.0	5.0
Human Resources Administration				
Director of Human Resources	1.0	1.0	1.0	1.0
Human Resources Analyst	1.0	1.0	1.0	1.0
Human Resources Executive Assistant	1.0	1.0	0.0	0.0
Administrative Assistant	0.0	0.0	1.0	1.0
Human Resources Specialist	1.0	1.0	1.0	1.0
Total Human Resources Administration	4.0	4.0	4.0	4.0
Risk Management				
Risk & Benefits Manager	1.0	1.0	1.0	1.0

SAMPLE ALLOCATION OF AUTHORIZED POSITIONS

Position	Fund				
	General	Water	Sewer	Solid Waste	Drainage
City Administrator	70.0%	20.0%	5.0%	5.0%	
Community Development Director	40.0%	15.0%	15.0%	15.0%	15.0%
Finance Director	70.0%	15.0%	7.5%	7.5%	
Finance Manager	70.0%	15.0%	7.5%	7.5%	
Public Works Director	10.0%	20.0%	20.0%	10.0%	10.0%

Note: Only positions that are allocated to more than one fund would be included in this schedule.

FINANCIAL AND STATISTICAL TABLES

PENSION OBLIGATION COST TRENDS

OVERVIEW

The following provides information on employer retirement costs and contributions for the past five years and budget for 2009-11, along with background information on the City's retirement plans.

Background

About CalPERS. Along with 2,500 other cities and local agencies, the City contracts with the California Public Employees Retirement System (CalPERS) for our "defined benefit" retirement plan, which covers all of our regular employees (except in rare circumstances, temporary employees are not covered by the CalPERS plan). We have two plans: one for sworn safety employees (like police officers and firefighters) and another for non-sworn employees (everyone else).

CalPERS is a separate and distinct legal entity from the City, and serves as an independent fiduciary in managing the City's retirement plan assets.

Current Costs Consistent with Past Projections. The impact of increasing retirement costs on the City's fiscal situation is not "new" news. In the aftermath of "9/11" and other impacts on stock market performance such as the "dot.com" blow-up and corporate scandals like WorldCom, Enron and Tyco, we knew that large increases in retirement costs were in our future. For this reason, we contracted with an independent, highly regarded actuarial firm (Aon Consulting) back in 2002 in order to get a handle on them.

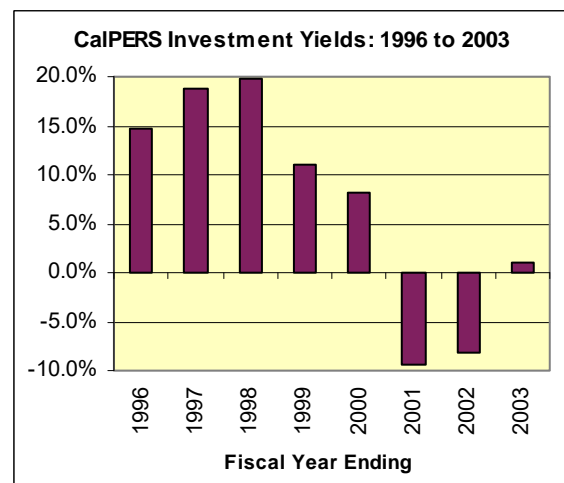
The estimates made then have been astonishingly close to actual results; and these impacts were included in our five-year fiscal forecast prepared back in 2002 (and updated again in December 2004, December 2006 and December 2008).

Quick Facts about the City's Retirement Plan

1. PERS investment losses have had the greatest impact on higher retirement costs, not enhanced benefits. We estimate that about 17% of the cost increase for public safety sworn employees is

due to benefit enhancements, with the remaining 83% due to other factors. None of the cost increases for non-sworn employees can be attributed to benefit enhancements.

The following summarizes CalPERS investment yields for the five years before and the three years after "9/11:"



As reflected above, CalPERS investment yields before 9/11 were far above its actuarial assumption of 8.25% at the time (and this excellent performance resulted in excess assets in our plan). It also shows that CalPERS did well compared with many other investors in this post-9/11 environment.

However, the fact is that these losses converted significant excess assets into actuarial liabilities, and this meant we would now have to begin paying our "normal" costs (which we were not required to do for a number of years before 9/11 due to excess assets) as well as supplemental costs to amortize the actuarial liability.

2. Public employees should have a stable defined benefit plan as a trade-off for the lack of ability to participate in stock options, profit sharing or bonuses as many private sector employees do. Such a benefit helps us compete with the private sector for qualified employees. At the end of the day, it is through our employees that we deliver the City's essential services of catching bad

FINANCIAL AND STATISTICAL TABLES

PENSION OBLIGATION COST TRENDS

guys, putting out fires, responding to medical emergencies and paving streets.

3. When the City entered into contracts with our public safety unions to enhance retirement benefits, three factors were in place:

- Due to high investment returns, there were significant excess assets in our retirement program, and because of this, CalPERS told us that future employer contributions were unlikely as far as the eye could see.

Of course, CalPERS could not reasonably be expected to have anticipated the “trifecta” impact on the stock market of “9-11,” the dot.com meltdown and corporate scandals like Enron and WorldCom. And as noted above, while CalPERS experienced several years of losses, they were far lower than those experienced by comparable investors.

- Many cities also received this same message of no or low costs in the future, and with the change in the law at the State level creating optional enhancements to the CalPERS system, the new retirement levels quickly became the statewide public safety standard for cities.

The rationale for these the public safety retirement plan is the physical nature of this work (combined with the high consequence of error), which makes it difficult for many front-line employees to perform effectively as they enter their later-fifties and early-sixties.

- Binding arbitration for sworn police and fire employees – which was solidly approved by the voters of San Luis Obispo in November 2000 – created a bargaining environment that made it difficult not to meet that statewide standard. This was especially true since all of the documentation from PERS told us that it wouldn’t cost us anything.

And once the enhanced public safety benefits were agreed upon, it was hard to keep non-safety employees – who were

willing to absorb the full added cost – from pursuing enhanced benefits, especially since they were willing to give up already agreed upon salary increases in order to do so.

4. Because our public safety retirement plan is in the mainstream of plans in most other cities throughout the State, the fact is that without this plan, we would not be able to attract and retain qualified police officers and firefighters. There are three consequences of ignoring the labor market:

- We will become a training ground for police officers and firefighters for other agencies, with high turnover. This will be a good deal for other communities, but not our own.
- We will simply not attract the best qualified employees for the most basic and essential of City services, which our community highly values.
- And most likely, some combination of these two.

For these reasons, many of the few remaining agencies that have not already adopted these “mainstream” plans for their sworn police and fire employees are in the process of doing so.

Summary

We believe that the retirement plans in place today are appropriate, given the circumstances under which they came about and our need to attract and retain qualified employees – who are the foundation for the services that our community tells us they highly value.

However, we also recognize that some reforms are needed, and for this reason, we are working closely with the League of California Cities and others for “course corrections” in the CalPERS system.

For More Information. The City has prepared a comprehensive compilation of retirement cost trends and issues (*PERS FAQ's*), which has been widely distributed and is available on our web site at: www.slocity.org/finance/reports.asp.

FINANCIAL AND STATISTICAL TABLES

PENSION OBLIGATION COST TRENDS

CALPERS EMPLOYER CONTRIBUTIONS

CalPERS Employer Cost Trends

The following summarizes CalPERS employer costs since 1998-99:

Employer Retirement Contributions			
Fiscal Year	Safety	Non-Safety	Total
1998-99	\$235,800	\$0	235,800
1999-00	-	-	-
2000-01	-	-	-
2001-02	-	-	-
2002-03	498,000	264,100	762,100
2003-04	1,660,100	1,397,300	3,057,400
2004-05	2,422,500	1,987,700	4,410,200
2005-06	2,796,100	2,550,200	5,346,300
2006-07	3,159,100	2,747,100	5,906,200
2007-08	3,385,800	3,145,200	6,531,000
2008-09*	4,484,300	3,629,800	8,114,100
2009-10*	4,403,400	3,243,100	7,646,500
2010-11*	4,510,400	3,347,300	7,857,700

* Estimated for 2008-09 and budget for 2009-10 and 2010-11.

2008-09 reflects retroactive costs for binding arbitration decision.

As reflected above, no contributions for non-safety employees were required for four years (1998-99 through 2001-02); and no contributions were required for safety employees for three years.

CalPERS Costs in Context. For 2009-10, our estimated CalPERS cost for employer contributions is \$7.6 million. To place this in perspective, this represents 7.9% of our total City budget for 2009-10 of \$95.6 million. So, while it's certainly a significant cost, it is not an undue portion of total City costs.

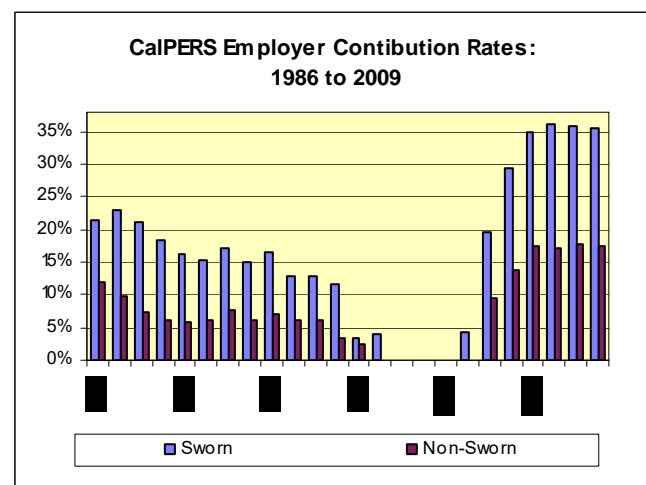
Future Cost Outlook. Based on rates that will be in effect in 2009-10 and CalPERS projections for 2010-11 (which are virtually the same as our rates in 2007-08 and 2008-09), we believe our retirement costs have now stabilized, and continued rate increases like those in the recent past are unlikely.

However, CalPERS is again experiencing investment losses due to the largest economic downturn since the Great Depression. Due to CalPERS smoothing methodology, this will not have an effect on employer rates in 2009-11; and

CalPERS is developing strategies to further stabilize costs. The short story: significant rate changes, up or down, are unlikely in the near term.

CalPERS Employer Contribution Rates

These costs are directly affected by required employer contribution rates as a percent of payroll for covered employees. (Note: These rates only apply to "regular" compensation; they do not apply to overtime or "non-regular" pay.) The following shows changes in employer contribution rates for sworn and non-sworn employees since 1986:



As reflected in this chart, while rates are higher than in the past, the very low rates in the late 1990's and early 2000's were an exception – not the rule – to employer contribution rates. Based on the "roller coaster" swings in the past, it is possible that rates will move back to the "normal" levels of the 1980's if CalPERS investments do well in the future. However, as noted above, we believe that the best assumption at this time for future fiscal planning is that rates have now stabilized, and we shouldn't plan on significant rate decreases any time soon.

Current CalPERS Employer Contribution Rates

For 2009-10, the City's employer contribution rates are as follows:

	Normal	Unfunded Liability	Total
Non-Sworn	10.1%	7.6%	17.7%
Sworn	15.6%	20.3%	35.9%

FINANCIAL AND STATISTICAL TABLES

PENSION OBLIGATION COST TRENDS

As reflected above, our contribution rate is comprised of two components:

1. The **normal** rate is what's required to actuarially ensure that current contributions will meet future benefit requirements, assuming that there are currently no excess assets or unfunded liabilities.
2. The **unfunded liability rate** is what's required to amortize past unfunded liability costs over time. As noted above, due to investment losses, the CalPERS balance sheet went from excess assets to significant unfunded liabilities.

Employee Contribution Rates

While the method of doing so varies between employee groups, employees are responsible for making contributions to CalPERS along with employer contribution rates as follows.

Employee Contribution Rates

Non-Sworn	8%
Public Safety Sworn	9%

Private Sector Comparisons

Because City employees are not covered by Social Security, the City's retirement plan costs compare favorably with the private sector plans. For example, private sector employer costs for Social Security are 5.7% of payroll (excluding the portion for Medicare of 1.45%, which the City does participate in).

As such, if employers in a defined contribution plan contribute a modest 4% of compensation to their plans, then the two programs would be very similar: 9.7% in the private sector compared with the normal contribution rate of 9.9% for non-sworn employees.

CALPERS FUNDING LEVELS

The following shows CalPERS funding levels for the most recent ten years that this information is available from CalPERS:

CalPERS Funding Levels: Last Ten Years

Actuarial Valuation Date Ending June 30	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Assets Over (Under) Actuarial Accrued Liability	Funded Ratio
Safety Employee Plan				
1998	51,600	43,389	8,211	118.9%
1999	56,989	47,046	9,942	121.1%
2000	62,387	54,256	8,131	115.0%
2001	65,800	65,700	100	100.1%
2002	60,300	73,400	(13,100)	82.1%
2003	61,200	80,300	(19,200)	76.2%
2004	64,997	88,300	(23,400)	73.6%
2005	69,399	94,527	(25,128)	73.4%
2006*	6,102,616	7,278,050	(1,175,434)	83.9%
2007*	6,826,599	7,986,055	(1,159,456)	85.5%
Non-Safety Employee Plan				
1998	42,850	31,203	11,647	137.3%
1999	50,187	37,269	12,919	134.7%
2000	55,308	43,017	12,291	128.6%
2001	57,800	55,500	2,300	104.1%
2002	53,500	61,700	(8,200)	86.8%
2003	55,100	71,000	(16,000)	77.5%
2004	59,400	77,600	(18,200)	76.5%
2005	64,740	85,207	(20,467)	76.0%
2006	70,848	92,505	(21,657)	76.5%
2007	78,069	100,312	(22,243)	77.8%

In thousands of dollars

** Effective July 1, 2007 the Safety Plan is a member of a CalPERS safety pool, and as such, the City will only receive information on the entire pool, not City specific data.*

As reflected above, our current actuarial liability is not the norm. From 1996 until 9/11, we had significant excess assets in both plans for almost all years. For example, in 1999, we had \$9.9 million in excess assets in our safety plan (121% funded) and \$12.9 million in excess assets in our non-safety plan (135% funded). This underscores the cost trends discussed previously, where for many years the City did not have to make its "normal" employer contribution at all, due to the strength of excess plan assets for both sworn and non-sworn employees.

It also underscores one other point: we know we will be able to return to being fully funded in the future, because we've been there in the past (and as shown above, our rates include amortizing the unfunded liability).

FINANCIAL AND STATISTICAL TABLES

RETIREE HEALTH CARE OBLIGATIONS

VERY LIMITED COST OBLIGATIONS

Compared with many other cities throughout the State and the nation, the City has taken a very conservative approach to providing retiree health care benefits. In fact, our contribution is the lowest allowed under our participation in the California Public Employees' Retirement System (CalPERS) health benefit program.

And as discussed below, the City has committed to fully funding our obligations on an actuarial basis.

Cost Trends

The following chart summarizing the City's retiree health costs for the last five years and the budget for 2009-10 shows two things:

1. On a cash basis (2004-05 through 2007-08), the City's retiree health costs are very small part of the City's costs: for example, in 2007-08, this represents less than one-tenth of one percent of the City's expenditures.
2. And even on a full actuarial basis (2008-09 and 2009-10), the costs is less than 1% of total City expenditures.

Retirement Health Care Costs		
Fiscal Year	Cost	% of Total
2009-10*	709,400	0.74%
2008-09*	639,400	0.41%
2007-08	41,700	0.04%
2006-07	41,700	0.05%
2005-06	34,700	0.02%
2004-05	29,900	0.04%

* Budgeted

New Reporting Standard: GASB 45. As discussed below, changes in generally accepted accounting principles adopted by the Governmental Accounting Standard Board (GASB) under Statement No. 45 (GASB 45) and effective for the City in 2008-09 will shift the reporting of retiree health care benefits to an actuarial basis. While GASB 45 affects financial reporting of retiree health care obligations, it does not dictate how state and local governments should fund these obligations. For example, if

agencies budgeted and funded these costs on a cash basis before the effective date of GASB 45, they can continue to do so afterwards.

However, based on a detailed analysis presented to the Council in May 2008, the 2008-09 Budget includes funding for retiree health care benefits on an actuarial basis for three reasons:

1. In the not so distant future, it becomes cheaper to pre-fund this cost on an actuarial basis than continuing to fund it on a pay-as-you-go basis.
2. The cost of this modest benefit is unlikely to become less expensive in the future.
3. And the City's ability to fund this modest cost is unlikely to improve in the future. For context, annual payments under this approach will account for less than 1% of the City's annual budget.

DESCRIPTION OF THE CITY'S PROGRAM

The City's primary cost obligation for retiree health benefits is our election to participate in the CalPERS health benefit program under the "unequal contribution option."

Background. The City's primary "other post employment benefits than pensions" (OPEB) obligation is the minimum contribution that the City is required to make under its participation in the CalPERS health care program. When the City joined the CalPERS plan in 1993, it immediately experienced an increase in the plan choices available along with a significant reduction in rates. And due to CalPERS purchasing power, the City has continued to experience competitive health care rates since then.

However, as a condition of joining the CalPERS health program, the City agreed to contribute a minimum of \$16 per month towards retiree health care coverage. Under the regulations in place at the time, this was scheduled to increase by 5% per year. By 2007, this had risen to only \$20 per month. However, legislation adopted in 2006 (AB 2544) significantly altered this formula, resulting in

FINANCIAL AND STATISTICAL TABLES

RETIREE HEALTH CARE OBLIGATIONS

significant increases in the City's required contribution.

The following chart compares projected contribution rates, pre-AB 2544 and post-AB 2544. As reflected in this chart, contributions take a big jump in 2008. The only good news is that under AB 2544, the increases in contribution rates should level-off by 2013 at about \$145 per month. While higher than we expected, this is still much lower than the costs incurred by many California agencies.

CalPERS Retiree Health Care Contributions

Year	Minimum Monthly Contributions	
	Pre-AB 2544	Post-AB 2545
2007	\$20.30	\$20.30
2008	25.15	72.75
2009	30.47	85.16
2010	36.28	98.71
2011	42.57	113.33
2012	49.36	128.93
2013	56.63	145.38

As noted above, the City has historically paid these modest costs on a pay-as-you-go basis. Based on scheduled increases, OPEB costs on a cash basis are projected to be \$188,000 in 2008-09.

ACCOUNTING FOR FUTURE COSTS

As discussed above, until 2008-09, the City accounted for our limited retiree health care costs on a pay-as-you-go basis, which was consistent at the time with generally accepted accounting principles. However, beginning in 2008-09, GASB 45 will require that these costs be reported in the future on an actuarial basis. Complying with GASB 45 required performing an actuarial evaluation to determine these costs and prepare a plan for funding them. The results of this actuarial valuation of our retiree health care plans were presented to the Council on May 20, 2008.

Impact on the City

The chart below summarizes the City's OPEB liabilities and costs on an actuarial basis assuming discount rate options of 4.25% and 7.75%.

2008-09 OPEB Liabilities and Annual Costs	Discount Rate	
	4.25%	7.75%
Actuarial Liability <i>For context, the City's total net assets at June 30, 2007 were \$278.3 million</i>	\$10,765,000	\$5,918,000
Annual Required Contribution (ARC)		
Normal Cost	595,000	277,000
Amortization of Prior Accrued Cost	467,000	409,000
Total "ARC"	1,062,000	686,000
Pay-As-You-Go Cost	188,000	188,000
Variance: ARC vs Pay-as-You-Go	874,000	498,000

Role of the Discount Rate in Determining Costs

There are a number of assumptions that determine the actuarial cost of OPEB obligations, including:

1. Amount of the benefit
2. Projected cost increases of the benefit
3. Projected retirees and their level of participation in the program
4. Age distribution
5. Mortality and spousal coverage
6. Current unfunded liabilities
7. Discount (investment) rate

While each of these assumptions plays an important role in determining costs and contribution rates, the discount (investment) rate is a critical factor and one of the few that the City has some control over, depending on how it chooses to fund OPEB costs.

Three Basic Funding Options

There are three basic funding options and each carries its own assumed discount (investment) rate by the actuary under GASB 45 guidelines:

	Discount Rate
Pay-As-You-Go	4.25%
Pre-Fund Internally	4.25%
Pre-Fund Via an Irrevocable Trust *	7.75%

* This is how the City accounts for pension costs via participation in CalPERS.

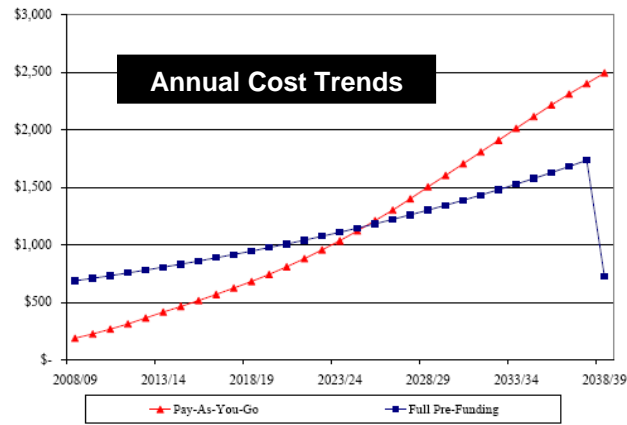
As reflected in the chart above, the difference between 4.25% and 7.75% is significant in determining annual required contributions. Keeping all other assumptions the same, it is much less expensive to fund annual OPEB costs via an irrevocable trust, where the discount rate is 7.75%, than other options, where the discount rate is 4.25%.

FINANCIAL AND STATISTICAL TABLES

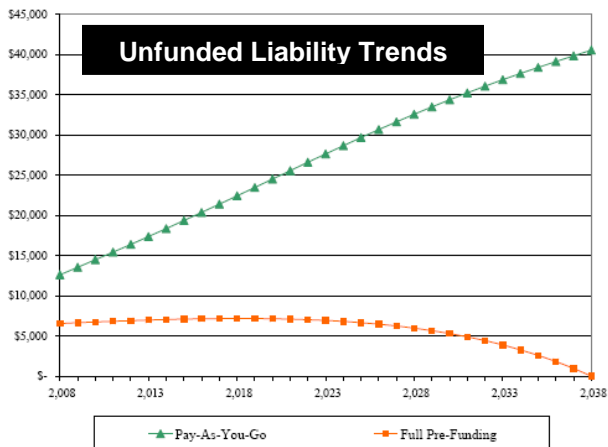
RETIREE HEALTH CARE OBLIGATIONS

Pay-As-You-Go Versus Pre-Funded Cost Trends

Pre-funding OPEB costs is initially more expensive than pay-as-you-go funding: an additional \$498,000 in 2008-09, assuming funding via an irrevocable trust. It is important to stress that GASB 45 does not require that the City budget or fund OPEB costs at this higher level – now or in the future. However, as reflected in the chart below, the cost in the not-so-distant future (about 15 years from now) becomes much more expensive under pay-as-you-go versus pre-funding.



And at the end of the amortization period, costs become much less expensive, as there are no longer any unfunded liabilities. Moreover, under the pay-as-you-go approach, the unfunded liability never goes away. In fact, as shown in the following chart, it continues to grow. On the other hand, funding at the “ARC” level results in no unfunded liabilities at the end of the amortization period – only ongoing “normal” costs.



Based on Council direction in May 2008, the City will begin pre-funding the OPEB obligation via an irrevocable trust in 2008-09.

As reflected above, the estimated cost for this organization-wide in 2009-10 is \$709,400. Of this amount, \$560,500 will be incurred in the General Fund and the balance in other funds, summarized as follows:

GASB 45 Cost allocation by Fund		
	2009-10	2010-11
General Fund	560,500	578,200
Community Development Block Grant	1,900	1,900
Water Fund	58,300	60,300
Sewer Fund	55,600	57,400
Parking Fund	16,900	17,400
Transit Fund	3,800	3,900
Golf Fund	5,600	5,800
Whale Rock	6,800	7,000
Total	\$ 709,400	\$ 731,900

Funding via an Irrevocable Trust

As discussed above, the most cost-effective approach in funding this cost is via an irrevocable trust, since it allows for higher actuarial yields on investments, which in turn reduces contribution rates. In May 2009, the Council approved a contract with CalPERS to provide OPEB trustee services.

Presenting the Budget to Your Constituents

▶ Bill Statler, Consultant and Trainer/Retired Finance
& IT Director, City of San Luis Obispo



Now that the Budget is adopted, you are being deluged with constituent requests from throughout your community for presentations on your agency's financial condition and outlook. (Well, it could happen ...) Okay: maybe not deluged. But it is likely in the aftermath of budget adoption that opportunities may arise to tell your agency's fiscal story to community groups.

I should note that meaningfully engaging your community and telling your fiscal story is probably more important during the budget development and review process than after its adoption. However, the good news is that the following tips in telling your fiscal story work equally well either during the budget process or after its adoption.

Effectively Communicating Complex Numbers. Regardless of size, local government finances can be very complicated. So what's the best way of communicating complex numbers? Don't. Instead, focus on communicating what they mean.

Linking Goals/Outcomes with Resources. At the end of the day, whether through an intentional process or otherwise, budgets tell us what's going to get done in the coming year (or two); and perhaps more tellingly, what won't get done. Your budget story should lead with the top goals for the year and how the budget allocates resources for these. Depending on your circumstances, it might also be important to identify key areas of unmet needs.

Financial Challenges in Preparing the Budget. Highlight the fiscal challenges that faced your agency in preparing a balanced budget and the steps you took in meeting them. This could include the results of longer-term forecasts; budget balancing actions reflected in the Budget; and challenges that may remain ahead.

Key Fiscal Policies. In this case, just focus on key ones (like balanced budget, reserves, revenue/debt service

ratios) and most importantly, how the budget stacks up to these. This will help demonstrate strong fiscal stewardship: first, by showing that you have clearly articulated policies to begin with (a good thing!); and importantly, that you follow them. On the other hand, if reserves are below policy levels, for example, then this is also an opportunity to discuss why this is the case and your plan for restoring them to policy levels.

Focus on the Fewest Things that Explain the Most Amount of Stuff. Okay: at some point in your fiscal story you're going to present some numbers. Even the smallest agencies have thousands of balance sheet and income accounts in their general ledger. The key to telling your fiscal story is to focus on the most important ones: in other words, the fewest things that explain the most amount of stuff. This is a take-off on the Pareto Principle (otherwise known as the 80/20 rule): typically, a large amount of effect is caused by a small number of factors. For example, 80%

 "...a finance officer's top responsibilities is to effectively tell the agency's fiscal story to the organization, governing body and the community."

of your sales tax revenues come from 20% of your retailers; 80% of your TOT revenues come from 20% of your hotels; and 80% of your personnel problems come from 20% of your employees.

Stated simply, communicating your fiscal story means focusing on your top revenues and expenditures.

For example, in most cities, it is likely that your top five General Fund revenues account for 75% to 80% of total revenues: focus on these.

Using cities as an example, their fiscal story can often be presented in five simple graphics that show where city funds come from and where they go:

- All Funds (Figure 1). Even if the focus is on the General Fund, it's useful to first

focus on the city as a whole, and place the General Fund in context.

- General Fund Expenditures (Figure 2). With the General Fund in context, show General Fund expenditures by type: operating, capital improvements (CIP) and debt service. In virtually all cases, day-to day operating costs – arresting bad guys, putting-out fires, filling chuck holes and pumping-up volley balls – are going to be the largest category. And if CIP costs are missing-in-action and a very small slice (or non-existent slice), that's an important part of your fiscal story, too. Lastly, it's an opportunity to show that the use of debt financing is modest (or if that's not the case, explain the circumstances).

- General Fund Operating Costs by Function (Figure 3). With operating costs in context from Figure 2, this emphasizes how funds are used in delivering day-to-day services: in most cases (as in this example), public safety is likely to be the most significant factor. It underscores that if cost reductions are necessary, and public safety is not part of the solution, then all other services will have to be reduced twice as hard.

- General Fund Operating Costs by Type (Figure 4). This shows the same total operating costs as Figure 4 but by type: in most cases (as in this example), staffing is likely to be the largest cost area. In this sample, this is directly related to public safety: police officers arrest bad guys and firefighters put out fires. It also shows that if meaningful and sustainable cost

reductions are needed, this means staffing cost reductions will be required.

On the other hand, for cities that largely contract-out their operations, this type of presentation can be helpful in making that point.

- General Fund Revenues (Figure 5). This shows top revenues, with the top five accounting for 75%.



After service charges and other taxes, everything else is just 5%.

On using pie charts: this type of presentation is often the best way of showing the "fewest things that explain the most amount of stuff." But if this is the goal, be careful that your pie chart only has a few slices! After about six slices, this is not the fewest things anymore; and if there's "leader lines" for 0.2% for fines and forfeitures, grants or interest earnings, Pareto is turning over in his grave.

Where You've Been. In some cases, it may be helpful to show where you've been. Figure 6 is a simple example of General Fund revenue trends that highlight the revenue challenges facing this agency. While it doesn't in this case, it might show how declines have bottomed-out and modest recovery is underway.

Know the Story You Want to Tell – and Tell that One. What's the plot? Who are the characters? Why do we care what happens to them? What's the moral?

Wrapping-Up: Zen Finance. One of a finance officer's top responsibilities is to effectively tell the agency's fiscal story to the organization, governing body and the community. The key to success is translating the numbers into what they mean in making your community a good place to live, work and play. ■

figure 1

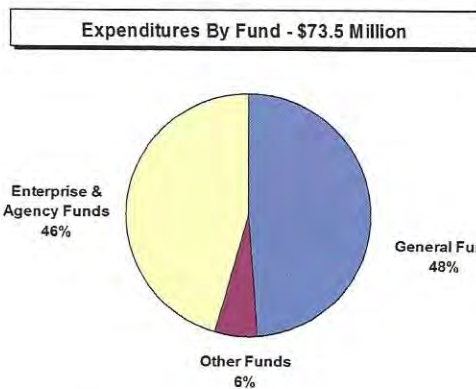


figure 2

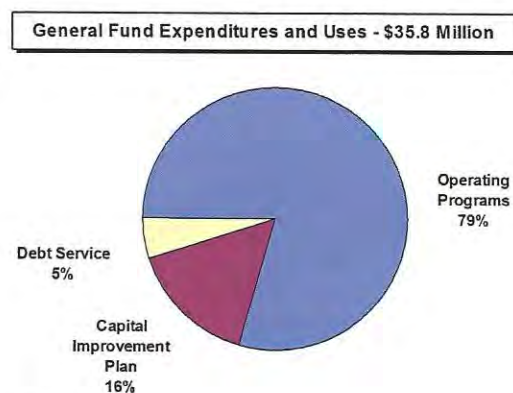


figure 3

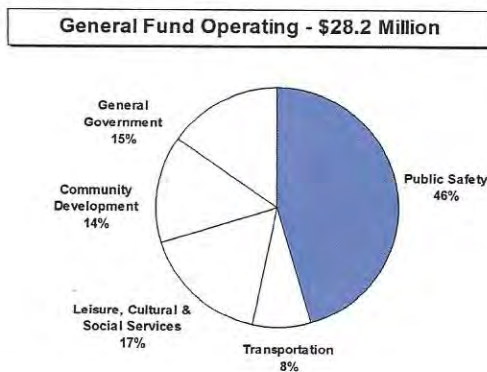


figure 4

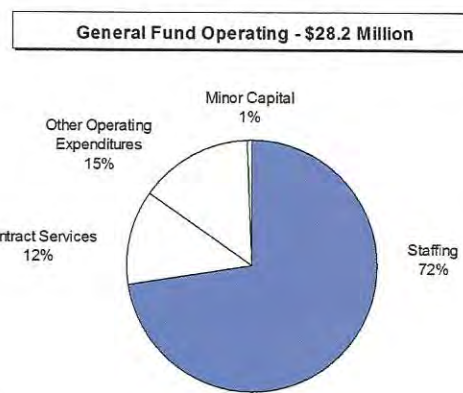


figure 5

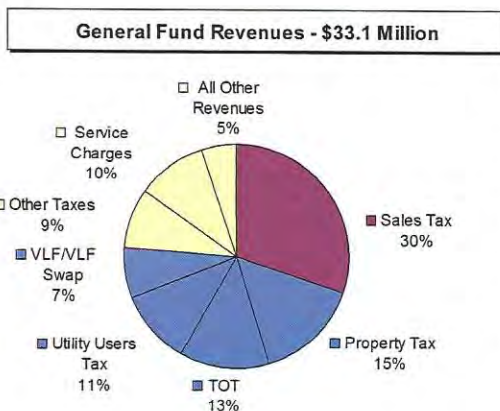
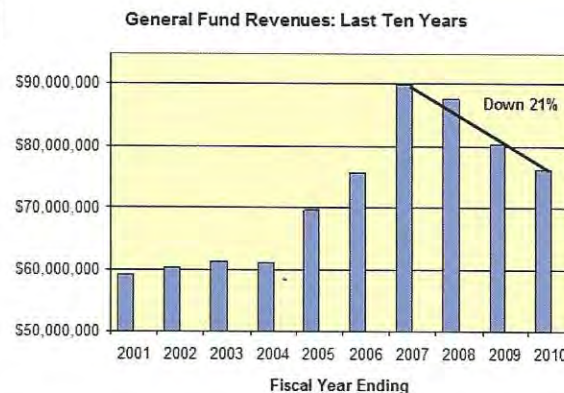


figure 6



Budget-In-Brief

2009-11 Financial Plan

Another very tough budget that would be much worse without Measure Y

The purpose of this "budget-in-brief" is to summarize the City's 2009-11 Financial Plan and 2009-10 Budget by highlighting the City's budget process, key budget features, major City goals and basic "budget facts." If you have any questions about the City's budget or would like a complete copy of the Financial Plan, please call us at 781-7125 or visit our web site at www.slocity.org.

Purpose of the City's Two-Year Financial Plan

The fundamental purpose of the City's Financial Plan is to link what we want to accomplish for the community with the resources necessary to do so. Our two-year Financial Plan process does this by: clearly setting major City goals and other important objectives; establishing reasonable timeframes and organizational responsibility for achieving them; and then allocating the resources required for implementation.

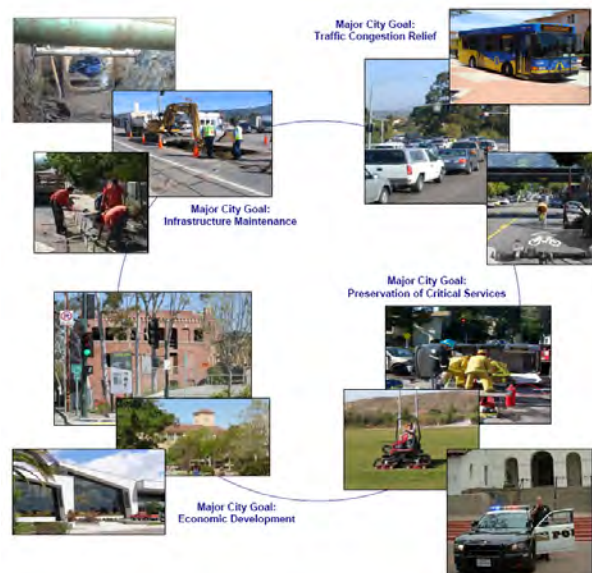
While appropriations are still made annually under this two-year process, the Financial Plan is the foundation for preparing the budget in the second year.

Major City Goals

Linking important objectives with necessary resources requires a process that identifies key

goals at the very beginning of budget preparation. Setting goals and priorities should drive the budget process, not follow it.

For this reason, the City began the 2009-11 Financial Plan process with a series of in-depth workshops where Council members considered candidate goals presented by community groups, Council advisory bodies and interested individuals; reviewed the City's fiscal outlook for the next five years and the status of current goals; presented their individual goals to fellow Council members; and then set and prioritized goals for the next two years.



City staff then prepared the Preliminary Financial Plan based on this policy guidance from the Council. A number of budget workshops and hearings followed, resulting in final Council adoption of the 2009-11 Financial Plan on June 16, 2009.

Financial Plan Policies

Formally articulated budget and fiscal policies provide the fundamental foundation for preparing and implementing the Financial Plan. Included in the Financial Plan

itself, these policies cover a broad range of areas such as user fee cost recovery goals, enterprise fund rates, investments, capital improvement management, capital financing and debt management, minimum fund balance and reserve levels, human resource management, productivity and contracting for services.

city of san luis obispo

KEY BUDGET FEATURES

Just two years ago, we characterized the City's fiscal outlook as the best in many years. This was largely due to the passage of Measure Y in November 2006, which established a general-purpose, ½-cent City sales tax. It also reflected an improved local economy and the absence of the threat of more State budget takeaways.

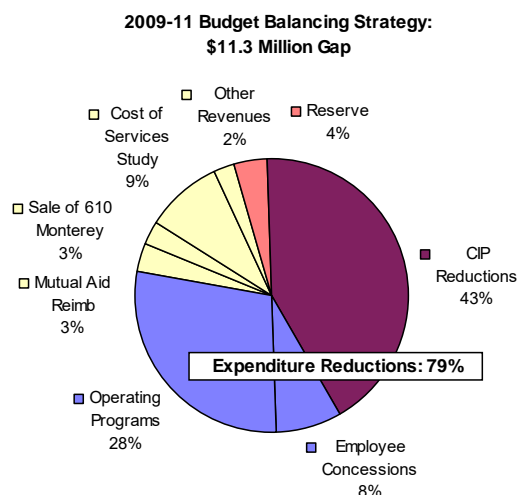
Unfortunately, this was no longer the case as the City began preparing the 2009-11 Financial Plan: we faced another very tough budget season. While Measure Y revenues continued to be a bright spot – in fact, without them we would have faced a dire fiscal situation instead of “just” a very tough one – all of the other bright spots had darkened. While there were several key actors in our tougher fiscal story, the most significant was the largest economic downturn since the Great Depression. This resulted in declines or tepid growth in our most important revenues, while costs – “but for” the corrective actions reflected in the 2009-11 Financial Plan, would have continued to grow.

The Gap Facing Us without Corrective Action

The five-year fiscal forecast presented to the Council in December 2008 projected a “budget gap” of \$10.4 million annually in 2009-11, without corrective action. Based largely on continued downturns in transient occupancy tax (TOT) revenues since that time, this grew to \$11.3 million by Spring 2009. This would have been much worse without Measure Y: it would have risen to almost \$17 million annually.

Budget-Balancing Strategy

The 2009-11 Financial Plan takes the corrective actions needed to close this gap and results in a balanced budget. As shown below, expenditure reductions played the largest role in this strategy, accounting for about 80% of the total.



Closing the Gap			
	Annualized	% of Total	One-Time
Reserve *	445,400	4%	890,800
New Revenues			
Cost of Services Study	1,030,700	9%	
Use of Property			
Sale of 610 Monterey	325,000	3%	650,000
Other Uses of Property	60,700	1%	
Mutual Aid Reimbursements	375,000	3%	
Improved Cost Recovery	205,000	1%	
Expenditure Reductions			
CIP Reductions	4,756,900	43%	
Employee Concessions	899,700	8%	
Operating Programs	3,182,800	28%	
Total	\$11,281,200	100%	

* Retains at 20% policy but on lower operating expenditures

General Fund Operating Budget Reductions

The deepest reductions were in the support departments, ranging from 11% to 8%; with the smallest reductions in “front-line” departments like Public Works, Police and Fire, ranging from 6% to 3%. Organization-wide, these reductions included staffing cuts of 26.8 full-time equivalent employees, of which 18.3 were regular positions. However, none of the proposed reductions resulted in regular staff lay-offs in the General Fund, based on vacancies and anticipated retirements.

Department	Annual Savings*	
	Amount	%
Council, Administration, City Attorney, City Clerk	393,300	11%
Human Resources	104,600	9%
Finance & Information Technology	308,800	8%
Community Development	172,250	6%
Parks & Recreation	273,150	7%
Public Works	739,250	6%
Police	876,050	6%
Fire	315,400	3%
Total General Fund	\$3,182,800	6%

* Annual Average for 2009-11

Use of Measure Y Revenues

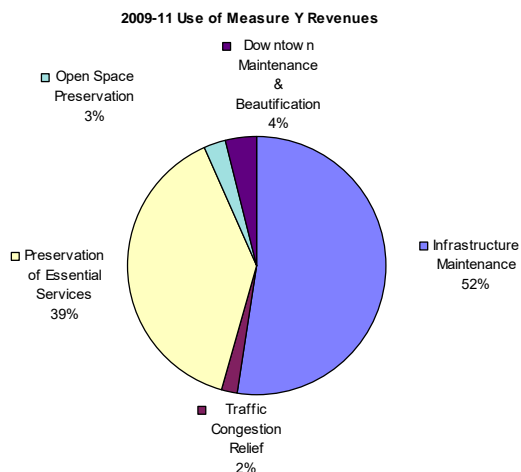
Measure Y revenues played an important role in mitigating even deeper cuts in City services while helping preserve essential services like police and fire protection; maintain critical infrastructure like street and sidewalk repairs; relieve traffic congestion; and preserve open space.

Provided in the following insert is background information about Measure Y revenues along with proposed uses in 2009-11 and actual uses last year in 2008-09.

MEASURE Y USES: PROPOSED 2009-11

About Measure Y. Adopted by the voters in November 2006 with 65% approval, Measure Y sets an added ½-cent City sales tax. This general purpose revenue measure is projected to generate about \$5.6 million annually in the 2009-11 Financial Plan. This assumes flat revenues compared with the prior year. However, trends since these projections were prepared show that revenues are likely to be slightly less than this. This measure will “sunset” in eight years unless reapproved by voters.

Proposed 2009-11 Uses. Measure Y revenues in 2009-11 will allow us to continue funding many of the community priorities that surfaced before and during the Measure Y campaign; and equally important, they will prevent the much deeper cuts in these priority areas that would otherwise be required. The 2009-11 Financial Plan identifies how Measure Y revenues will be used in funding operating programs and capital improvement plan projects, which are closely aligned with top Council goals and objectives.



As summarized in the chart above, **over 50% of anticipated Measure Y funding will be used to fund infrastructure maintenance efforts such as street and sidewalk repairs and storm drain replacements.**

Close to 40% of the funding will be used to preserve essential services like police and fire protection, creek and flood protection programs and neighborhood code enforcement.

Improving traffic congestion, maintaining and beautifying the Downtown and continuing preservation of open space make up the balance of anticipated Measure Y uses. Overall, about 35% of Measure Y resources will go towards operating programs over the next two years and 65% for capital improvements.

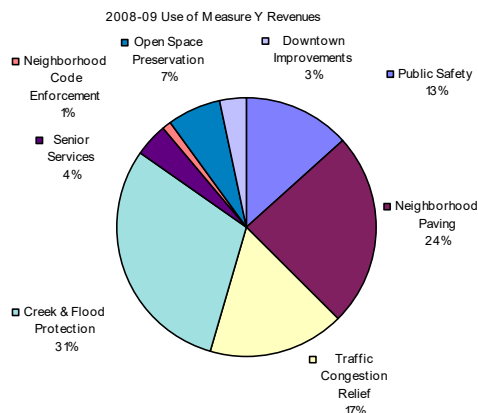
	Operating Programs	Capital Projects	Two-Year Budget Total
Infrastructure Maintenance			
Meadow Park Roof Replacement		45,000	45,000
Andrews Creek Bypass		330,000	330,000
Storm Drain Replacements		520,000	520,000
Minor Storm Drain Facilities		50,000	50,000
Higuera Culvert Repair		150,000	150,000
Sidewalk Repair		40,000	40,000
Sidewalk ADA Access Improvements		235,000	235,000
Warden Bridge Resurfacing		45,000	45,000
Street Reconstruction & Resurfacing		3,950,000	3,950,000
Street Light Painting		100,000	100,000
Urban Forest Management Plan		50,000	50,000
Street Fleet Replacements: Paver and Roller		365,800	365,800
Other Infrastructure Maintenance Projects		97,500	97,500
Total Infrastructure Maintenance		5,978,300	5,978,300
Traffic Congestion Relief			
Bicycle Safety	30,000		30,000
Traffic Safety Report Implementation		50,000	50,000
Neighborhood Traffic Management		40,000	40,000
Sidewalk Repair		40,000	40,000
Street Light Replacements - Broad Street		60,000	60,000
Total Traffic Congestion Relief	30,000	190,000	220,000
Preservation of Essential Services			
Public Safety			
Police Protection: Traffic Safety & Patrol	959,800		959,800
Fire Prevention & Training	825,700		825,700
Fire Engine/Truck Replacement: Debt Service		97,000	97,000
Maintenance Services			
Streets, Sidewalks and Traffic Signal Operations	363,700	106,500	470,200
Creek & Flood Protection	895,800		895,800
Parks	334,000	78,100	412,100
Project Management & Inspection	491,600		491,600
Neighborhood Code Enforcement			
Enhanced Building & Zoning Code Enforcement	247,800		247,800
"SNAP" Enhancement	36,200		36,200
Total Preservation of Essential Services	4,154,600	281,600	4,436,200
Open Space Preservation			
		322,500	322,500
Downtown Maintenance & Beautification			
Sidewalk Repairs	10,000	40,000	50,000
Mission Style Sidewalks		200,000	200,000
Sidewalk Scrubbing	40,000	-	40,000
Pedestrian Lighting		70,000	70,000
Comprehensive Signing Program		75,000	75,000
Total Downtown Maintenance & Beautification	50,000	385,000	435,000
TOTAL	\$4,234,600	\$7,157,400	\$11,392,000

Projected Measure Y Revenues

2009-10	5,572,800
2010-11	5,778,100
Total	\$11,350,900

MEASURE Y USES: ACTUAL 2008-09

As outlined in the sidebar table, actual uses of Measure Y revenues in 2008-09 (including encumbrances and carryovers) were \$8.2 million. Of this amount, about **75% went for neighborhood paving, traffic congestion relief and creek & flood protection.**



Public safety was enhanced through the addition of two patrol officers, traffic safety officer, communications technician, fire training battalion chief and additional essential training for the fire department.

Significant improvements were made in **street paving**, including the purchase of new equipment that allows the City's street crew to realize added productivity in maintaining the City's pavement. In addition, progress in **relieving traffic congestion** is underway with several intersection improvements as well as bicycle trail enhancements.

Creek and flood protection improvements included several projects to repair or replace storm drains and culverts. Additional storm drain improvement projects are currently under design and construction will be completed in the coming fiscal year.

The **Senior Center** at Mitchell Park underwent significant remodeling to improve the kitchen and storage situation. In addition, the construction of a parking lot at the center was completed during 2008-09. Measure Y also enabled the City to hire a **code enforcement** officer and additional employees in the Student Neighborhood Assistance Program (SNAP) to enhance the City's efforts in ensuring **compliance with building and zoning ordinances as well as responding to neighborhood issues.**

Open space preservation and **downtown improvements** continued through the use of Measure Y resources. This included the acquisition of an additional open space easement and increased maintenance efforts in the downtown core such as additional sidewalk cleaning and replacement of stairs at the Mission Plaza.

	Operating Programs	Capital Projects	2008-09 Total
Public Safety			
Police Protection: Traffic Safety & Patrol	748,200		748,200
Fire Prevention & Training	334,900		334,900
Neighborhood Paving and Deferred Street Maintenance			
Paving Crew Productivity	71,700	173,600	245,300
Neighborhood, Downtown & Arterial Street Paving		1,756,100	1,756,100
Traffic Congestion Relief			
Traffic Signal Operations	77,600	58,900	136,500
Johnson & Buchon Intersection Improvements		100,000	100,000
Bob Jones City-to-Sea Bike Trail Bridges		220,000	220,000
Tassajara/Foothill Intersection Improvements		125,000	125,000
Buena Vista/Garfield Intersection Improvements		14,500	14,500
Los Osos Valley Road Interchange			
Environmental Review & Design		586,900	586,900
Other Traffic Congestion Relief Projects	188,700		188,700
Creek and Flood Protection			
Storm Water Management Plan Implementation	813,000	30,300	843,300
Storm Drain Replacements		1,005,200	1,005,200
Creek Silt Removal		235,800	235,800
Andrews Creek Bypass Improvements		104,200	104,200
Bishop/Augusta Creek Bank Stabilization		36,500	36,500
Storm Sewer & Culvert Repairs		168,800	168,800
CIP Project Management & Inspection	91,600		91,600
Senior Services and Facilities			
Senior Center Window Replacement	10,000		10,000
Senior Center Remodel		343,400	343,400
Neighborhood Code Enforcement			
Enhanced Building & Zoning Code Enforcement	71,200		71,200
"SNAP" Enhancement	18,100		18,100
Open Space Preservation			
Open Space Acquisition		360,000	360,000
Open Space Maintenance & Enhancements	43,900	140,000	183,900
Downtown Improvements			
Sidewalk Repairs	9,900	44,700	54,600
Sidewalk Scrubbing	20,000		20,000
Pedestrian Lighting		51,000	51,000
Mission Plaza Stair Replacement		61,500	61,500
Downtown Urban Forest Maintenance		50,000	50,000
Comprehensive Signing Program		40,000	40,000
Total	\$2,498,800	\$5,706,400	\$8,205,200

Measure Y Revenues & Uses Summary 2008-09

Revenues:	
Carryover from 2007-08 including encumbrances	3,098,800
Revenues for 2008-09	5,588,700
Total revenues available in 2008-09	8,687,500
Uses (including encumbrances and carryovers)	(8,205,200)
Net available for future year appropriations	\$482,300

MAJOR CITY GOALS

The 2009-11 Financial Plan sets *Major City Goals* for the next two years and links them with the programs, projects and resources necessary to achieve them. Detailed work programs have been prepared for each of these goals, including its relationship to Measure Y priorities, challenges we will face in achieving the goal, action plans and resource requirements. As reflected below, these goals are closely linked to Measure Y priorities. Progress in achieving these goals based on the adopted “action plans” is reported to the Council on an ongoing basis. Compared with prior years, where there were typically eight to twelve Major City Goals adopted by the Council, there are only four Major City Goals for 2009-11. This reflects added focus in light of the fiscal challenges facing the City.

Infrastructure Maintenance

Sustain an effective level of existing core infrastructure maintenance such as streets, sidewalks, creek & flood protection, park, and protection of other physical assets.



Traffic Congestion Relief

Continue efforts on projects which relieve traffic congestion, such as street modifications, intersection improvements, pedestrian improvements, bicycle facilities, traffic signal operations and public transit.



Economic Development

In collaboration with Cal Poly, Cuesta and the business community, develop strategies to increase economic development including emphasis on head-of-household jobs and environmentally sustainable businesses.



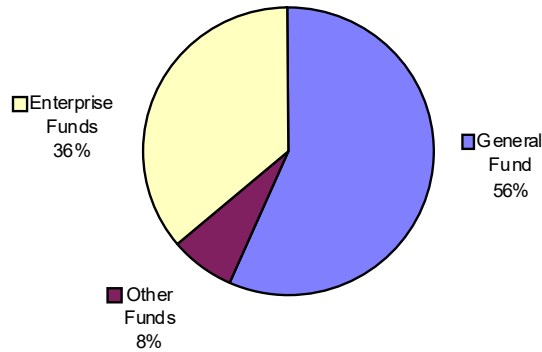
Preservation of Essential Services and Fiscal Health

Adopt a balanced budget that retains the City’s fiscal health, preserves essential services and implements long term productivity improvements and cost-reduction strategies.

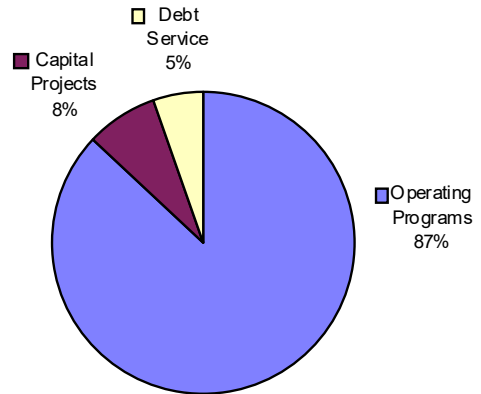


BUDGET FACTS

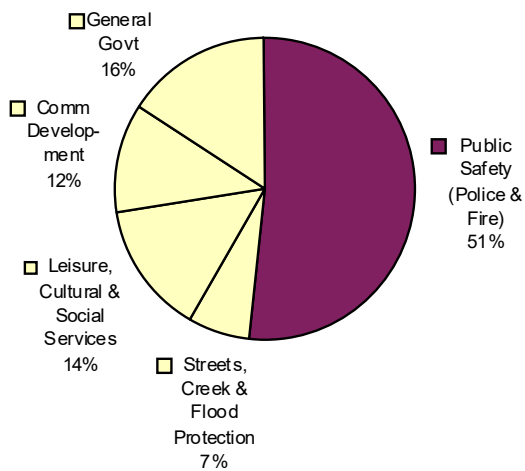
2009-10 Budget By Funding Source:
\$96.7 Million



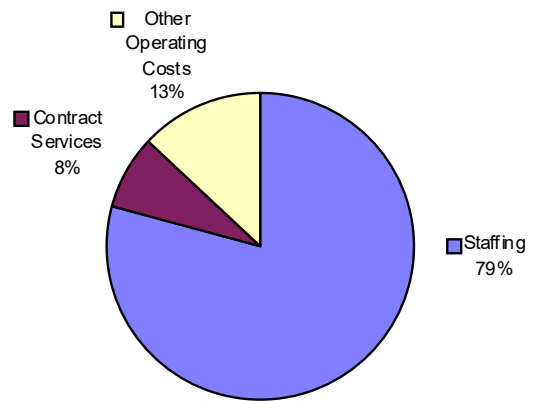
2009-10 General Fund Budget:
\$54.4 Million



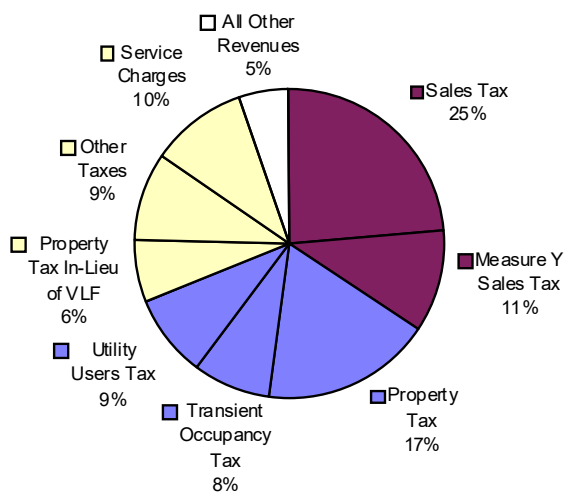
2009-10 General Fund Operating Budget
By Function: \$47.3 Million



2009-10 General Fund Operating Budget
By Type: \$47.3 Million



2009-10 General Fund Revenues:
\$51.8 Million



2009-11 Major Capital Projects: All Funds (In Millions)

Public Safety Improvements	\$1.5
Water and Sewer System Improvements	10.3
Neighborhood & Arterial Street Paving	4.0
Pedestrian & Bikeway Improvements	3.5
Creek & Flood Protection Improvements	1.3
Park Improvements	2.3
Open Space Preservation	1.1

These projects total \$24 million, accounting for about 90% of total capital project costs of \$27.1 million in 2009-11.

2009-11 Regular Staffing: All Funds

Public Safety	139.5
Public Utilities	60.8
Transportation	32.0
Leisure, Cultural & Social Services	33.0
Community Development	40.6
General Government	51.5
Total Positions	357.4

Staffing levels at the end of 2009-11

Financial Plan Calendar

When	Who	What
September 2, 2008	Council	<ul style="list-style-type: none"> Approves Financial Plan process and schedule.
September 30, 2008 <i>Special Workshop</i> 7:00 PM to 10:00 PM	Council	<ul style="list-style-type: none"> Reviews fiscal update and approves short-term budget actions in closing gap in 2008-09.
October 9, 2008	CAO/Finance	<ul style="list-style-type: none"> Updates advisory body chairs on the goal-setting process.
November 3 2008	Finance	<ul style="list-style-type: none"> Begins sending letters inviting participation in goal-setting process to community groups and interested individuals; and begins inserting Community Budget Bulletins in utility bills.
November 10, 2008	Advisory Bodies	<ul style="list-style-type: none"> Provide recommended goals to Finance.
November 17, 2008	Finance	<ul style="list-style-type: none"> Distributes consolidated listing of draft recommended goals to advisory bodies for their review.
November 20, 2008 <i>Special Workshop</i> 7:00 PM to 10:00 PM	Council	<ul style="list-style-type: none"> Holds workshop on status of General Plan and programs, long-term capital improvement plan (CIP), Major City Goals, objectives and CIP projects; results of cost of services study; and general fiscal outlook.
December 16, 2008 <i>Regular Meeting</i> May Start at 4:00 PM	Council	<ul style="list-style-type: none"> Finalizes goal-setting process; considers Financial Plan policies and organization; reviews audited financial results for 2007-08; and discusses results of General Fund five-year fiscal forecast.
December 29, 2008	Finance	<ul style="list-style-type: none"> Receives written comments from community groups and interested individuals, and any changes in goals from advisory bodies.
January 14, 2009 <i>Special Workshop</i> 6:30 to 9:30 PM	Council	<ul style="list-style-type: none"> Holds community forum at the Ludwick Community Center.
January 31, 2009 <i>Special Workshop</i> 8:30 AM to 4:00 PM	Council	<ul style="list-style-type: none"> Holds goal-setting workshop: discusses candidate goals presented at January 14 community forum; discusses Council member goals distributed on January 29; prioritizes and sets major City goals.
February 3, 2009	Council	<ul style="list-style-type: none"> Finalizes goals and priorities (if needed).
February 24, 2009 <i>Special Workshop</i> 7:00 PM to 10:00 PM	Council	<ul style="list-style-type: none"> Considers mid-year budget review.
March 19, 2009	Departments	<ul style="list-style-type: none"> Submit budget requests and major City goal work programs.
April 14, 2009 <i>Special Workshop</i> 7:00 to 10:00 PM	Council	<ul style="list-style-type: none"> Approves detailed work programs for Major City Goals. Sets strategic budget direction in preparing Preliminary Financial Plan.
April to Mid-May	Budget Review Team, Finance	<ul style="list-style-type: none"> Analyze department budget requests; hold briefings with departments; prepare revenue estimates; make recommendations to the CAO.
May 28, 2009	CAO	<ul style="list-style-type: none"> Finalizes budget recommendations and issues preliminary budget.
June 4, 9, 11, 2009 <i>Special Workshops</i> <i>Preliminary Budget</i> 7:00 to 10:00 PM	Council	<ul style="list-style-type: none"> Holds evening workshops to review and discuss Preliminary Budget: <ul style="list-style-type: none"> June 4: Overview and General Fund operating programs. June 9: General Fund CIP projects. June 11: Enterprise Fund programs, CIP projects and rates.
June 10, 2009	Planning Commission	<ul style="list-style-type: none"> Reviews CIP for General Plan consistency.
June 16, 2009	Council	<ul style="list-style-type: none"> Holds continued Financial Plan review and adopts budget. (Holds special meeting on June 23 to continue review and adopt budget if required.)

Key Council Dates in Bold

CHANGES IN FINANCIAL POSITION

GENERAL FUND

	Actual	Budget	2009-11 Financial Plan	
	2007-08	2008-09	2009-10	2010-11
Revenues				
Tax Revenues	45,194,500	44,305,000	43,637,200	45,106,400
Fines and Forfeitures	228,200	248,600	235,000	242,100
Investment and Property Revenues	1,116,700	940,700	648,000	650,600
Subventions and Grants	2,001,300	2,757,600	1,151,200	1,172,500
Service Charges	5,460,200	4,242,900	5,422,700	5,448,500
Other Revenues	151,100	718,000	778,000	128,000
Total Revenues	54,152,000	53,212,800	51,872,100	52,748,100
Expenditures				
Operating Programs				
Public Safety	25,055,900	27,754,800	24,275,700	24,820,600
Transportation	2,539,800	3,651,900	3,162,800	3,177,900
Leisure, Cultural & Social Services	6,398,600	7,107,700	6,689,300	6,876,800
Community Development	5,510,900	6,389,500	5,731,100	5,846,200
General Government	10,381,000	12,469,700	11,836,700	12,148,200
Total Program Expenditures	49,886,200	57,373,600	51,695,600	52,869,700
Reimbursed Expenditures	(4,075,300)	(4,210,800)	(4,406,800)	(4,496,200)
Total Expenditures	45,810,900	53,162,800	47,288,800	48,373,500
Other Sources (Uses)				
Operating Transfers In	1,717,300	1,243,300	1,232,200	1,276,800
Operating Transfers Out	(14,059,300)	(6,909,100)	(7,394,600)	(6,208,600)
MOA & Other Compensation Adjustments		(133,900)	(758,400)	(484,900)
Expenditure Savings		2,150,000	1,033,900	1,057,400
Total Other Sources (Uses)	(12,342,000)	(3,649,700)	(5,886,900)	(4,359,300)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(4,000,900)	(3,599,700)	(1,303,600)	15,300
Fund Balance, Beginning of Year	18,830,000	14,829,100	11,229,400	9,925,800
Fund Balance, End of Year	\$ 14,829,100	\$ 11,229,400	\$ 9,925,800	\$ 9,941,100

PUBLIC ENGAGEMENT IN BUDGETING

Budgeting is one of the most important decisions local agencies make.

Why involve the Public in Budgeting?

- The annual budget is typically the strongest statement of the local agency's priorities for the community. As such, it is important that the community is involved in the development of this document.
- Meaningful public involvement can help residents understand the hard choices that budgeting entails, and assist policy-makers in better understanding the programs and services residents value most.
- Increased public understanding about local agency budgets, including revenues, expenses and challenges can lead to greater support for budgetary decisions as well as for measures to increase effective use of local revenues.
- Transparency about the local agency finances and the budget decision-making process promotes public trust and confidence in the agency's stewardship of taxpayer dollars.
- The International County/City Management Association considers resident participation a core competency for successful public managers.
- The budgeting process allocates scarce taxpayer dollars to services, programs and facilities that play a key role in determining the community's quality of life.

What Is "Public Engagement?"

Public engagement works to increase the extent to which residents become more informed about local issues and participate more effectively in local decision making. Approaches include:

- Public information
- Public consultation
- Public deliberation
- Sustained public problem solving

► **More information:** www.ca-ilg.org/document/what-public-engagement

Source: Center for California Studies, Civic Engagement and Local Fiscal Attitudes: 2013 Survey of Californians

Choosing the Right Approach Means Asking the Right Questions

- What type of input do staff and officials want from the public relating to budget decisions—a vision, an expression of broad community values, new ideas or choices among options, or ranked or unranked sets of ideas or preferences?
- How will the public's preferences and/or ideas be considered in final budget decision-making?
- Is the goal solely a one-time process or also to build an ongoing local agency and community capacity for public engagement?
- In terms of the desired participation, is the goal to hear:
 - From a broad cross-section of community?
 - From those with present direct interest in the subject, including stakeholders or stakeholder groups?
 - Or a combination of both of these groups?
- What time period as well as financial and staff resources can be devoted to the effort?
- Is broader community understanding and support for the ultimate budget decisions the goal? How important is that goal?
- Is the local agency (elected and staff) clear about its public engagement commitment, goals, and process. Is there clear communication between elected officials and staff?
- How comfortable are policy-makers with public involvement in budget decisions? Are they willing to strongly consider community opinion, even if it means reducing spending elsewhere in the budget?

www.ca-ilg.org/PEConsultantTips

Tools to Consider

Once the purposes for engaging the public are clear, the task becomes selecting the approaches that best fit the goals. Often using more than one tool will secure the broadest participation.

Surveys: These provide a snapshot of public opinion at any given time; methods can include online, phone, mail, or in person (for example, using instant polling devices).

When to use: *When seeking input on budget balancing choices or strategies.*

Online Forums (Social Media): Technological platforms that allow for a virtual exchange of information and preferences.

When to use: *To gather input from a large number of people, on their schedule, from their home or office.*

Advisory Boards, Commissions and Committees:

Community members, typically representing interests, groups, areas of expertise or geographic areas are selected to provide input on budget goals, issues, priorities and decisions.

When to use: *When seeking to create a conduit for information between communities and local agency.*

Workshops: Opportunities for information sharing, discussion and feedback on budget goals and issues.

When to use: *Can give a significant number of community participants an opportunity to grapple with budget issues.*

Deliberative Forum: Similar to a workshop, but usually involves more information sharing and increased time for participant dialogue.

When to use: *When budget development is contentious and more in-depth and informed public input is desired.*

Participatory Budgeting: Allocation of a portion of revenues for local agency projects and programs by residents, utilizing an extensive nomination, community forum and voting process.

When to use: *When seeking to develop extensive community involvement in budget choices, particularly when there are significant differences of opinion in the community about spending new tax dollars or one-time funds, where community trust is low and/or where there are "new" revenues to allocate.*

Communication and Engagement

Information and outreach are essential components of any public engagement strategy:

- **Budget and Financial Information.** For the public’s input to be helpful, it must reflect the realities of the agency’s fiscal situation. This requires that the public have appropriate and accessible information about both the budget process and the public agency’s finances.
- **Process Information.** Another component of the communications strategy is sharing information about the budget decision-making process and the opportunities residents have to participate in discussions and share their thoughts.
- **Inclusive Education and Outreach Strategies.** For decision-makers to hear from an informed and representative cross-section of the community, the agency must use education and outreach strategies that reflect the diverse ways that community members receive information.
- **Feedback Loops.** It is important that residents understand how their input influenced the ultimate budget. This could be accomplished through a community newsletter, a section of the budget narrative, or social media tools

► **More information:** www.ca-ilg.org/EffectivePE-Strategic-Communication

One Strategy: Start with Goals

The Government Finance Officers Association (GFOA), the leading professional organization for public agency finance professionals, recommends that the budget process be tied to goals. Such goals can define what a community wants to preserve or what it wants to move toward (something GFOA calls the “preferred future state of the community”).

The budget process is a tool to realizing those goals, involving the allocation of resources to fund local agency services, programs and facilities which are a key part of the strategy for accomplishing the goals. Such goals also help decision-makers and the community set priorities for allocating limited resources.

Such goal setting can occur as part of the budget process or a separate strategic planning process. It is often helpful to begin the goal-setting process several months in advance of the annual budget process, so that the budget will reflect the key priorities of the city council and community.

Goal Setting Question Example: What are the most important things for the city/county/school/special district to focus on over the next five years?

A Strategy for Sustaining Public Engagement

A Working Group on Legal Frameworks for Public Participation has produced a model local ordinance for public participation as a tool for local agencies to use in committing to inclusive and authentic public participation in local agency decision-making processes.

► **More information:** www.ca-ilg.org/post/new-strategy-sustaining-public-engagement

Engage the Full Spectrum of Your Population

You may want to consider that participation in public engagement efforts more fully reflect community

“The mission of the budget process is to help decision-makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process.” [emphasis added]

—National Advisory Council on State and Local Budgeting

For Additional Information

- *A Local Official's Guide to Public Engagement in Budgeting*
www.ca-ilg.org/engaging-public-budgeting
- *Effective Public Engagement through Strategic Communication*
www.ca-ilg.org/EffectivePE-Strategic-Communication
- *Broadening Participation*
www.ca-ilg.org/broadening-participation
- *Transparency Strategies*
www.ca-ilg.org/transparency-strategies
- *Public Engagement Key Questions for Local Officials*
www.ca-ilg.org/PublicEngagementKeyQuestions
- *GFOA, Best Practices in Budgeting, Principle 1*
www.gfoa.org/services/nacslb/introprinciples.htm#1
- *GFOA Resource: Best Practices in Budgeting*
www.gfoa.org/services/nacslb/
- *Information on Local Agency Finance*
<http://www.ca-ilg.org/Budgeting-finance>
- *Evaluating Public Engagement Activities*
www.ca-ilg.org/measuring-public-engagement-success
- *ICMA Resource: Practices for Effective Local Government Management*
<http://webapps.icma.org/credentialing/Practices.pdf>



The Institute for Local Government is the nonprofit research and education affiliate of the League of California Cities, the California State Association of Counties and the California Special Districts Association.

Its mission is to promote good government at the local level with practical, impartial, and easy-to-use resources for California communities.

The Institute's current program areas include:

- Local Government Basics
- Public Engagement
- Ethics and Transparency
- Sustainability
- Collaboration and Partnerships

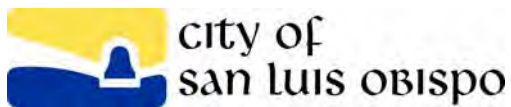
The Institute also gratefully acknowledges the following individuals who reviewed this document and offered their comments prior to publication:

- Dan Keen, City Manager, City of Vallejo
- William Statler, Municipal Financial Management Consultant, Retired Director of Finance & Information Technology/City Treasurer, City of San Luis Obispo

Public Engagement in Budgeting

www.ca-ilg.org/engaging-public-budgeting

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Sacramento, CA 95814
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Our Multi-Year Budgeting Experience

The City of San Luis Obispo prepared its first two year Financial Plan in 1983, and we have continued to use it as one of our core tools for planning and budget-making ever since.

The purpose of this “white paper” is to summarize our twenty-two years of experience with this approach, including: What are the benefits of multi-year budgets? What are the potential downsides? What are some of the underlying concepts that need to be in place in order to realize these benefits? What should other cities consider in moving to a multi-year budget? And lastly, why does this work for the City of San Luis Obispo?

What are the benefits of multi-year budgets?

We believe that the goals identified when the City's first two-year plan was prepared over twenty years ago continue to be realized:

- Integrate our goal-setting and budgetary process.
- Reinforce our commitment to long-term fiscal health by looking beyond a one-year time horizon in our ability to fund operating programs and capital improvements.
- Promote more “orderly spending patterns” – in other words, mitigate against the “use it or lose it” mentality.
- Retain the fiscal control provided by annual budgets.
- Save time and effort in preparing annual budgets.

The following further discusses what we believe are the key benefits—for us—in using a multi-year approach to budgeting:

Integrating goals and resources. The key to understanding why our City has remained committed to using multi-year budgets is understanding the other elements of budgeting that we believe are important.

We believe that the primary purpose of our budgeting process is to link what we want to accomplish for the community with the resources necessary to do so.

This means viewing the budgetary process as the primary tool available to us in identifying the most important things for us to accomplish, and then ensuring that the budget allocates the resources necessary to achieve them.

Accordingly, our budget process includes early Council involvement in setting major City goals and priorities as the first major step in preparing the two-year Financial Plan.

Although the specifics vary from year to year, a special Council goal-setting workshop is held at the beginning of the Financial Plan preparation process. Significant staff work does not begin on the budget until after this workshop is completed and the Council has agreed upon the most important, highest priority things for the City to accomplish over the next two years.

The resulting budget instructions from the City Administrator (CAO) to staff in preparing their departmental budgets direct that funding be included in their submittals to accomplish these Council goals. (Discussing the mechanics of how this process works is a topic in itself for another “white paper” that we’ve prepared.)

In addition to identifying major City-wide goals as developed by the Council, the City's Financial Plan also includes comprehensive mission, goal and

Multi-Year Budgeting: The City of San Luis Obispo Experience

objective statements for each of the City's 72 operating programs along with a full description of program activities.

This planning process occurs within a comprehensive framework of adopted fiscal policies covering a wide range of issues including revenue management, user fee cost recovery goals, enterprise fund fees and rates, investments, capital financing and debt management, productivity, contracting for services, human resources management, fund balance/working capital levels and capital improvement management.

In summary, our budget is intended to focus on the key questions of what we do and why, not just how much does it cost and how will it be funded.

In this context, multi-year budgeting makes a great deal of sense. Very few goals and objectives fit into neat one-year increments. As such, a multi-year approach enables us to better set meaningful objectives with realistic timeframes for completing them. In reflecting this focus on planning and budgeting for accomplishments, the City issues formal reports on an ongoing basis on the status of major goals, objectives and CIP projects as well as issuing interim financial reports.

Mitigating the “use it or lose it” mentality. In addition to reinforcing the City's planning efforts, a multi-year approach also provides for more “structured operations” and “orderly spending patterns.” This is a policy euphemism for mitigating the “use it or lose it” mentality that can often exist in managing operating budgets.

Under our two-year approach, unspent operating appropriations can be carried over in their entirety into the second year. It isn't automatic—approval by the CAO is required—but it does offer departments the opportunity to fund worthwhile activities or projects with their operating savings, and to ensure that carry-over funding is available for multi-year objectives and operating activities.

Retaining fiscal control. A two-year budget can mean significantly different things to different

organizations. In some cities, a two-year budget means adopting a single number that encompasses the entire two-year period, with the operating departments then responsible for allocating their expenditures as they believe appropriate over the two-year period. With this approach, for example, a two year appropriation of \$1 million could have expenditures of \$700,000 the first year and \$300,000 in the second year as determined by the operating department. Another approach is to formally adopt annual budgets for both fiscal years at the same time.

In our case, we prepare a Financial Plan that provides for two years of operations along with a four-year capital improvement plan. Under this approach, appropriations continue to be made annually; however, the Financial Plan is the foundation for preparing the budget for the second year. Additionally, as noted above, unexpended operating appropriations from the first year may be carried over for specific purposes into the second year with the approval of the CAO.

As discussed in greater detail below, the City devotes as much financial and policy attention to the second year of our two-year Financial Plan as the first. This means the budget must balance and make as much fiscal sense in the second year as it does in the first for both operations and capital improvements.

For example, in preparing the 2005-07 Financial Plan, we developed revenue, expenditure (operating, capital and debt service) and changes in fund balance/working capital schedules for both 2005-06 and 2006-07 for all of our funds; and applied our “balanced budget” and minimum fund balance policies to both fiscal years.

It's important to note that the second year of our Financial Plan is not a “wish list:” we don't include any new programs, personnel or CIP projects in the second year unless we are fully committed to implementing them and to making any revenue adjustments that may be necessary to fund them.

Similar in concept to a mid-year budget review, the second year is used as an opportunity to adjust the Financial Plan as necessary, but it is not intended to

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be a fundamental reevaluation of our major goals and plans for the balance of the two-year period.

Saving time and resources in preparing the budget. If our approach to budget preparation was primarily a number-crunching exercise, these savings would probably not be significant. However, because of our commitment to using the budget process as a major planning and goal-setting opportunity, the savings with a two-year approach are significant.

Preparing the initial two-year Financial Plan document is an extensive, time-consuming process that involves virtually everyone in the organization, including Council advisory bodies. All of our program goals and activities are revisited at this time, and departmental objectives are developed along with Council goals.

Some effort comparisons: preparing the 2005-07 Financial Plan took eleven months and twelve Council workshops, study sessions and public hearings to complete, and resulted in a 402 page document (and two major appendices totaling 516 pages); adopting the 2004-05 budget (second year of the 2003-05 Financial Plan) required just one regular Council meeting (and was considered as just one of many items) and resulted in a 165 page “supplement” document (including supporting documentation).

Maintaining our fiscal health. Lastly, multi-year budgeting reflects a fundamental commitment to fiscal health by outlining the financial challenges facing the City—not just this year, but in the foreseeable future; and then initiating the next step of developing—and implementing—solutions in meeting these challenges.

Does this mean economic stability is a necessary pre-condition for a realistic multi-year budget?

Before we entered into the very difficult economic environment of the early and mid-1990’s—which in California was compounded by hard-hitting cuts by the State to all levels of local government as it struggled with its own very serious budget problems—I would have answered yes to this question. However, based on our experience ten

years ago in putting together the 1993-95 Financial Plan, I believe that taking a multi-year approach is even more important in difficult years than in the “good ones.” And this belief was reinforced by the very tough budget process we went through in preparing the 2003-05 and 2005-07 Financial Plans.

In our case, it assists us in making realistic—though tough—decisions about what we can reasonably afford to do in the long run, and eliminates most one-time fixes and “smoke and mirror” approaches to balancing the budget.

In fact, because we knew 1993-95 would be an extremely difficult period for us financially, starting with that Financial Plan, we have extended our forecast period to five years in developing our basic budget balancing strategies in order to ensure that we are in fact making budget decisions that make sense for the foreseeable future. And this longer-term approach was also invaluable in preparing both the 2003-05 and 2005-07 Financial Plans.

Does this mean making assumptions about the future that may become obsolete before the laser jet ink is even dry? Yes. (Although there are strategies for minimizing this—but this is also the subject of another “white paper.”) And isn’t there a lot of risk with using this approach? Perhaps.

But what is the alternative if you’re serious about assuring your city’s long-term fiscal health?

Without some idea of the problems you’re trying to solve, it is very difficult (if not impossible) to find the right solutions.

Importance of a commitment to a planning approach. What is probably more important than economic stability in making our approach to multi-year budgeting work is some level of political stability. This doesn’t mean stability in a policy “agenda” sense, but stability in the commitment by elected officials to using the budget process as a meaningful planning and financial programming tool. This concern was reflected back when a two-year budget process was first considered by our “pioneers” in their deliberations about what two-year period should be selected:

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- The one that immediately follows a Council election?
- Or the one that follows a year later?

In support of the first option is the argument that new Council members should be able to immediately affect City plans, policies and goals for the next two years; in support of the second option is the argument that Council members will be more effective in implementing changes after they are more experienced as Council members and more familiar with city operations.

Because of changes in our election dates since the two year approach was first adopted, we've had the opportunity to experience both situations in preparing our two year Financial Plan. The ultimate conclusion? It probably doesn't matter which two-year period you select *if* the Council is genuinely committed to a policy-based, planning-oriented budget process. (However, there will be more staff work involved in helping new Council members prepare for their first two-year budget, especially if there are three new members, which is possible with our staggered terms and term limits.)

Lessons learned—what should you consider in moving to a two-year budget?

Based on our experience, I think the most important first step for any city that is seriously considering moving towards a two-year budget is to clearly think through the following:

- Most fundamentally, what do you hope to accomplish if you adopt this approach?
- What is your current organizational culture in terms of departmental versus centralized control of the budget? Is this something you want to change?
- Is integrating strategic planning and the budget process a high priority? Do you have a process for this now, and will a multi-year approach improve it?

Once the goals of moving to a two-year budget are identified and agreed upon, the “mechanics” of how

to put it together and administer it will follow by simply asking: does this procedure help or hinder accomplishing our goals?

Specifics we've developed in San Luis Obispo in meeting our goals include:

- **Planning.** We begin the two-year process with Council goal-setting. Their agreed-upon priorities are incorporated into the preliminary budget preparation by the staff. By using a two-year timeframe, we are able to establish reasonable schedules for achieving these goals.
- **Fiscal health.** We review budget requests and prepare annual operating and capital budgets for both years with equal levels of care and specificity, and make budget decisions based on our financial condition at the end of the second year—not just the first year—of the budget timeframe.

And we don't create “phantom” budget balancing items or defer tough decisions to the second year: any needed expenditure cuts or new revenues have to be real and specified. If an increase in taxes or fees is required to balance the budget, Council approval of the ordinance or resolution implementing this is an integral part of the budget adoption process.

- **Fiscal control.** We retain the concept of annual budgets; we do not adopt a single “two-year” number without regard as to which fiscal year there is departmental spending authority. Equally important, we develop revenue and fund balance projections for each fiscal year, and the results must be consistent with adopted fiscal policies.

For example, annual operating expenditures should not exceed operating revenues; and ending fund balance should be at least 20% of operating expenditures.

- **Spending patterns.** Although we retain the concept of annual budgets, operating budget savings in the first year are available for carry-over into the second year. However,

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programming these amounts back into departmental budgets requires CAO approval.

As noted above, it's not "automatic" (we have developed specific guidelines on how balances are carried-over), but it does provide operating departments with additional funding flexibility using their prior year savings. At the end of the second year, all operating appropriations lapse.

- **Time and effort.** As discussed above, we've experienced significant savings in preparing the second year of our two-year document, but virtually all of these savings are attributable to what we want our two-year Financial Plan process to accomplish. The budget for the second year is viewed as a "supplement" to its parent document, and it focuses solely on changes to the adopted Financial Plan; it is not another comprehensive Financial Plan preparation effort.

Summary: Why does this work for us?

Multi-year budgeting works for us because of how we've defined the fundamental purpose of our budgetary process:

- Identify the most important things for us to accomplish for our community.
- Establish reasonable timeframes and organizational responsibility for achieving them.
- Allocate the resources necessary for programs and projects to implement them.

Even though we annually adopt our budget, we take the two-year nature of our Financial Plan very seriously. In balancing our budget, we are equally concerned with outcomes in the second year (in fact, perhaps even more so) than with projections for the first year.

At an operational level, it works because departmental staff have confidence that operating savings from the first year will be available in the second; and that there is as much commitment to funding any new programs, projects or staffing in the second year as there is in the first. At an elected

official level, I think it works because it provides Council members with an effective framework for accomplishing their goals and policy objectives.

Simply stated, it works because we believe in—and are committed to—the underlying principles that a multi-year approach supports. Without this commitment, the benefits of multi-year budgeting are probably not there.

When I first came to San Luis Obispo in 1988, I have to admit that I was highly skeptical of the real value of a policy-based, multi-year approach to budgeting and financial planning. At best, I believed it was "frosting on the cake" of what otherwise needed to be a much more basic, meat and potatoes approach to preparing budgets.

After sixteen years (and the preparation of eight Financial Plans), it is difficult for me to envision anything more fundamentally necessary for the well-being of a community than identifying where it wants to go and a budget process designed to help it get there.

Bill Statler
Director of Finance & Information Technology
City of San Luis Obispo





Quarterly Financial Report

Second Quarter

January 15, 201X

OVERVIEW

This report summarizes the City's overall financial position for the fiscal year through December 2009. Except as noted below, revenues and operating expenditures are generally on target based on past trends for the second quarter. We will provide the Council with a detailed analysis of the City's financial condition as part of the mid-year budget review.

Adjusted Budgets and Revenue Estimates. The revenue projections and budgets include adjustments for encumbrances, carryovers and any supplemental appropriations made by the Council as of December 31, 2009.

Mid-Year Budget Review. The City's overall revenue and expenditure picture will be discussed in greater detail during the Mid-Year Budget Review scheduled for Council consideration on February 23, 2010.

GENERAL FUND

General Fund Financial Condition. With 50% of the year complete, General Fund revenues are at 45% of projections and expenditures are at 50%:

General Fund Balance	Budget	YTD Actual	Percent
Revenues	51,999,600	23,268,900	45%
Expenditures	48,170,700	24,276,700	50%
Other Sources (Uses)	(5,702,100)	(3,167,200)	56%
Balance, Start of Year	13,991,900	13,991,900	-
Balance, Year-to-Date	12,118,700	9,816,900	-

Top Ten Revenues. Our top ten revenues account for about 90% of total General Fund revenues. By focusing on these, we can get an excellent understanding of our revenue position.

Overall, these key revenues are performing as projected based on revised estimates, payment schedules and past trends for the second quarter. Any significant variances are noted below.

Top Ten Revenues	Budget	YTD Actual	% Received
Sales tax - general	12,342,100	4,291,300	35%
Sales tax - measure Y	5,572,800	2,677,700	48%
Property tax	8,968,800	4,565,400	51%
Transient occupancy tax	4,185,300	2,594,000	62%
Utility users tax	4,456,200	2,362,400	53%
Property tax in lieu of VLF	3,354,100		0%
Business tax	1,828,000	1,817,900	99%
Franchise fees	2,519,100	1,478,300	59%
Development review fees	2,373,900	713,000	30%
Recreation fees	1,318,100	533,300	40%
Investment earnings	475,000	279,300	59%
Total	47,393,400	21,312,600	45%

Sales Tax. Results to-date are closer to budget estimates than it appears. Due to the "triple flip," we only receive 75% of our base revenues from State allocations: the remaining 25% is remitted to us from the County in January and June via a complicated estimating formula. That said, after adjusting for this, we are still down about 5% from our already-revised-downward estimate. As our top revenue source, we will continue to monitor this closely and will revise as appropriate with the Mid-Year Budget Review.

Property Tax. The first major apportionment of 2009-10 taxes occurred in December 2009 and thus far collections are slightly better than estimated.

Transient Occupancy Tax. As noted in the TOT report for November 2009, year-to-date revenues are 10.5% lower than the same period last year compared with our projection for a decline of 10%.

Property Tax In-Lieu of VLF. We will not receive any revenues from this revenue source until January 2010.

Business Tax. The renewal cycle for business tax occurs during the first quarter of the fiscal year.

Franchise Fees. We will not receive the largest components of our franchise fee revenues—payments from PG&E and Southern California Gas Company—until April 2010; however, franchise fees from City utilities exceeded budget estimates.

Development Review Fees. We will continue to monitor these revenues. While they are below projections for the current year, they are consistent with collections for the same period last year.

Recreation Fees. These revenues are slightly below targets based on results from the same quarter last year.

Investments Earnings. Investment revenue appears to be performing well, due to larger investable balances and slightly higher yields than anticipated. However, as the financial markets continue to fluctuate, we will continue to monitor this closely.

Expenditures. Operating costs are generally on target for the second quarter of the year as summarized below:

Expenditures By Type	Budget	YTD Actual	% Expended
Staffing	41,154,700	20,253,700	49%
Contract services	4,402,600	2,130,800	48%
Telecomm & utilities	1,769,200	822,300	46%
Insurance	2,286,900	2,212,800	97%
Other operating costs	2,893,100	1,028,300	36%
Minor capital	71,100	32,200	45%
Total by type	52,577,600	26,480,100	50%
Reimbursed expenditures	(4,406,800)	(2,203,400)	50%
Total	48,170,800	24,276,700	50%

Because there were three payrolls in July and December, we are actually below target for staffing costs. The only other key variance by type is insurance: this reflects the City's annual premium for liability, workers compensation and property insurance, which is due in full in July.

Departmental operating expenditures are also generally on target:

Expenditures	Budget	YTD Actual	% Expended
Administration	2,624,800	1,406,400	54%
City Attorney	569,900	298,800	52%
Human Resources	3,410,300	2,755,600	81%
Finance & IT	3,596,500	1,671,100	46%
Community Development	2,669,500	1,183,500	44%
Parks & Recreation	3,167,900	1,486,900	47%
Public Works	11,956,000	5,513,700	46%
Police	14,991,400	7,144,800	48%
Fire	9,591,200	5,019,300	52%
Total Departmental	52,577,500	26,480,100	50%
Reimbursed Expenditures	(4,406,800)	(2,203,400)	50%
Total Expenditures	48,170,700	24,276,700	50%

The only significant variance is in Human Resources, which reflects the City's annual insurance premium payments as discussed above.

ENTERPRISE FUNDS

In general, enterprise fund revenues and expenditures are consistent with past trends.

Water Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	14,451,200	7,901,000	55%
Expenditures			
Operating programs	8,111,100	3,911,200	48%
CIP projects	7,779,500	1,159,100	15%
Debt service	2,279,900	1,049,500	46%
Other Sources (Uses)	(802,500)		0%
Balance, Start of Year	13,897,100	13,897,100	-
Balance, Year-to-Date	9,375,300	15,678,300	-

Sewer Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	12,850,500	6,688,600	52%
Expenditures			
Operating programs	7,866,200	3,692,500	47%
CIP projects	6,555,100	1,155,100	18%
Debt service	3,167,300	2,727,300	86%
Other Sources (Uses)	(236,900)		0%
Balance, Start of Year	8,165,000	8,165,000	-
Balance, Year-to-Date	3,190,000	7,278,700	-

Parking Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	4,157,600	1,972,500	47%
Expenditures			
Operating programs	2,167,400	1,016,100	47%
CIP projects	2,710,600	55,300	2%
Debt service	1,473,900	551,000	37%
Other Sources (Uses)	(1,200)		0%
Balance, Start of Year	7,250,900	7,250,900	-
Balance, Year-to-Date	5,055,400	7,601,000	-

Transit Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	5,406,500	1,454,900	27%
Expenditures			
Operating programs	2,933,100	995,700	34%
CIP projects	2,888,100	939,300	33%
Other Sources (Uses)	(1,200)		
Balance, Start of Year	729,000	729,000	-
Balance, Year-to-Date	313,100	248,900	-

Golf Fund

Working Capital	Budget	YTD Actual	Percent
Revenues	487,500	200,000	41%
Expenditures			
Operating programs	699,900	352,200	50%
CIP projects	86,600	23,800	27%
Other Sources (Uses)	242,600	121,300	50%
Balance, Start of Year	61,100	61,100	-
Balance, Year-to-Date	4,700	6,400	-

Whale Rock Commission

Working Capital	Budget	YTD Actual	Percent
Revenues	1,001,200	574,700	57%
Expenditures			
Operating programs	932,700	485,200	52%
CIP projects	223,400	-	0%
Other Sources (Uses)	(2,700)		0%
Balance, Start of Year	809,900	809,900	-
Balance, Year-to-Date	652,300	899,400	-

For More Information. This summary is based on detailed information produced by the City's financial management system. If you would like additional information, or have any questions about the report, please call Finance at 781-7128.



Quarterly Financial Report

Fourth Quarter

August 31, 201X

OVERVIEW

Since this report is for the last quarter, it serves as an *interim* financial report for the year. While the audit is not yet complete, we believe this interim report provides a reasonable basis for assessing the General Fund's financial position at the end of 2008-09. However, this information is subject to change once all accruals have been made and the audit is completed. Final financial statements are likely to be issued in December 2009.

GENERAL FUND FOCUS

The focus of this report is on the General Fund. However, based on interim results, the enterprise and other funds generally performed as well or better than budget projections.

General Fund Overview

Based on interim results, financial operations for the year were on target for overall revenues. However, as discussed in greater detail below, expenditures were 5% lower than budget projections.

What Does This Mean? While revenues were on target overall (within 0.4%), sales tax revenues (including Measure Y) – our most important revenue source – were \$773,500 below estimates, which will have an ongoing impact into 2009-11. This decline in our sales tax base (which is described further below) means that even if we “only” experience the 2.5% decline anticipated in 2009-10, we will see reduced revenues of \$1.5 million over the next two years. Combined with the state takeaways we already know about, worth \$1.2 million, this means that the General Fund balance would be \$2.7 million less than anticipated at the end of the 2009-11 Financial Plan, if all other factors remain the same.

Fortunately, these future revenue declines are offset by expenditure budget savings in 2008-09 of \$2.7 million (5%). However, while the decrease in the sales tax base is ongoing, the expenditure savings are largely one-time due to staffing savings resulting from “frozen” or vacant positions. And in those cases where savings are ongoing,

they have already been reflected in the 2009-11 Financial Plan.

The Net Result. Given the one-time nature of the expenditure savings combined with the ongoing shortfall in sales tax revenues and state budget takeaways to-date, this means reserves at the end of the 2009-11 Financial Plan (if all other factors remain the same) will be right at our policy level. Stated simply, while the year-end results are favorable overall, there are still challenges ahead of us; and the restoration of our reserve to policy levels, which had fallen to 18% of operating expenditures due to State takeaways versus our policy of 20%, will hold us in good stead in meeting these.

Results Reflect our Core Values. It is a sad fact that the “use it or lose it” mentality does exist in many government organizations. However, we are fortunate that this is not the case in San Luis Obispo. The positive year-end results are solely due to the strong stewardship values of our organization: that when faced with tough fiscal times, City staff went the extra mile in limiting expenditures and not trying to game the system by making last minute purchases at year-end. Given the state takeaways and deep sales tax shortfall, this strong stewardship ethic will serve us well in facing the many fiscal challenges that remain ahead of us.

**“Use it or lose it”
mentality does
not exist in our
organization.**

Revenue and Expenditure Summary

As reflected in the following summary, overall revenues were on target with budget estimates while expenditures were less than budgeted by 5% (\$2.7 million). Combined with minor shortfalls in revenues and other sources and uses, this results in an ending General Fund balance that is \$2.4 million more than projected.

General Fund Balance	Budget	Actual	Variance	%
Revenues	53,356,500	53,097,200	(259,300)	0%
Expenditures*	51,341,000	48,600,100	2,740,900	5%
Other Sources (Uses)	(5,877,500)	(5,964,400)	(86,900)	-1%
Fund Balance, 7-01-08	14,829,100	14,829,100	-	
Fund Balance, 6-30-09	10,967,100	13,361,800	2,394,700	

* Includes estimated expenditure savings, reimbursed expenditures, encumbrances and MOA adjustment carryovers.

Top Ten Revenues

Our top ten revenues account for about 90% of total General Fund revenues. By focusing on these, we can get an excellent understanding of our revenue position.

As shown below, while there are some variances both up and down, overall our top ten revenues were within 1% of our estimates.

Top Ten Revenues	Budget	Actual	Variance	%
Sales Tax: General	12,597,000	11,984,800	(612,200)	-5%
Sales Tax: Measure Y	5,750,000	5,588,700	(161,300)	-3%
Property Tax	8,792,900	8,788,400	(4,500)	0%
TOT	4,650,300	4,679,500	29,200	1%
Utility Users Tax	4,375,000	4,358,500	(16,500)	0%
VLF Swap	3,408,800	3,504,700	95,900	3%
Franchise Fees	2,438,600	2,439,400	800	0%
Business Tax	1,874,900	1,878,500	3,600	0%
Dev Review Fees	1,574,500	1,752,600	178,100	11%
Recreation Fees	1,224,700	1,293,600	68,900	6%
Investment Earnings	875,000	964,400	89,400	10%
Total	47,561,700	47,233,100	(328,600)	-1%

The following highlights key revenue results:

Sales Tax. General sales tax receipts were \$612,200 (5%) lower than estimated due to declines in nearly every major business category: new motor vehicles, lumber and building materials, home furnishings and department stores. Similar declines were experienced statewide.

Revenues from our local ½-cent sales tax (Measure Y) were also lower than expected by \$161,300 (3%). However, the decline in this related revenue source was lower than general sales tax because Measure Y revenues are not subject to our five year pass-through agreement with the County for sales tax revenues from the airport area.

These results are worse than they appear on the surface because we already estimated a decline of 7.25% from the prior fiscal year. Total results for 2008-09 reflect a 10% decline from 2007-08 levels. The 2009-11 Financial Plan estimates an additional decrease of 2.5% in 2009-10. As noted above, if we “only” experience this level of downturn, sales tax revenues will be \$1.5 million lower than current budget projections because of the lower base over the two years of the 2009-11 Financial Plan period.

Property Tax. Property tax revenues are on target with the budget estimates. We have not seen the level of declines in property tax revenues that many other communities are experiencing. This will remain an important revenue source to monitor in the next year.

Transient Occupancy Tax (TOT). As indicated in the recent TOT newsletter, results for the year were slightly better than our budget estimate for an 8% decrease, but

significantly down (6.8%) from the prior fiscal year. The 2009-11 Financial Plan projects additional declines in TOT revenue of 10% in 2009-10.

Development Review Fees. These are driven by the timing of private sector permit applications, which are difficult to project, and as such, revenue we received this year may simply mean lower revenues next year. While the revenues exceeded estimates, it is important to note two things: the budget was significantly revised downward during the fiscal year; and actual results represent a decrease of over \$950,000 from the prior year. In short, while it is certainly good news that these revenues exceeded our estimates; this is a significant decline from the prior year.

Recreation Fees. Revenues from the aquatics programs, special events and instruction fees exceeded estimates, which accounts for the \$68,900 positive variance in recreation fees.

Investment Earnings. Revenues from our investments performed better than projected largely due to higher yields and larger than anticipated investable balances. Based on current interest rate trends, we anticipate a decline in future interest earnings: the 2009-11 Financial Plan anticipates annual investment earnings of \$475,000.

Expenditures

After adjusting for projected expenditure savings, encumbrances and carryovers, expenditures were 5% under budget. While savings occurred in all categories, staffing savings account for about two-thirds of the total underage. This primarily reflects positions that were impacted by the hiring freeze and remained vacant throughout the fiscal year.

By Department. As shown below, all expenditures by department were below budget.

Expenditures	Budget	Actual*	Variance	%
Administration	2,428,000	2,254,800	173,200	7%
City Attorney	550,600	545,900	4,700	1%
City Clerk	589,300	475,000	114,300	19%
Human Resources	2,519,400	2,115,500	403,900	16%
Finance & IT	4,342,700	3,737,700	605,000	14%
Community Dev	2,943,100	2,559,600	383,500	13%
Parks & Recreation	3,532,800	3,272,100	260,700	7%
Public Works	12,654,400	11,780,900	873,500	7%
Police	16,262,200	15,228,400	1,033,800	6%
Fire	11,670,400	10,841,000	829,400	7%
Total Departmental	57,492,900	52,810,900	4,682,000	8%
Reimbursed Expenses	(4,210,800)	(4,210,800)	-	0%
MOA Adjustments	208,900		208,900	
Estimated Savings	(2,150,000)		(2,150,000)	
Total Expenditures	51,341,000	48,600,100	2,740,900	5%

* Including encumbrances and carryovers of \$563,800.

By Type. Operating expenditures *by type* were also less than budgeted as summarized by the following.

Expenditures By Type	Budget	Actual*	Variance	%
Staffing	45,272,200	42,161,300	3,110,900	7%
Contract Services	5,257,500	4,531,100	726,400	14%
Telecomm & Utilities	1,726,300	1,662,000	64,300	4%
Insurance	1,195,700	1,051,500	144,200	12%
Other Operating Costs	3,896,900	3,302,200	594,700	15%
Minor Capital	144,300	102,800	41,500	29%
Total by Type	57,492,900	52,810,900	4,682,000	8%
Reimbursed Expenses	(4,210,800)	(4,210,800)	-	0%
MOA Adjustments	208,900		208,900	
Estimated Savings	(2,150,000)		(2,150,000)	
Total	51,341,000	48,600,100	2,740,900	5%

* Including encumbrances and carryovers of \$563,800.

Other Sources (Uses)

Operating transfers in 2008-09 are slightly lower than projected, resulting in a negative variance in Other Sources (Uses) of \$86,900. Of this variance, reduced gas tax revenues account for \$19,100; reduced Proposition 42 Funds account for \$57,700; and other sources (uses) account for \$10,100.

FOR MORE INFORMATION

This summary is based on detailed information produced by the City's financial management system. If you would like additional information, or have any questions about the report, please call us at 781-7128.

Council Update on October 6, 2009. We plan to provide the Council with an update on the City's fiscal status based on interim year-end results and first quarter trends at the October 6, 2009 meeting.

Electronic Distribution: All Employees



Sales Tax Newsletter

Third Quarter of Calendar Year

OVERVIEW

For the Quarter. This newsletter covers the City's sales tax revenues received in March 2010 for sales occurring from July through September 2009. After adjusting for apportionment errors and late payments, "point-of-sale" revenues were down by 13.1% compared with the same quarter last year. This follows a 13.7% decline last quarter.

After adjustments, "point-of-sale" revenues were down by 13.1% compared with the same quarter last year.

Sales Tax Receipts Summary

Sales Tax Receipts	3rd Qtr 2009	3rd Qtr 2008	% Change
Reported Point-of-Sale	2,734,015	3,029,510	-9.8%
Net Adjustments	(141,354)	(47,012)	
Adjusted Point-of Sale	2,592,661	2,982,498	-13.1%
Pool Receipts	264,771	319,773	-17.2%
Total	2,857,432	3,302,271	-13.5%

The following summarizes "point-of-sale" revenues by major business group, *after adjusting* for late payments, apportionment errors last year and other adjustments identified by our sales tax advisor:

Adjusted Sales Tax Receipts By Type

Point-of-Sale Receipts	3rd Qtr 2009	3rd Qtr 2008	% Change
Gen Consumer Goods	932,455	1,081,052	-13.7%
Autos & Transportation	486,642	553,373	-12.1%
Restaurants & Hotels	318,623	331,636	-3.9%
Building & Construction	260,007	294,640	-11.8%
Fuel & Service Stations	232,875	345,503	-32.6%
Business & Industry	184,517	200,413	-7.9%
Food & Drugs	177,542	175,881	0.9%
Total	2,592,661	2,982,498	-13.1%

Continuing Trends. Results mirror trends for the last nine straight quarters, with auto sales continuing their steep decline from peak levels. As was expected, fuel sales were down sharply, largely due to much lower prices at the pumps compared with this time last year.

Recently annexed businesses in the airport area partially offset the drop in building and construction expenses.

Measure Y Revenues. Measure Y revenues are also down from last year by 12.2%.

NEWSLETTER CONTENTS

This newsletter includes a summary prepared by the City's sales tax advisor highlighting key trends and sales tax issues. It also includes the following charts and graphs about the City's sales tax base:

Several of these charts are based on "raw" unadjusted data. As such, caution should be used in analyzing these results.

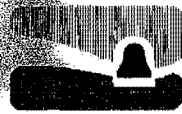
- Major business groups: third quarter 2009 and 2008
- Top 25 sales tax producers (listed alphabetically for this quarter)
- Top 15 business categories: this quarter compared with last year
- Sales per capita: City compared with the County and State, last 13 quarters
- Major business groups: last 13 quarters
- Sales per capita: City compared with five other agencies in the region, last 13 quarters
- Sales tax revenues by geographic area: this quarter compared with last year

A listing of individuals and organizations that routinely receive this newsletter is provided at the end of the report.

MORE INFORMATION AVAILABLE

The information provided in this newsletter is based on a detailed database available to the City through our sales tax advisor. If you require additional information about the City's retail base, or have any questions about this newsletter, please contact Bill Statler, Director of Finance & Information Technology, at (805) 781-7125.

Q3



San Luis Obispo Sales Tax Update

Fourth Quarter Receipts for Third Quarter Sales (Jul-Sep 2009)

San Luis Obispo In Brief

Receipts for sales occurring in the July to September quarter were 10.5% lower than the same period last year but aberrations skewed results. With anomalies removed, actual sales declined 13.1%.

Lower same store returns and store closures in the electronics/appliance store, home furnishings and department store categories offset gains from new outlets in family and women's apparel.

New auto sales declined while recently annexed businesses partially offset the drop in building and construction related receipts. Lower fuel prices combined with the decrease in commercial activity accounted for the drop in the Fuel & Service Station group.

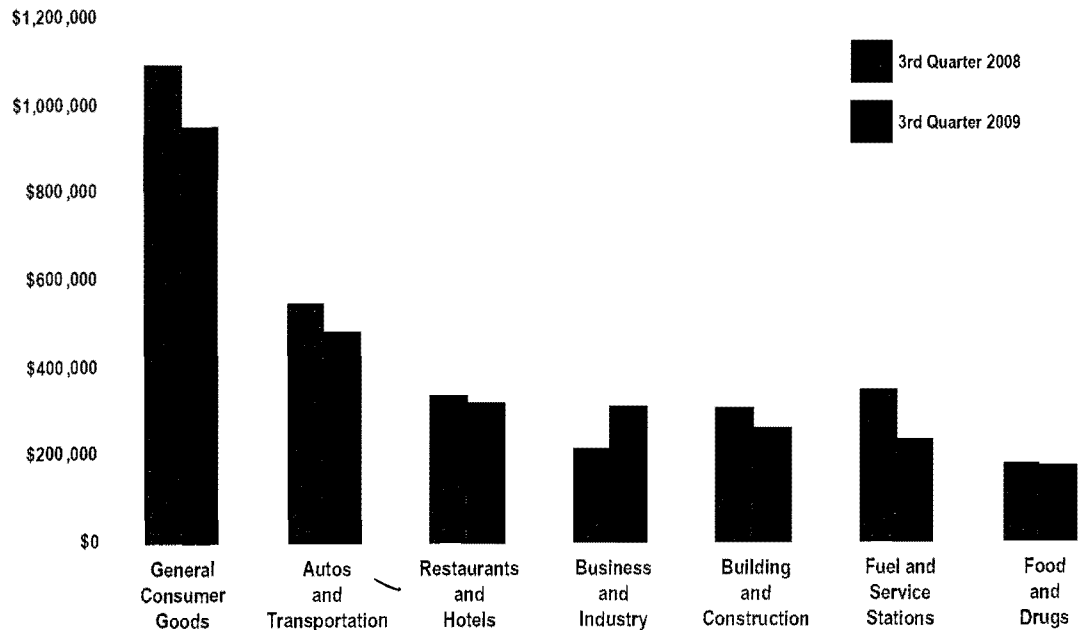
The rise in restaurants with liquor from new eateries was offset by losses in other restaurant sectors.

An allocation error in the electrical equipment category accounted for the increase in Business & Industry overall.

The city's half cent transaction tax generated \$1,354,782 that was a 12.2% decrease from a year ago.

Adjusted for reporting aberrations, taxable sales for all of San Luis Obispo County, including its cities, declined 17.8% over the comparable time period while the Central Coast region as a whole was down 15.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

In Alphabetical Order

Apple Computer	Kimball Motor
Bed Bath & Beyond	Laguna Shell & Madonna Shell
Best Buy	Lucky Brand
Chevron	Dungarees
Coast BMW Nissan	Moller Investment Group
Cole Dodge Chrysler	Perry Ford
Costco	San Luis Chevron
Cuesta Cadillac	Sears
Saab Rancho Grande Motors	Sunset Auto Sales
Ferguson Enterprises	Tennis Warehouse
Forever XXI	Tesoro Refining & Marketing
Hayward Lumber	Toyota of San Luis Obispo
Home Depot	Westinghouse Electric
JB Dewar Exxon Distributor	

REVENUE COMPARISON

Two Quarters – Fiscal Year To Date

	2008-09	2009-10
Point-of-Sale	\$5,934,084	\$5,330,640
County Pool	637,407	530,572
State Pool	1,805	5,232
Gross Receipts	\$6,573,295	\$5,866,444
Less Triple Flip*	\$(1,643,324)	\$(1,466,611)
Gross Trans. Tax	\$3,054,555	\$2,667,975

*Reimbursed from county compensation fund

Statewide Sales Declines

With aberrations factored out, statewide sales tax receipts for July through September declined 16.4% from the same quarter of 2008. It is anticipated that this will be the last quarter of comparative double digit decreases as the recession begins to bottom out.

This quarter's declines were led by a 32.6% fall from last year's spike in fuel prices and another 25.2% drop in tax receipts from building and construction materials.

The 9.9% decline in new car receipts was the smallest decrease in this category in seven consecutive quarters. The "cash for clunkers" program was partially responsible for the lower contraction although the tax benefits were muted as exempt federal rebates reduced the taxable values of cars purchased under the program by an average of \$4,200.

Edmunds.com estimates that 72% of the purchases would have occurred without the rebate which, if true, means that the program accomplished its goal of accelerating the clearing of inventories to get auto workers back to work but partially borrowed from future sales.

A 10.1% drop in tax revenues from general consumer goods was attributed to falling prices and continuing weak sales in home furnishings, appliances and electronics, as well as disappointing back to school purchases which normally constitute the second largest retail season of the year.

But Slow Recovery

Prognostications are for overall smaller sales tax declines in the next two quarters with revenues flattening out by fiscal year 2010/2011. However, tight credit, high unemployment, price pressures and the end of federal stimulus funding are expected to stall significant recovery until the year after.

Triple Flip Woes

The state's attempts to borrow its way out of its budget problems continued to create havoc with local government fiscal planning with this year's 27.6% average cutback in triple flip backfill payments.

In order to get around the state's flagging bond rating, the borrowing approved by voters in 2004 to close that year's deficit pledged a portion of local sales tax revenues to guarantee the bonds. The complex scheme to backfill the confiscated local sales tax with property tax revenues is referred to as the "triple flip."

Although the deduction occurs in real time, the estimated backfill is set by the state Department of Finance before the fiscal year begins. Last year's overly optimistic revenue projections resulted in overpayments to most local agencies thereby resulting in substantially lower estimates and negative adjustments in this year's backfills to individual agencies.

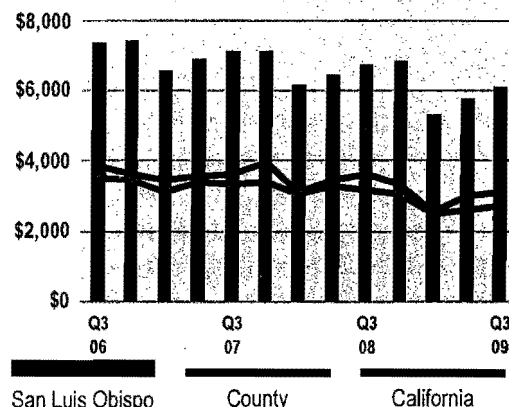
The 2004 bonds are currently estimated to be paid and the triple flip ended by April of 2016.

Stimulus Update

Approximately two thirds of the estimated \$85 billion in federal stimulus flowing to California is expected to have been spent by the end of this fiscal year with the bulk filling state budget gaps in education, health and human services, as well as providing tax relief to individuals and businesses.

The \$20.5 billion portion available for public capital improvement projects is half committed with actual expenditures expected to begin later in 2010.

SALES PER CAPITA



SAN LUIS OBISPO TOP 15 BUSINESS TYPES

Business Type	San Luis Obispo		County	HdL State
	Q3 '09*	Change	Change	Change
New Motor Vehicle Dealers	\$365.7	-10.6%	-1.6%	-9.8%
Discount Dept Stores	— CONFIDENTIAL —		-4.2%	-4.4%
Service Stations	200.3	-23.5%	-30.5%	-28.8%
Lumber/Building Materials	145.3	-15.7%	-25.8%	-14.3%
Electronics/Appliance Stores	140.4	-22.7%	-19.9%	-13.7%
Electrical Equipment	132.7	na	894.3%	-13.1%
Family Apparel	120.0	36.1%	12.1%	2.2%
Restaurants Liquor	109.1	3.9%	-1.5%	-4.0%
Sporting Goods/Bike Stores	99.7	-0.7%	-3.9%	-5.4%
Restaurants No Alcohol	99.6	-5.6%	-3.6%	-10.1%
Grocery Stores Liquor	85.5	-0.7%	4.4%	-1.4%
Restaurants Beer And Wine	84.6	-17.1%	-7.4%	-14.4%
Specialty Stores	73.1	-12.2%	-16.0%	-10.1%
Home Furnishings	68.0	-25.9%	-20.5%	-17.9%
Women's Apparel	64.1	31.9%	23.2%	-11.0%
Total All Accounts	\$2,734.0	-9.8%	-14.8%	-13.9%
County & State Pool Allocation	264.8	-17.2%		
Gross Receipts	\$2,998.8	-10.5%		

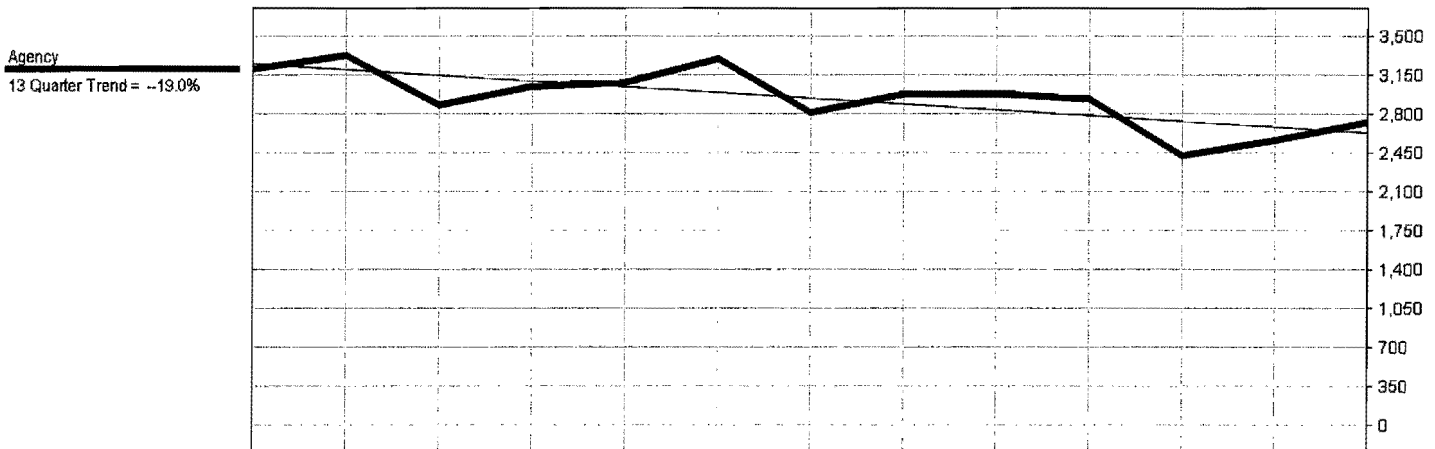
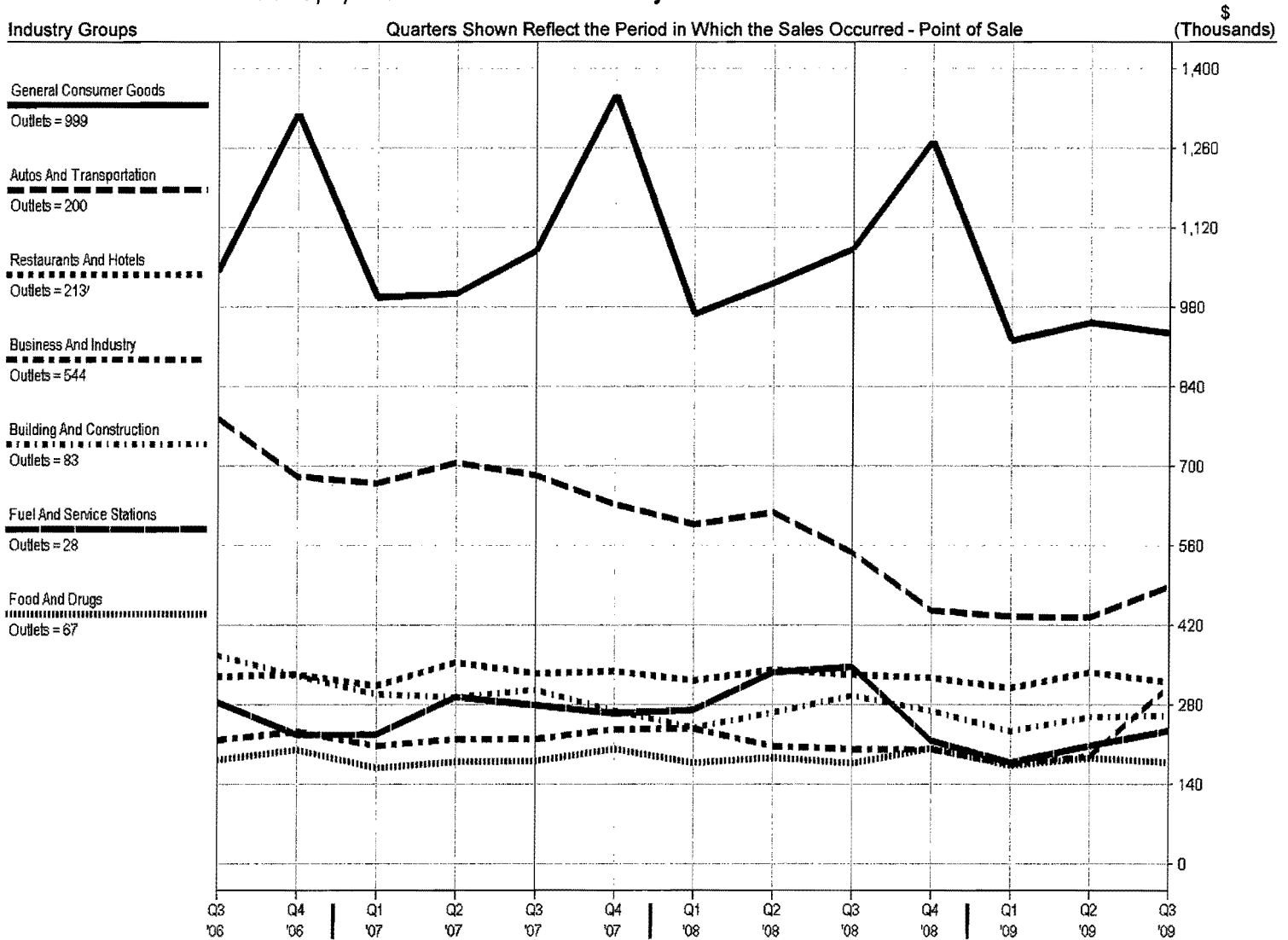
*In thousands



CITY OF SAN LUIS OBISPO MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

Chart Description: This chart compares sales tax for the Major Industry Groups. The prior 12 quarters are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data.**





CITY OF SAN LUIS OBISPO ALL BUSINESS TYPES - 13 QUARTER HISTORY

Appendix G.3

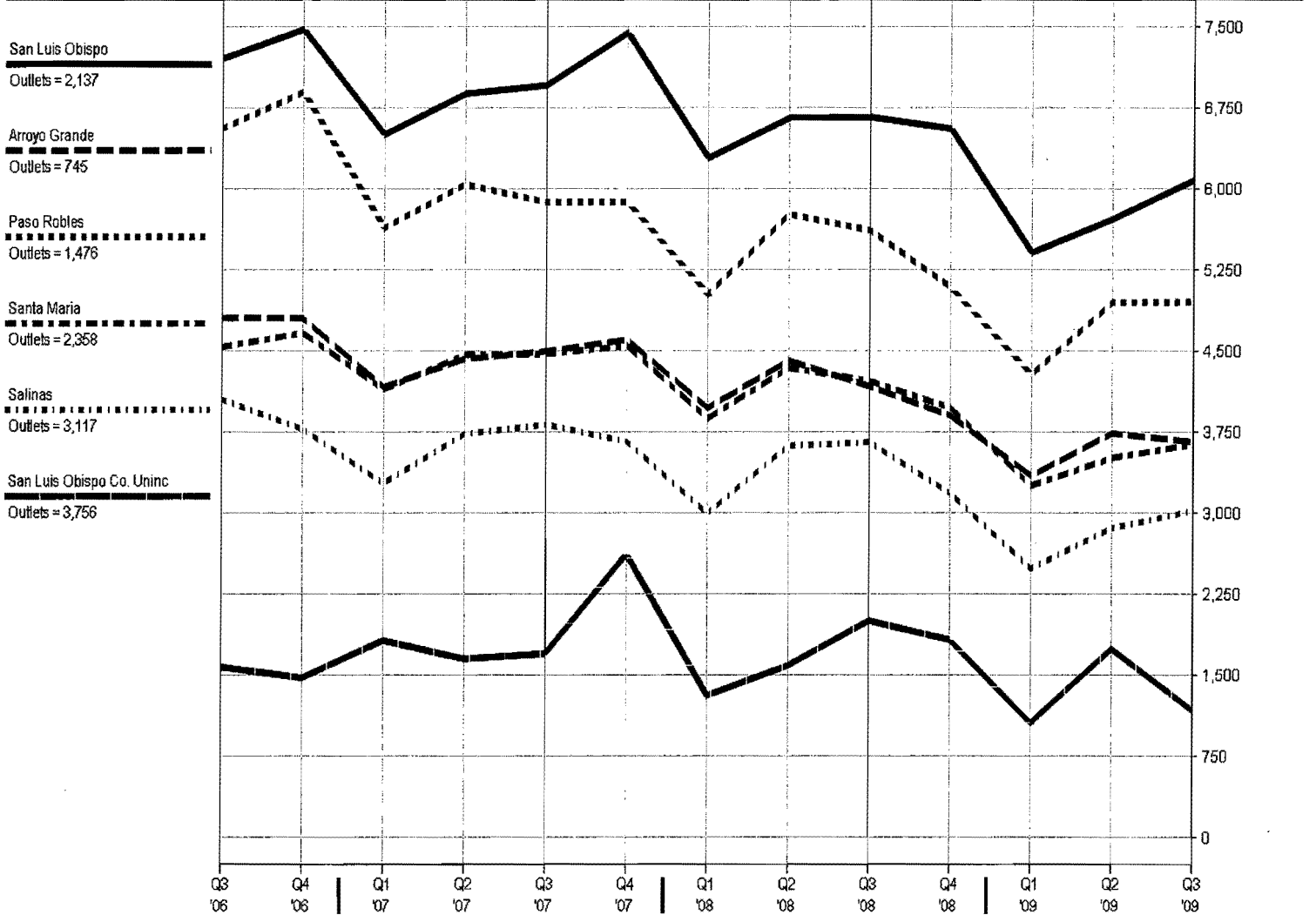
Adjusted by moving retroactive payments with an absolute value of \$5,000 or more into the quarter the sale was generated

Chart Description: This chart compares **per capita** sales to that of 6 other jurisdictions. The prior 12 quarters are shown graphically for historical reference purposes. **Allocations have been adjusted to reflect economic data.**

Comparison Agencies

Quarters Shown Reflect the Period in Which the Sales Occurred - Point of Sale

\$(Thousands)



Point of Sale Revenues				
	Quarterly Revenues*			3rd Qtr 2009
	3rd Qtr 2009	3rd Qtr 2008	% Change	% of Total
Laguna/Los Osos Valley Road Area	438,517	510,163	-14.0%	16.0%
Downtown Area	422,278	468,297	-9.8%	15.4%
Madonna Road Area	303,527	363,906	-16.6%	11.1%
South Higuera Area	263,540	383,029	-31.2%	9.6%
South Broad/Santa Barbara Area	283,057	345,784	-18.1%	10.4%
Foothill/Chorro/Santa Rosa Area	89,199	121,329	-26.5%	3.3%
Monterey/Santa Rosa Area	127,521	156,630	-18.6%	4.7%
Airport Area	180,074	136,349	32.1%	6.6%
All Other Areas	626,301	544,023	15.1%	22.9%
Total - Point of Sale Revenues	2,734,014	3,029,510	-9.8%	100.0%

* Adjusted for double payments, transfers and reporting errors by the State.

Total Revenues				
Point of Sale	2,734,014	3,029,510	-9.8%	91.2%
Pool Allocations	264,771	319,773	-17.2%	8.8%
Total Revenues	2,998,785	3,349,283	-10.5%	100.0%

Map of Geographic Areas

Sales Tax NewsletterDISTRIBUTION LIST

City of San Luis Obispo

City Council
Department Heads
Economic Development Manager
Department Fiscal Officers
Budget Review Team
Finance & Information Technology Staff

Other Individuals and Organizations

Dean Haupt, Rancho Grande Motors
Ermina Karim, SLO Chamber of Commerce
Deborah Cash, Downtown Association Administrator
Greg Salgado, UCSB Economic Forecast Project
Promotional Coordinating Committee Members
Maggie Cox, Barnett Cox & Associates
The Tribune (Sally Connell, Julie Lynem)
Mike Harmon, San Luis Obispo Council of Governments



Monthly TOT Report

December

February 8, 201X

This report covers the City's transient occupancy tax (TOT) revenues for the month of December 2009 compared with the two prior years. As reflected below, revenues for December 2009 are **down by 10.3%** from last year and **down 10.5%** year to date.

Trend Analysis. TOT revenues in December continued to decline, maintaining the downward trend of the last year. On one hand, the news could be better: traditionally, the December holiday leads to a boost in tourism activity in the City. On the other hand, the 10% downturn is consistent with our projections for the year; and it is certainly better than the 20% downturn in November 2009.

What's This Mean? The year to date decline of 10.5% puts us near the revenue projection in the 2009-11 Financial Plan, which estimated that TOT revenues would fall by 10%.

We will continue to closely monitor our monthly results in 2009-10 and, if appropriate, update our projections at the mid-year budget review.

For More Information. Please call Jennifer Thompson, Revenue Supervisor, at (805) 781-7129.

Year-to-Date TOT Revenues					
	Prior Year 2007-08	Last Year 2008-09	This Year 2009-10	Increase (Decrease) Last Year Vs This Year	
				Amount	Percent
July	\$565,386	\$565,637	\$508,195	(\$57,442)	-10.2%
August	573,057	609,452	511,744	(97,708)	-16.0%
September	465,179	416,859	400,023	(16,836)	-4.0%
October	418,474	416,905	414,870	(2,035)	-0.5%
November	375,287	354,737	280,913	(73,823)	-20.8%
December	312,510	274,871	246,684	(28,187)	-10.3%
Year-to-Date Total	2,709,893	2,638,461	2,362,430	(276,031)	-10.5%
January	287,474	258,316			
February	342,220	292,343			
March	386,458	289,506			
April	388,911	391,891			
May	435,516	393,431			
June	513,631	456,098			
TOTAL	5,064,102	4,720,047	2,362,430		

CONSULTANT BACKGROUND

Bill Statler has extensive experience in organizational review, strategic planning and policy analysis, as well as in a broad range of financial management practices that have received state and national recognition for excellence in financial planning and reporting.

His work ranges from San Luis Obispo (the city that Oprah Winfrey calls the “Happiest City in America”) to volunteer service helping the troubled City of Bell reform their government.

SENIOR FINANCIAL MANAGEMENT EXPERIENCE

Bill Statler has over 30 years of years of senior financial management experience, which included serving as the Director of Finance & Information Technology/City Treasurer for the City of San Luis Obispo for 22 years and as the Finance Officer for the City of Simi Valley for 10 years before that.

Under his leadership, the City of San Luis Obispo received national recognition for its financial planning and reporting systems, including:

- Award for Distinguished Budget Presentation from the Government Finance Officers Association of the United States and Canada (GFOA), with special recognition as an outstanding policy document, financial plan and communications device. *San Luis Obispo is one of only a handful of cities in the nation to receive this special recognition.*
- Awards for excellence in budgeting from the California Society of Municipal Finance Officers (CSMFO) in all four of its award budget categories: innovation, public communications, operating budgeting and capital budgeting. *Again, San Luis Obispo is among a handful of cities in the State to earn recognition in all four of these categories.*
- Awards for excellence in financial reporting from both the GFOA and CSMFO for the City’s comprehensive annual financial reports.
- Recognition of the City’s financial management policies as “best practices” by the National Advisory Council on State and Local Budgeting.

The financial strategies, policies and programs he developed and implemented resulted in strengthened community services and an aggressive program of infrastructure and facility improvements, while at the same time preserving the City’s long-term fiscal health.

CONSULTING AND INTERIM ASSIGNMENTS

Long-Term Financial Plans

- City of Salinas
- City of Camarillo
- City of Carpinteria
- City of Pismo Beach

CONSULTANT BACKGROUND

- City of Grover Beach
- City of Twentynine Palms
- City of Bell
- Bear Valley Community Services District

Strategic Planning and Council Goal-Setting

In collaboration with the HSM Team

- City of Monrovia
- City of Sanger
- City of Pismo Beach
- City of Bell (Pro Bono)
- City of Willits

Organizational Analysis and Policy Advice

- Financial Management Advice During Finance Director Transition: City of Monterey
- Organizational Review (Plans/Public Works and Community Services): City of Monterey
- Finance Organizational Review: Ventura Regional Sanitation District
- Benchmark Analysis: City of Capitola
- Financial Management Improvements: City of Capitola
- Organizational Review: City of Willits (in collaboration with the HSM Team)
- Finance Division Organizational Review: Sacramento Metropolitan Fire District
- Finance Department Organizational Review: City of Ceres (in collaboration with national consulting firm)
- Financial Management Transition Team and Policy Advice: City of Bell (Pro Bono)
- Preparation for Possible Revenue Ballot Measure: City of Monterey
- Fund Accounting Review: State Bar of California
- Construction Project Contracting Review: Central Contra Costa Sanitary District
- Focused Financial Review: City of Watsonville
- Financial Assessment: City of Guadalupe
- Financial Condition Assessment: City of Grover Beach
- General Fund Reserve Policy: City of Los Gatos
- General Fund Reserve Policy: City of Pacific Grove
- General Fund Reserve Policy: City of Twentynine Palms
- General Fund Reserve Policy: City of Lompoc
- General Fund Reserve Policy: City of Willits
- Reserve Policy: State Bar of California
- Budget and Fiscal Policies: City of Santa Fe Springs

CONSULTANT BACKGROUND

Interim Finance Director

- City of Monterey
- San Diego County Water Authority
- City of Capitola

Other Financial Management Services

- Revenue Options Study: Santa Clara Valley Water District
- Revenue Options Study: City of Greenfield
- Revenue Options Study: City of Pismo Beach
- Cost Allocation Plan: City of Greenfield
- Cost Allocation Plan: City of Guadalupe
- Cost Allocation Plan: City of Port Hueneme
- Cost Allocation Plan: City of Grover Beach
- Cost Allocation Plan Review: State Bar of California
- Cost Allocation Plan Review: City of Ukiah
- Disciplinary Proceedings Cost Recovery Review: State Bar of California
- Water and Sewer Rate Reviews: Avila Beach Community Services District
- Water and Sewer Rate Reviews: City of Grover Beach
- Solid Waste Rate Review: County of San Luis Obispo, Los Osos and North County Areas
- Joint Solid Waste Rate Review: Cities of Arroyo Grande, Grover Beach, Pismo Beach and Oceano Community Services District

PROFESSIONAL LEADERSHIP

- Member, Board of Directors, League of California Cities (League): 2008 to 2010
- Member, California Committee on Municipal Accounting: 2007 to 2010
- Member, GFOA Budget and Fiscal Policy Committee: 2005 to 2009
- President, League Fiscal Officers Department: 2002 and 2003
- President, CSMFO: 2001
- Member, Board of Directors, CSMFO: 1997 to 2001
- Chair, CSMFO Task Force on “GASB 34” Implementation
- Fiscal Officers Representative on League Policy Committees: Community Services, Administrative Services and Environmental Quality: 1992 to 1998
- Chair, Vice-Chair and Senior Advisor for CSMFO Committees: Technology, Debt, Career Development, Professional and Technical Standards and Annual Seminar Committees: 1995 to 2010
- Member, League Proposition 218 Implementation Guide Task Force
- Chair, CSMFO Central Coast Chapter: 1994 to 1996

CONSULTANT BACKGROUND

TRAINER

- League of California Cities
- Institute for Local Government
- California Debt and Investment Advisory Commission
- Government Finance Officers Association of the United States and Canada
- California Society of Municipal Finance Officers
- Municipal Management Assistants of Southern California and Northern California
- National Federation of Municipal Analysts
- Probation Business Manager's Association
- Humboldt County
- California Association of Local Agency Formation Commissions
- American Planning Association

Topics included:

- Long-Term Financial Planning
- The Power of Fiscal Policies
- Financial Analysis and Reporting
- Fiscal Health Contingency Planning
- Effective Project Management
- Providing Great Customer Service in Internal Service Organizations: The Strategic Edge
- Strategies for Downsizing Finance Departments in Tough Fiscal Times
- Top-Ten Skills for Finance Officers
- Telling Your Fiscal Story: Tips on Making Effective Presentations
- What Happened in the City of Bell and What We Can Learn from It
- Multi-Year Budgeting
- Top Challenges Facing Local Government Finance Officers
- Fiscalization of Land Use
- Debt Management
- Transparency in Financial Management: Meaningfully Community Involvement in the Budget Process
- Financial Management for Non-Financial Managers
- Preparing for Successful Revenue Ballot Measures
- Integrating Goal-Setting and the Budget Process
- Financial Management for Elected Officials
- 12-Step Program for Recovery from Fiscal Distress
- Strategies for Strengthening Organizational Effectiveness
- Budgeting for Success Among Uncertainty: Preparing for the Next Downturn

CONSULTANT BACKGROUND

PUBLICATIONS

- *Guide to Local Government Finance in California*, Solano Press, Second Edition, 2017 (Co-Author)
- *Setting Reserve Policies – and Living Within Them*, CSMFO Magazine, May 2017
- *Presenting the Budget to Your Constituents*, CSMFO Magazine, July 2016
- *Planning for Fiscal Recovery*, Government Finance Review, February 2014
- *Managing Debt Capacity: Taking a Policy-Based Approach to Protecting Long-Term Fiscal Health*, Government Finance Review, August 2011
- *Fees in a Post-Proposition 218 World*, League of California Cities, District Attorney's Department Spring Conference, May 2010
- *Municipal Fiscal Health Contingency Planning*, Western City Magazine, November 2009
- *Understanding the Basics of County and City Revenue*, Institute for Local Government, 2008 (Contributor)
- *Financial Management for Elected Officials*, Institute for Local Government, 2010 (Contributor)
- *Getting the Most Out of Your City's Current Revenues: Sound Fiscal Policies Ensure Higher Cost Recovery for Cities*, Western City Magazine, November 2003
- *Local Government Revenue Diversification, Fiscal Balance/Fiscal Share and Sustainability*, Institute for Local Government, November 2002 (Co-Author)
- *Why Is GASB 34 Such a Big Deal?*, Western City Magazine, November 2000
- *Understanding Sales Tax Issues*, Western Cities Magazine, June 1997
- *Proposition 218 Implementation Guide*, League of California Cities, 1997 (Contributor)

HONORS AND AWARDS

- Cal-ICMA Ethical Hero Award (for service to the City of Bell)
- CSMFO Distinguished Service Award for Dedicated Service and Outstanding Contribution to the Municipal Finance Profession
- National Advisory Council on State and Local Government Budgeting: Recommended Best Practice (Fiscal Polices: User Fee Cost Recovery)

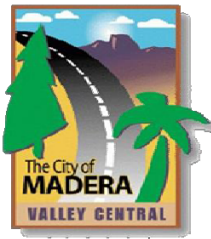
CONSULTANT BACKGROUND

- GFOA Award for Distinguished Budget Presentation: Special Recognition as an Outstanding Policy Document, Financial Plan and Communications Device
- CSMFO Awards for Excellence in Operating Budget, Capital Improvement Plan, Budget Communication and Innovation in Budgeting
- GFOA Award of Achievement for Excellence in Financial Reporting
- CSMFO Certificate of Award for Outstanding Financial Reporting
- National Management Association Silver Knight Award for Excellence in Leadership and Management
- American Institute of Planners Award for Innovation in Planning
- Graduated with Honors, University of California, Santa Barbara

Visit my web site for additional information at www.bstatler.com



[RETURN TO AGENDA](#)



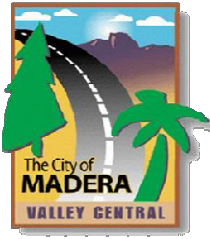
Madera City Council Agenda 04/17/19
Agenda Item A-1
Measure K Workshop

Presentation only.



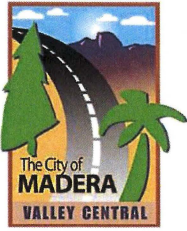
**Madera City Council Agenda 04/17/19
Agenda Item A-2
911 Upgrade**

Presentation only.



**Madera City Council Agenda 04/17/19
Agenda Item B-1**

There are no minutes for consideration.



REPORT TO CITY COUNCIL

Approved by:

[Signature]

Department Director

[Signature]

City Manager

Council Meeting of: April 17, 2019

Agenda Number: B-2

SUBJECT: Register of Audited Demands

RECOMMENDATION: Review Register of Audited Demands Report for March 23, 2019 to April 5, 2019.

SUMMARY: The Register of Audited Demands for the City of Madera covering obligations paid during the period of March 23, 2019 to April 5, 2019 is contained in the attachment.

General Warrant	21418 - 21543	\$2,136,045.10
Wire Transfer	Union Bank Payroll and Taxes	\$588,222.08
Wire Transfer	SDI	\$2,113.00
Wire Transfer	Cal Pers	\$0.00

DISCUSSION: Warrant requests are processed weekly based on the adopted 18/19 budget and released for payment every Friday. Each demand has been audited and the Finance Director hereby certifies as to their accuracy and that there were sufficient funds for their payment.

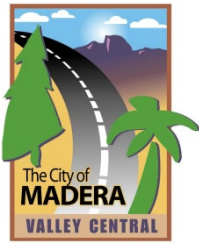
FINANCIAL IMPACT: Demands for payments are made within the constraints of the approved 18/19 budget.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN: These expenditures were spent considering Strategy 115: Economic Resource Provision: Ensure sufficient economic resources to provide adequate City services and prepare for future growth.

ALTERNATIVES: Informational only.

ATTACHMENTS: Register of Audited Demands.

CHECK	PAY DATE	ISSUED TO	DESCRIPTION	AMOUNT
21504	04/04/2019	CITY OF MADERA	MISAPPLIED PMT IN UB 4389032 TRANSFER TO AR 50142	1,993.24
21505	04/04/2019	CONCENTRA MEDICAL CENTERS	DOT MEDICAL RECERT - SEWER DEPT	64.00
21506	04/04/2019	DIEBERTS CREATIVE COPY INC	MAX SENIOR TICKETS	703.63
21507	04/04/2019	DEMSEY, FILLIGER & ASSOCIATES, LLC	GASB 75 STUDY POST-EMPLOYMENT MEDICAL BENEFITS	1,500.00
21508	04/04/2019	DIAMOND COMMUNICATIONS	ALARM PHONE ANSWERING SERVICE - SEWER	1,052.50
21509	04/04/2019	ESTEVEZ, BRIAN	PER DIEM - CALIFORNIA MOBILE COMMAND CENTER EXPO	114.00
21510	04/04/2019	FCS INTERNATIONAL, INC.	R-000037 RAYMOND RD. SHOULDER WIDENING	4,216.00
21511	04/04/2019	FIRE SAFETY SOLUTIONS, LLC	FIRE PROTECTION ENG SVS 03/16/19 - 03/31/19	10,200.00
21512	04/04/2019	FOLSOM LAKE FORD	2019 FORD EXPLORER INTERCEPTOR UTILITY	73,186.96
21513	04/04/2019	FRESNO MADERA AREA AGENCY ON AGING	02/19 UNSERVED MEALS	57.50
21514	04/04/2019	HOUSING AUTHORITY OF THE CITY OF MADERA	REIMBURSE EXPENSES - POMONA RANCH HOMELESS SHELTER	17,106.14
21515	04/04/2019	LIEBERT CASSIDY WHITMORE	LEGAL SERVICES FEB 2019	6,597.00
21516	04/04/2019	LIGHTGUARD SYSTEMS, INC.	LIGHTS FOR CROSSWALK	1,986.39
21517	04/04/2019	LINCOLN FINANCIAL	LIFE AND LTD INSURANCE APRIL 2019	8,119.58
21518	04/04/2019	LOU'S GLOVES, INC.	NITRILE EXAM GRADE POWDER FREE GLOVES	130.00
21519	04/04/2019	MID VALLEY DISPOSAL INC.	WASTE DISPOSAL SVS & ADMIN FEE FEB 2019	368,503.48
21520	04/04/2019	MV TRANSPORTATION, INC.	ROUTE 3 SERVICES	3,580.01
21521	04/04/2019	CARDENAS, SAMUEL	TURF REPLACEMENT REBATE (18-25)	2,713.00
21522	04/04/2019	MATA, LUIS DAVID	REFUND PAID FEES FOR PARKING CITATION	65.66
21523	04/04/2019	PACIFIC GAS & ELECTRIC	03/19 SERVICE 3499945233-6	43,866.92
21524	04/04/2019	ARBALLO, JAMIE	REFUND PARK DEPOSIT - ROTARY YOUTH HUT	50.00
21525	04/04/2019	ARENAS, VIANEY	REFUND PARK DEPOSIT - MSR PAVILION	50.00
21526	04/04/2019	CORTES, DAISY	REFUND CLASS FEES - ROBOTICS CLASS CANCELLED	85.00
21527	04/04/2019	COVARRUBIAS, DIANE	REFUND SPORT FEES - CHILD BROKE WRIST	55.00
21528	04/04/2019	DURAN, ELSA	REFUND PARK DEPOSIT - LTC PAVILION	50.00
21529	04/04/2019	GONZALEZ, HEATHER	REFUND PARK DEPOSIT - LTC PAVILION	50.00
21530	04/04/2019	GUTIERREZ, MARISOL	REFUND PARK DEPOSIT & FEE - PARTY CANCELLED	165.00
21531	04/04/2019	HUERTA, KAREN	REFUND PARK DEPOSIT - ROTARY PAVILION	50.00
21532	04/04/2019	PEREZ, VANESSA	REFUND CLASS FEES - ROBOTICS CLASS CANCELLED	82.50
21533	04/04/2019	SANTIAGO, YADIRA	FACILITY PARK DEPOSIT - PAN AM GYM	200.00
21534	04/04/2019	SERRATO-ALVARADO, VERONICA	REFUND PARK DEPOSIT - ROTARY YOUTH HUT	150.00
21535	04/04/2019	VENTURA, DANIEL	REFUND PARK DEPOSIT - PAN AM MULTIPURPOSE ROOM	100.00
21536	04/04/2019	PETTY CASH - POLICE DEPT.	PD PETTY CASH REIMBURSEMENT	410.26
21537	04/04/2019	MORRIS J PIERCE	ASPHALT PATCH - 101 N K ST	2,505.60
21538	04/04/2019	PRAXAIR DISTRIBUTION, INC.	PRAXAIR CYLINDAR DEMURRAGE 1/20/19 - 2/20/19	526.69
21539	04/04/2019	TESEI PETROLEUM, INC.	FUEL 03/10/19 - 03/20/19 CDF	437.59
21540	04/04/2019	THALES CONSULTING, INC.	ANNUAL FINANCIAL TRANSACTION SCO REPORT FY 18/19	3,000.00
21541	04/04/2019	UNION PACIFIC RAILROAD CO.	UPRR FEES FOR INSTALLING XING SURFACE AT PINE ST	35,423.80
21542	04/04/2019	UNITED MUNICIPAL SECURITY	CD CHARGES - UTAH FIRST FCU	1,236.35
21543	04/04/2019	URANGO, MARIO	REIMBURSE FOR BROKEN KEY CLAIM	27.05
BANK # 1 - UNION BANK GENERAL ACCOUNT TOTAL				2,136,045.10



REPORT TO CITY COUNCIL

Approved by:

Wendy Silva
Wendy Silva, Director of Human Resources

Arnoldo Rodriguez
Arnoldo Rodriguez, City Manager

Council Meeting of: April 17, 2019

Agenda Number: B-3

SUBJECT:

Consideration of a Resolution Amending the City of Madera Classification Plan to Update the City Clerk Job Description

RECOMMENDATION:

It is recommended the City Council (Council) adopt the resolution modifying the job description for the position of City Clerk.

SUMMARY:

The Council Ad Hoc Committee for the City Clerk Recruitment has reviewed the existing job description for City Clerk and is recommending updates as shown in the red-line, strike-out version of the job description captured in Exhibit 1 to this report. Exhibit 2 contains a clean copy of the proposed City Clerk job description.

DISCUSSION:

The Council appointed an Ad Hoc Committee consisting of Mayor Pro Tem Montes and Councilwoman Gallegos to oversee and provide direction to staff on the recruitment for City Clerk. As part of preparation for the recruitment, the Ad Hoc Committee reviewed the current job description for City Clerk, as well as job descriptions from other municipalities of similar size. The Ad Hoc Committee is recommending modifications as shown in Exhibit 1.

FINANCIAL IMPACT:

Modification of the job description has no financial impact.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN:

Job descriptions for City employees are not addressed in the vision or action plan; the requested action is also not in conflict with any of the actions or goals contained in that plan.

ALTERNATIVES:

If the Council does not take action on the resolution, the job description will remain unchanged. Council could also suggest additional modifications to the job description.

ATTACHMENTS:

1. Exhibit 1: Red-line, strike-out version of the proposed City Clerk job description
2. Exhibit 2: Clean copy of the proposed City Clerk job description
3. Resolution amending the City of Madera Classification Plan relative to the City Clerk job description

CITY OF MADERA**CITY CLERK**

*Class specifications are only intended to present a descriptive summary of the range of duties and responsibilities associated with specified positions. Therefore, specifications **may not include all** duties performed by individuals within a classification. In addition, specifications are intended to outline the **minimum** qualifications necessary for entry into the class and do not necessarily convey the qualifications of incumbents within the position.*

DEFINITION:

Under ~~policy~~ direction, plans, manages, oversees and directs the operations and services of the City Clerk's Office, which includes the performance of statutory duties and the preparation, posting and maintenance of agendas, minutes and records for the City Council as proscribed by statute; coordinates program activities with other City officials or outside agencies; performs related duties as required.

DISTINGUISHING CHARACTERISTICS:

The **City Clerk** is a City Council appointed, at-will management level class which oversees all functions and operations of the City Clerk's Office, including records management and retention, production and publication of agendas and minutes for the City Council and a variety of commissions and boards, and elections related activities. The position serves as a collaborative member of the City's management team.

SUPERVISION RECEIVED/EXERCISED:

Receives policy direction from the City Council; receives administrative direction from the City Manager. Incumbents ~~may~~ provide direct supervision over office support staff.

ESSENTIAL FUNCTIONS: *(include but are not limited to the following)*

- Supervises, oversees and participates in the preparation and distribution of City Council agendas, minutes, and correspondence, and the maintenance of a comprehensive indexing and filing system for Council action and directives. May provide these same services for any board or authority for which the members of the City Council sit as the governing body, such as the Madera Public Financing Authority, the Madera Groundwater Sustainability Agency, and similar organizations.
- Provides exceptional customer service to coworkers, internal customers and the public.
- Accepts full responsibility for all City Clerk's Office activities and services including activities associated with the production, publication and maintenance of City records, agendas, and minutes relating to City Council and other board and commission activities.
- Develops, implements and maintains City Clerk's Office goals, objectives, policies and priorities for appropriate service areas; ensures that established goals and priorities are achieved.

- Reviews and evaluates service delivery methods and systems including administrative and support systems and internal relationships; identifies opportunities for improvement and implements changes to standard operating procedures to enhance services.
- Keeps an accurate record of the proceedings of the City Council; updates the Municipal Code to reflect actions of the Council.
- Maintains records of bonds and trust deposits filed with or assigned to the City to guarantee improvements; assures proper release of bonds and deposits.
- Participates in meetings and conferences with other department administrators, public officials and agencies, private citizens and professional groups to discuss issues and resolve problems.
- Administers oaths or affirmations; certifies authenticity of municipal corporate documents for public officials, governmental agencies, courts and the general public including ordinances, resolutions, agreements, deeds and other official documents.
- Serves as the filing officer for statements of economic interest for designated employees, certain appointed officials, officeholders, candidates and committees; coordinates City Council, City ~~Administrator~~Manager, City Attorney and Planning Commissioner filings with the Fair Political Practices Commission (FPPC). Maintains the City's Conflict of Interest Policy and ensures said policy is regularly reviewed for compliance with FPPC rules and regulations; recommends policy changes and/or updates to the City Council as needed.
- Supervises and oversees receipt of requests for information under the Public Records Act, including coordination of production of public records from City departments, divisions and personnel, and coordinating legal review of documents to be produced to ensure compliance with laws, policies and regulations. Ensures requesters receive prompt acknowledgement to requests, and provides appropriate communication on the anticipated production schedule for the applicable request.
- Provides a variety of information-gathering and records-retrieval research services to the public and public officials regarding elections, local government legislative processes and actions, municipal corporate history and Fair Political Practices Commission filings.
- Represents the City Clerk's Office to other programs and organizations; coordinates program activities with other City programs and organizations.
- Serves as a resource for program personnel, City staff and other organizations; coordinates pertinent information, resources and work teams necessary to support a positive and productive environment.
- Attends and participates in professional and community meetings as necessary; stays current on issues relative to the field of municipal records management, elections and relative service delivery responsibilities; responds to and resolves sensitive and complex community and organizational inquiries and complaints.

- Establishes positive working relationships with representatives of community organizations, state/local agencies and associations, City management and staff, and the public.

WORKING CONDITIONS:

Position requires prolonged sitting, standing, walking, reaching, twisting, turning, kneeling, bending, squatting and stooping in the performance of daily activities. The position also requires grasping, repetitive hand movement and fine coordination in preparing statistical reports and data using a computer key board. Additionally, the position requires near vision in reading correspondence, statistical data and using a computer. Acute hearing is required when providing phone service and communicating in person.

QUALIFICATIONS: *(The following are minimal qualifications necessary for entry into the classification)*

Education and/or Experience:

Any combination of education and experience that has provided the knowledge, skills and abilities necessary for a **City Clerk**. A typical way of obtaining the required qualifications is to possess the equivalent of five years of increasingly responsible experience providing executive secretarial support or management of complex records, and a high school diploma or equivalent. College-level study in secretarial science, business or public administration is highly desirable.

License/Certificate:

Possession of, or the ability to obtain, a valid class C California driver's license. Possession of a Certified Municipal Clerk certification is desirable. Possession of, or the ability to obtain, a California Notary Public certification.

KNOWLEDGE/ABILITIES/SKILLS: *(The following are a representative sample of the KAS's necessary to perform essential duties of the position)*

Knowledge of:

Applicable federal law; elections and government code relating to the production, publication, posting and retention of public records; Fair Political Practice Act requirements for conflict of interest filings; principles of office administration, management, supervision, public relations, training and performance evaluations; modern office practices, procedures, and equipment; correct usage of English language grammar in both oral and written communication.

Ability to:

Plan, organize, and perform the duties of the City Clerk's Office; accurately index, file, certify and maintain records; prepare, post and maintain public documents and notices in compliance with legal requirements; meet public officials and private citizens, provide information, and organize material in compliance with laws, regulations, policies and procedures; communicate clearly and concisely both orally and in writing; establish and

maintain effective working relationships; provide excellent customer service in a professional manner.

Skill to:

Operate an office computer and a variety of word processing and software applications; type accurately from clear copy at a rate of 65 words per minuteutilize agenda preparation and management software; review and proofread documents for grammar and spelling corrections.

CITY OF MADERA**CITY CLERK**

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Skill to:

Operate an office computer and a variety of word processing and software applications; utilize agenda preparation and management software; review and proofread documents for grammar and spelling corrections.

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MADERA AMENDING THE CITY OF MADERA
CLASSIFICATION PLAN TO UPDATE THE CITY CLERK JOB DESCRIPTION

WHEREAS, the City of Madera maintains an Employee Classification Plan adopted by Resolution No. 00-13; and

WHEREAS, from time to time it is appropriate to review individual job descriptions within the adopted Classification Plan to ensure the job description is current and relative to the City's needs; and

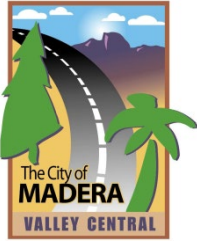
WHEREAS, the City Council appointed an Ad Hoc Committee consisting of Councilwoman Gallegos and Mayor Pro Tem Montes to oversee and direct staff regarding the City Clerk recruitment; and

WHEREAS, the City Clerk job description has been reviewed as part of the routine recruitment preparation process, and updates are recommended by the Council Ad Hoc Committee.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF MADERA hereby resolves, finds, and orders as follows:

1. The above recitals are true and correct.
2. The Employee Classification Plan adopted by Resolution No. 00-13 is hereby amended by the modification of the City Clerk job description. The updated job description is on file with the Office of the City Clerk and referred to for more particulars.
3. This resolution is effective immediately upon adoption.

* * * * *



REPORT TO CITY COUNCIL

Approved by:

Wendy Silva _____

Wendy Silva, Director of Human Resources

Arnoldo Rodriguez _____

Arnoldo Rodriguez, City Manager

Council Meeting of: April 17, 2019

Agenda Number: B-4 _____

SUBJECT:

Informational Report on Contract Legal Service Expenditures for City Attorney Services

RECOMMENDATION:

This report is submitted for informational purposes only and there is no action requested from the City Council (Council).

SUMMARY:

The purpose of this report is to provide the Council an informational monthly update on expenditures for City Attorney services while a new City Attorney is sought.

DISCUSSION:

The following information summarizes billings paid to date for services formerly performed by the City's in-house City Attorney. The various providers have different billing cycles, so staff has noted the time period captured by the specific bill/payment. If there is additional information Council desires to see in future iterations of this report, please advise and staff will make the requested changes.

Firm: Liebert Cassidy Whitmore

Billing Period: February 2019

Matter	Charges	
	Current Period	To Date
Review and Advice on Employment Agreement Matters	\$2,485.00	\$2,485.00
Tort Liability Claim	\$1,890.00	\$1,890.00
Attendance at Council Meetings & Advice on Same	\$2,222.00	\$2,222.00
Total	\$6,597.00	\$6,597.00

Firm: Montoy Law

Billing Period: March 2019

Matter	Charges	
	Current Period	To Date
General Legal Review/Advice	\$528.00	\$528.00
Public Records Act Matters	\$144.00	\$144.00
Advice on Sale of Real Property	\$264.00	\$264.00
Donation of Park Land	\$120.00	\$120.00
Deposition: Building Department	\$288.00	\$288.00
Litigation Review	\$288.00	\$288.00
Total	\$1,608.00	\$1,608.00

Firm: Law Offices of Gregory L. Myers

Billing Period: February 2019

Matter	Charges	
	Current Period	To Date
Advice on Intermodal Facility Tenant Agreements	\$159.00	\$159.00
Total	\$159.00	\$159.00

Firm: Madera County District Attorney's Office

The Madera County District Attorney's Office has been representing the City at Madera Superior Court on criminal matters, however the City has not yet received a bill for services as of the writing of this report.

FINANCIAL IMPACT:

Contract services during the interim period while the Council seeks a new provider for long term City Attorney services will be paid from salary savings captured due to the vacancies in the City Attorney's office. The Finance Department has calculated the estimated savings in salaries and benefits for the remainder of the fiscal year, and moved these funds to the contracted legal services line item in the City Attorney's budget. Exhibit 1 to this report shows the account balance for this line item.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN:

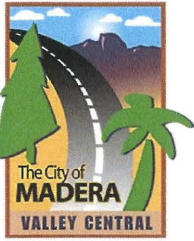
The information contained herein is not addressed by the Vision Madera 2025 plan, nor is the information in conflict with that plan.

ALTERNATIVES:

This report is for informational purposes only.

ATTACHMENTS:

None



REPORT TO CITY COUNCIL

Approved by: [Signature]
Department Director
Arnoldo Rodriguez, City Manager

Council Meeting of: April 17, 2019
Agenda Number: B-5

SUBJECT: Consideration of a Resolution Accepting Public Utility Easement Deed, Located at the Southeast Corner of Linden Street and West Park Drive, Offered by Ivan and Dina Cloeters, and Authorizing the City Clerk to Execute and Cause to be Recorded, a Certificate of Acceptance

RECOMMENDATION:

Staff recommends that City Council (Council) adopt a resolution accepting the Public Utility Easement deed as offered by Ivan and Dina Cloeters, and authorizing the City Clerk to execute the Certificate of Acceptance for said deed and cause it to be recorded.

SUMMARY:

Ivan and Dina Cloeters, "Subdivider", is undergoing the City's land division process as necessary to record Parcel Map 18-P-04. The Subdivider has offered for dedication a Public Utility Easement as required by the City as a condition of Parcel Map approval. Engineering staff hereby requests that the Council accept the offered easement dedication on behalf of the City for public utility purposes in conjunction with Parcel Map 18-P-04.

DISCUSSION:

Parcel Map 18-P-04 subdivides an existing parcel of land (APN 006-360-016) located at the Southeast Corner of Linden Street and West Park Drive into four reconfigured parcels and a remainder parcel. The Development Review Committee approved the associated Tentative Parcel Map No. 2018-01 on October 18, 2018. Conditions of approval for Parcel Map 18-P-04 (TPM 2018-02) included the requirement to dedicate a 10-foot-wide Public Utility Easement along all the parcel frontages on Linden Street and West Park Drive. The Public Utility Easement being offered is typically necessary for the placement of underground utilities running parallel to the adjacent street. A copy of the Public Utility Easement deed is attached (Attachment 3).

FINANCIAL IMPACT:

Acceptance of the aforementioned Public Utility Easement imposes no additional expense to the City or the General Fund.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN:

Acceptance of this offer of dedication is consistent with Action 101.6, which calls for the City to ensure that infrastructure can sustain population growth, as well as Action 126, which calls for safe and aesthetically pleasing streets.

ALTERNATIVES:

The alternative would be to not accept the easement. This would result in the inability of the developer to record the map.

ATTACHMENTS:

1. Council Resolution
2. Location map
3. Public Utility Easement deed

ATTACHMENT 1

RESOLUTION NO. 19 - _____

A Resolution of the City Council of the City of Madera Accepting Public Utility Easement deed, Located at the Southeast Corner of Linden Street and West Park Drive, Offered by Ivan and Dina Cloeters, and Authorizing the City Clerk to Execute and Cause to be Recorded, a Certificate of Acceptance

WHEREAS, property owners, Ivan and Dina Cloeters, have offered for dedication to the City a Public Utility Easement deed for public utility purposes; and

WHEREAS, the City Engineer has certified to this Council that the Public Utility Easement deed offered meet the current project's dedication requirements.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF MADERA HEREBY finds, orders and resolves as follows:

1. The above recitals are true and correct.
2. The Public Utility Easement Deed, granted to the City by Ivan and Dina Cloeters, a copy of which is on file in the office of the City Clerk and referred to for particulars, is accepted.
3. The City Clerk is hereby authorized and directed to execute and cause to be recorded the Public Utility Easement Deed and Certificate of Acceptance as authorized by Resolution No. 1572 adopted November 21, 1960.
4. This resolution is effective immediately upon adoption.

* * * * *

ATTACHMENT 2

LOCATION MAP



CITY OF MADERA
ENGINEERING DEPARTMENT
205 W. 4TH STREET
MADERA, CA 93637

IVAN AND DINA CLOETERS
EASEMENT DEDICATION

DR BY: EP
CH BY: KH
DATE: 03/21/19
SCALE: NTS
SHT 1 OF 1

ATTACHMENT 3

RECORDING REQUESTED BY:
City of Madera
AFTER RECORDING RETURN TO:
City Clerk
City of Madera
205 W. 4th Street
Madera, CA 93637

NO DOCUMENTARY TAX DUE – R&T 11922 (Amended)
Presented for Recordation by the City of Madera
Fee Waived Per Sections 27383 & 27388.1(a)(2)(D) of the Government Code.....No Fee Due _0_

APN: 006-360-016

PUBLIC UTILITY EASEMENT

FOR A VALUABLE CONSIDERATION, RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, **IVAN AND DINA CLOETERS, HUSBAND AND WIFE AS JOINT TENANTS,**

DO HEREBY GRANT TO **THE CITY OF MADERA**, A MUNICIPAL CORPORATION OF THE STATE OF CALIFORNIA

An easement for street and all other municipal purposes over, under, through and across, on and in the following described real property in the City of Madera, California, County of Madera, State of California, being more particularly described as follows:

(See Exhibit 'A' attached hereto and made a part hereof)

By: Ivan Cloeters
Ivan Cloeters

By: Dina Cloeters
Dina Cloeters

Date: 3-25-19

Date: 3-25-19

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

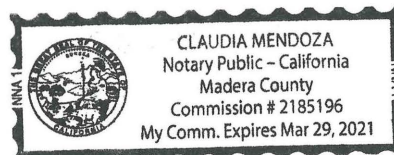
State of California)
County of Madera)

On MARCH 25, 2019, before me, CLAUDIA MENDOZA, Notary Public, personally appeared IVAN CLOETERS AND DINA CLOETERS who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS MY HAND AND OFFICIAL SEAL

Claudia Mendoza



March 20, 2019

MSA Project# 172617

LEGAL DESCRIPTION
FOR
PUBLIC UTILITY EASEMENT

ALL THAT PORTION OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 23, TOWNSHIP 11 SOUTH, RANGE 17 EAST, MOUNT DIABLO BASE AND MERIDIAN, ACCORDING TO THE UNITED STATES GOVERNMENT TOWNSHIP PLATS AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF THAT PROPERTY DESCRIBED IN THE QUITCLAIM DEED RECORDED JULY 20, 1994 AS DOCUMENT NO. 9421730, MADERA COUNTY RECORDS; THENCE NORTH 89° 46' 26" EAST ALONG THE SOUTH LINE OF SAID DESCRIBED PROPERTY, A DISTANCE OF 19.00 FEET TO THE **TRUE POINT OF BEGINNING**; THENCE LEAVING SAID SOUTH LINE NORTH 00° 12' 58" WEST ALONG A LINE PARALLEL WITH AND 19.00 FEET EAST MEASURED AT RIGHT ANGLES WITH THE WEST LINE OF SAID DESCRIBED PROPERTY, A DISTANCE OF 53.72 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE TO THE SOUTHEAST HAVING A RADIUS OF 43.00 FEET; THENCE NORTHERLY AND NORTHEASTERLY 9.36 FEET ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 12° 28' 35" TO THE BEGINNING OF A NON-TANGENT LINE AND TO WHICH BEGINNING A RADIAL LINE BEARS NORTH 77° 44' 23" WEST; THENCE NORTH 43° 19' 30" EAST, A DISTANCE OF 47.03 FEET TO THE BEGINNING OF A NON-TANGENT CURVE CONCAVE TO THE SOUTHEAST HAVING A RADIUS OF 43.00 FEET AND TO WHICH BEGINNING A RADIAL LINE BEARS SOUTH 13° 01' 58" EAST; THENCE NORTHEASTERLY AND EASTERLY 9.62 FEET ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 12° 48' 50"; THENCE NORTH 89° 46' 52" EAST ALONG A LINE PARALLEL WITH AND 48.00 FEET SOUTH AND MEASURED AT RIGHT ANGLES WITH THE NORTH LINE OF SAID DESCRIBED PROPERTY, A DISTANCE OF 255.00 FEET TO A POINT ON THE EAST LINE OF SAID DESCRIBED PROPERTY; THENCE SOUTH 00° 15' 11" EAST ALONG SAID EAST LINE, A DISTANCE OF 10.00 FEET TO A POINT ON SAID EAST LINE; THENCE LEAVING SAID EAST LINE SOUTH 89° 46' 52" WEST ALONG A LINE PARALLEL WITH AND 58.00 FEET

EXHIBIT 'A'
Page 1 of 3

March 20, 2019

MSA Project# 172617

LEGAL DESCRIPTION
FOR
PUBLIC UTILITY EASEMENT

(CONTINUED)

SOUTH MEASURED AT RIGHT ANGLES WITH SAID NORTH LINE, A DISTANCE OF 255.00 FEET TO THE BEGINNING, OF A TANGENT CURVE TO THE SOUTHEAST HAVING A RADIUS OF 33.00 FEET; THENCE WEST AND SOUTHWESTERLY 4.54 FEET ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 7° 52' 41" TO THE BEGINNING OF A NON-TANGENT LINE AND TO WHICH BEGINNING A RADIAL LINE BEARS NORTH 8° 05' 49" WEST; THENCE SOUTH 43° 19' 30" WEST, A DISTANCE OF 40.81 FEET TO THE BEGINNING OF A NON-TANGENT CURVE CONCAVE TO THE SOUTHEAST HAVING A RADIUS OF 33.00 FEET AND TO WHICH BEGINNING A RADIAL LINE BEARS NORTH 82° 16' 21" WEST; THENCE SOUTHWESTERLY AND SOUTHERLY 4.58 FEET ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 7° 56' 37"; THENCE SOUTH 00° 12' 58" EAST ALONG A LINE PARALLEL WITH AND 29.00 FEET EAST MEASURED AT RIGHT ANGLES WITH SAID WEST LINE, A DISTANCE OF 53.72 FEET TO A POINT ON SAID SOUTH LINE; THENCE SOUTH 89° 46' 26" WEST ALONG SAID SOUTH LINE, A DISTANCE OF 10.00 FEET TO THE **TRUE POINT OF BEGINNING.**

CONTAINING 3667 SQUARE FEET MORE OR LESS.

Michael Ray Sutherland



EXHIBIT 'A'
Page 2 of 3

03/20/2019

EXHIBIT 'A'
PAGE 3 OF 3

N 1/4 CORNER OF SEC. 23-II/17

N89° 47' 02"E 2632.24'

RADIAL DATA TABLE	
RADIAL	BEARING
R1	N 77°44'23" W
R2	S 13°01'58" E
R3	N 8°05'49" W
R4	N 82°16'21" W

PARCEL BK. 57
PARCEL NO. A

MAP No.
PGS. 130 & 131,
PARCEL NO. B

07-P-03
M.C.R.
PARCEL NO. C

M.C.R.

N89° 46' 52"E 316.91' (317.0') ((317.0'))

WEST LINE ()

EAST LINE ()

WEST

PARK

DRIVE

N89° 46' 52"E 255.00'

N89° 46' 52"E 255.00'

CURVE DATA TABLE			
CURVE	DELTA	RADIUS	ARC LENGTH
①	12° 48' 50"	43.00'	9.62'
②	12° 28' 35 "	43.00'	9.36'
③	7° 52' 41"	33.00'	4.54'
④	7° 56' 37 "	33.00'	4.57'

RECORD OF SURVEY VOL. 6

SOUTH LINE ()

S89° 46' 26"W 317.01' (317.1') ((317.1'))

TRUE POINT OF BEGINNING


POINT OF COMMENCEMENT
SOUTHWEST CORNER ()

166.30' ((166.3'))

317.70' ((317.7'))

S89° 58' 42"W 484.00' (484') ((484'))

LEGEND

- () RECORD AND/ OR CALCULATED DATA PER QUITCLAIM DEED RECORDED JULY 20, 1994 AS DOCUMENT NO. 9421730, MADERA COUNTY RECORDS.
- (()) RECORD AND/OR CALCULATED DATA PER RECORD OF SURVEY FILED FOR RECORDATION IN VOLUME 6, PAGE 77 OF MAPS, DOCUMENT NO. 15445, MADERA COUNTY RECORDS.
-  AREA OF PUBLIC UTILITY EASEMENT TO BE DEDICATED TO THE CITY MADERA CONSISTING OF 3667 SQUARE FEET

W 1/4 CORNER OF SEC. 3-II/17



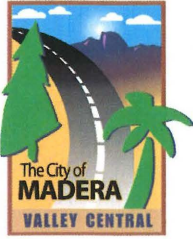
SCALE: 1" = 50'



DATE MARCH 20, 2019
DRAWN BY JLS
SCALE 1" = 50'
FIELDBOOK NO. SEE FILE
PROJECT NO. 17-2617
DRAWING NO. A-819
SHEET | OF | SHEETS



Michael Sutherland and Associates, Inc.
LAND SURVEYING AND CIVIL ENGINEERING SERVICES
36691 Avenue 12 • Madera, CA 93636
(559)447-5815/645-4730 (Fax 645-0241)




REPORT TO CITY COUNCIL

Approved by:



Department Director



Arnaldo Rodriguez, City Manager

Council Meeting of: April 17, 2019

Agenda Number: B-6

SUBJECT:

Letter to the San Joaquin Valley Air Pollution Control District (Air District) requesting reinstatement of the Public Benefit Grant Program (PBG) funding for Affordable Housing Sustainable Communities (AHSC) projects.

RECOMMENDATION:

Staff recommends that the City Council (Council) authorize the Mayor to sign the attached letter.

SUMMARY:

The City recently learned that the Air District is no longer programming funds for San Joaquin Valley (Valley) AHSC applications. Many AHSC applicants in the Valley who have relied on this program in the past have successfully been awarded with the help of the Air District funding, which was eliminated in the last budget cycle. The prepared letter (Attachment 1) requests that the Air District Board strongly consider funding the PBGP for AHSC projects in its Fiscal Year 2019-20 budget, and asks that the Air District also consider allowing AHSC projects to apply for Air District funding that was not available during the 2018-19 fiscal year.

DISCUSSION:

City officials, together with representatives from the Successor Agency and Housing Authority, convened with multiple community partners in the summer of 2018 to begin discussions and planning for the development of a potential AHSC grant proposal. All parties agreed to pursue the funding source for an affordable veterans and family housing development project. Since the initiation of these work sessions, community support has increased and the number of partners participating in project development and planning has grown.

On October 10, the City approved sales agreements with Madera Opportunities for Resident Enrichment and Services, Inc. (MORES) for the exclusive right to purchase two Successor Agency owned parcels at 121 and 125 North C Street and two City-owned parcels at 200 and 204 North C Street. MORES then prepared an application to fund the veterans and family housing project through the AHSC Program. Administered by the Strategic Growth Council and implemented by the State of California Department of Housing and Community Development (HCD), the AHSC Program funds land-use, housing,

transportation, and land preservation projects to support infill and compact development that reduce greenhouse gas (GHG) emissions.

A successful grant application would facilitate the development of two residential projects (Attachment 2) on the four aforementioned properties located in proximity to the intersection of North C Street and East Fifth Street in the downtown area, providing for 48 residential units for low and very-low income and at-risk populations. The Council approved a General Plan amendment and rezone in support of the project on September 19 and October 3, 2018. The Planning Commission approved two precise plans shortly thereafter on October 9, 2018. The Council authorized the application for AHSC grant funding as a co-applicant on January 30, 2019.

To be competitive for the AHSC program, it is important to leverage local funding, including Air District funds previously available to San Joaquin Valley AHSC applications. The attached letter requests that those Air District funding opportunities be reinstated.

FISCAL IMPACT:

Although there is no direct fiscal impact associated with executing the letter requesting reinstatement of the PBGP funding for AHSC projects, the loss of Air District funding may have adverse impacts on the AHSC grant process.

CONSISTENCY WITH THE MADERA VISION 2025 PLAN:

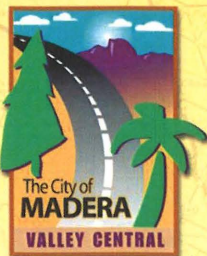
While not specifically identified in the Vision 2025 Action Plan, this recommended action supports Action 101.8: Promote and encourage development and redevelopment of low and moderate-cost housing as part of the Housing Element Update.

ALTERNATIVES:

The Council may choose not to authorize the Mayor to sign the attached letter, or may direct staff to prepare alternative verbiage for inclusion in a revised letter to be returned to the Council at a later date for consideration in advance of a release to the Air District.

ATTACHMENTS:

1. City Letter to the Air District
2. Project Summary



April 17, 2019

Supervisor Buddy Mendes - Board Chair
San Joaquin Valley Air Pollution Control District
1990 E. Gettysburg Ave.
Fresno, CA 93726

RE: FY 2019-20 Funding for the Public Benefit Grant Program

Dear Supervisor Mendes:

On behalf of the City of Madera, we are writing to encourage you to reinstate funding under the Public Benefit Grant Program - Community Improvement Projects that Reduce Vehicle Use and Emissions, for San Joaquin Valley projects competing for funding under the State of California's Affordable Housing and Sustainable Communities (AHSC) program.

The City of Madera, in collaboration with various other public, private and non-profit partners, is diligently trying to bring state cap-and-trade funding to Madera's first AHSC project. The Downtown Madera Veterans and Family project is a transformational development for our downtown. The project consists of two three-story multifamily buildings and considerable public improvements, that will ultimately reduce vehicle use and emissions through enhanced walkability, bike pathways, and transit. The project represents a pivotal step in stimulating and revitalizing Madera's urban core (see attached project summary).

As you know, to be competitive for the AHSC program, it is important to leverage local funding. While the City and its partners contributed to the project with limited resources, we were very disappointed to learn late in the application process that the Air District was no longer programming funds for San Joaquin Valley AHSC applications. Many AHSC applicants in the Valley who have relied on this program in the past have successfully been awarded with the help of the Air District's funding.

According to Air District staff, funding for the Public Benefit Grant Program for AHSC projects was eliminated in the last budget cycle. We are requesting the Air District Board strongly consider funding the Public Benefit Grant Program for AHSC projects in its FY 2019-20 budget. Additionally, please consider allowing Round 4 AHSC applicants/projects to apply for this much needed funding that was not available during the 2018-19 fiscal year.

If you need any additional information, or if you need the City of Madera to testify at your budgeting board meetings, please contact me at 559-674-3661.

Sincerely,

Andrew J. Medellin, Mayor of Madera

cc: Samir Sheikh, Executive Director

205 W. 4th Street, Madera, CA 93637 TEL (559) 661-5400, Opt. 8 FAX (559) 673-1655
www.madera.gov

Downtown Madera

Veterans and Family Housing



PROJECT DESCRIPTION

Downtown Madera Veterans and Family Housing is a proposed 48-unit affordable housing development for extremely-low to low-income households earning between 30% and 60% of the area median income. The project is located in Downtown Madera at the intersections of C and 5th Streets, on two publicly owned sites. The project will include seven units as supportive housing and utilize services from Madera County Behavioral Health. The project will encourage cycling and walking by making improvements to sidewalks, bicycle routes and connections to transit between the project site and key destinations in Madera. The affordable housing development itself includes two (2) three-story buildings with a diverse unit mix of 18 studios, 10 one-bedrooms, 12 two-bedrooms, and 8 three-bedrooms. The project will provide much needed housing, transportation amenities, and on-site services for the residents of the housing development as well as the surrounding community. Pacific West Communities and MORES, Inc., the non-profit of the Madera Housing Authority, are the developers and applicants, and the City of Madera is the co-applicant. The \$25M project is seeking approximately \$11.3M in State cap-and-trade funding through the Affordable Housing and Sustainable Communities program.

Sources of Funds*

Affordable Housing & Sustainable Communities Grant	\$11,326,908
City	\$90,000
Redevelopment Successor Agency	\$946,000
Madera County Behavioral Health Services	\$500,000
Tax Credit Equity	\$7,800,940
Loans	\$2,146,000
Other.....	\$2,999,766

TOTAL..... \$25,809,614

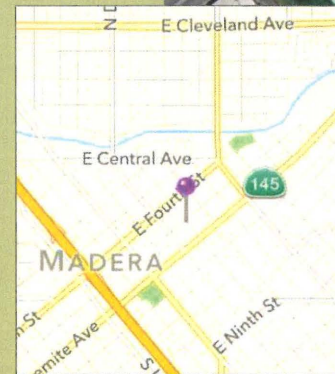
Uses of Funds*

Land	\$215,000
Affordable Housing Development.....	\$14,632,760
Housing Related Infrastructure	\$750,000
Sustainable Transportation Infrastructure	\$2,845,000
Transportation-Related Amenities.....	\$768,000
Program	\$144,928
Soft Costs/Other	\$6,453,926

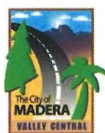
TOTAL..... \$25,809,614

*These numbers are preliminary estimates and may be subject to change.

PROJECT LOCATION



Project Partners



PROPOSED VETERANS HOUSING



Alley Elevation
(not to scale)



C Street Exterior Elevation
(not to scale)



Parking Lot Elevation
(not to scale)



5th Street Exterior Elevation

Overall Building Data

21,368 gross sf

(1) three-story building

(10) 1-bedroom units: 500-520 sf each

(18) studio units: 450-475 sf each

(2) offices: 120 sf each

(1) community room: 700 sf

(1) lobby: 425 sf

(1) bicycle storage: 14 stalls

(1) outdoor space: 560 sf

PROPOSED FAMILY HOUSING



Alley Elevation
(not to scale)



C Street Exterior Elevation
(not to scale)



Courtyard Elevation
(not to scale)



5th Street Exterior Elevation

Overall Building Data

24,600 gross sf

(1) three-story building

(12) 2-bedroom units: 765-820 sf each

(8) 3-bedroom units: 1,000-1,050 sf each

(1) community room: 730 sf

(1) lobby: 390 sf

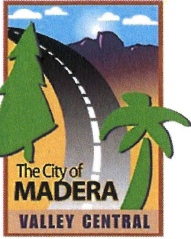
(1) bicycle storage: 10 stalls

(1) outdoor space: 2,050 sf

(1) playground area: 1,110 sf

SURROUNDING PUBLIC IMPROVEMENTS

- Enhancements at the Madera Intermodal Center
- Over 5 miles of additional bike lanes connecting to key destinations in Madera
- Over 27,700 linear feet of sidewalk improvements
- Landscaping and irrigation improvements at Sunrise Rotary Park
- Addition of one new bus stop in the project area
- Installation of bike racks and lockers at approximately 6-8 locations
- Improve the visibility, aesthetics, and functionality of bus stop signs within the project area
- Safety enhancements at Washington Elementary School



REPORT TO CITY COUNCIL

Approved by:

Council Meeting of: April 17, 2019



Tim Przybyla, Director of Financial Services

Agenda Number: C-1



Arnaldo Rodriguez, City Manager

SUBJECT:

- A. RESOLUTION OF THE BOARD OF DIRECTORS OF THE MADERA PUBLIC FINANCING AUTHORITY (MPFA) APPROVING THE FORMS OF AND AUTHORIZING EXECUTION AND DELIVERY OF A SITE LEASE, A FACILITIES LEASE, AND A TRUST AGREEMENT; AUTHORIZING THE ISSUANCE OF SERIES 2019 BONDS IN AN AMOUNT NOT TO EXCEED \$5 MILLION; AND APPROVING OTHER ACTIONS RELATED TO THE MADERA PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS, SERIES 2019 **(MPFA ACTION)**

- B. RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MADERA APPROVING THE ISSUANCE BY THE MADERA PUBLIC FINANCING AUTHORITY OF THE AUTHORITY'S LEASE REVENUE BONDS, SERIES 2019 IN AN AMOUNT NOT TO EXCEED \$5 MILLION; APPROVING THE FORMS OF AND AUTHORIZING EXECUTION AND DELIVERY OF A FACILITIES LEASE, A SITE LEASE, AND RELATED DOCUMENTS; AND AUTHORIZING NECESSARY RELATED ACTIONS **(CITY COUNCIL ACTION)**

RECOMMENDATION:

Adopt the two resolutions approving the issuance and the various documents for the Authority's Lease Revenue Bonds, Series 2019 in the estimated amount of \$4,430,000 and a "not-to-exceed" amount of \$5 million.

SUMMARY:

On June 6, 2018, staff and the City's Municipal Advisor presented various financing alternatives seeking direction as to the type of sale and the term of lease revenue bonds proposed to be sold to finance the fire station. The City Council (Council) directed staff to prepare the 30-year public offering of lease revenue bonds and approved hiring the following team of professionals to assist in the process along with City staff ("Financing Team"):

Municipal Advisor:	Del Rio Advisors, LLC
Bond / Disclosure Counsel:	Kronick
Underwriter:	Brandis Tallman LLC

The Financing Team began work on the various documents while the City prepared the design specifications for the new fire station, prepared project budgets and bid the project. In June 2018, it was anticipated that the project would require \$5.2 million to be financed through a bond sale. As the project evolved and was better defined, the amount required to be financed through a bond sale has been reduced to \$4.5 million.

On April 3, 2019, based on the time that transpired since the June 2018 discussion, the lower amount to be financed and differing market conditions, staff and the City’s Municipal Advisor once again presented various financing alternatives, seeking direction as to the type of sale and the term of lease revenue bonds. The Council directed the Financing Team to prepare for the sale of 20-year lease revenue bonds to be sold as a public offering and the bring the item back to the City Council for formal consideration.

Tonight, the Council and Authority Board are being asked to consider approval of the two Resolutions authorizing the issuance of the lease revenue bonds, approving as to form the various documents required to complete the transaction and authorizing all related actions.

DISCUSSION:

As the project budget has been better defined and the City has identified the amount of Measure K resources available, the remaining amount to be financed was determined per the following:

Table 1: New Fire Station Financing	
<i>Item</i>	<i>\$ Amount</i>
Construction Costs	\$8,368,369
Existing Funds Available per Measure K	\$3,868,369
Net Project Amount to be Financed	\$4,500,000

Under California Law, the sale of lease revenue bonds are how public agencies finance general fund infrastructure, like the City’s fire station project. Essentially, the City will lease assets to the Authority and then lease them back from the Authority over time. The lease payments paid by the City to the Authority are then paid to bondholders in the form of debt service. When the lease revenue bonds are paid off, the leased assets revert to the City. Therefore, the City needs to lease one or more essential assets to the Authority. The insured value of the leased asset needs to be at least equal to or greater than the principal amount borrowed, currently estimated at \$4,430,000

The Financing Team is recommending that the following assets be used as the leased assets for the financing:

Table 2: Insured Value of Leased Assets	
<i>Asset</i>	<i>Insured Value</i>
Fire Station #7	\$1,284,604
Police Facility Administration Building	\$4,028,045
Total Insured Value	\$5,312,649

Under California Law, the City covenants to appropriate lease payments in their annual budget. The lease is subject to “abatement” if the City no longer has “use and occupancy” of the leased asset, the lease payments must be equal to “fair rental value” and, in the event of default, the lease cannot be accelerated.

Federal tax law requires that the lease term cannot exceed the useful life of the improvements by more than 125 percent. In addition, 85 percent of the proceeds of the bonds must be spent within 3 years of closing.

In the aftermath of the “great recession,” lenders are now closely evaluating the “essentiality” of leased assets. The more essential the asset, the less likely an issuer will walk away in the event of fiscal distress.

To proceed, the City will need to secure both title insurance and rental interruption insurance. The title search will confirm that the leased asset is free and clear of any encumbrances and the rental interruption insurance will make the lease payments to the bondholders in the event the City loses “use and occupancy” of the leased asset for a period, usually up to two years.

The par amount of the lease revenue bonds, currently estimated at \$4,430,000, is lower than the proposed \$4,500,000 to be borrowed to finance the fire station. In this market environment, the bonds are expected to be sold at a premium generating enough proceeds to fund not only the project fund in the amount of \$4,500,000 but also fund the costs of issuance associated with issuing the lease revenue bonds.

The Council may not grant open-ended authority to issue bonds but rather must establish one or more parameters to govern the sale. The amount of the issuance can vary significantly depending on the City’s underlying rating, securing bond insurance, securing a surety policy for the reserve fund and general market conditions. For these reasons, the Financing Team is proposing a “not-to-exceed” issuance amount of \$5 million.

Public Offering

A public offering is the marketing and sale of bonds by an underwriter to both retail and institutional investors in a public sale. A public offering requires the preparation of an official statement, the primary marketing document used by the underwriter to sell the bonds. The document will describe not only the bonds, but also describes the City’s financial condition, the local economy, and demographics. A public offering also requires applying for and paying for a rating from Standard & Poor’s Corporation (“S&P”). The public market also requires a reserve fund or equivalent (surety policy) to act as the first line of defense in the event of default on bond payments. The City does not currently have a public rating on its General Fund. Public offerings generally have lower interest rates in comparison to a direct placement, however it takes longer (90-120 days) and costs more to bring to the market because of the need to prepare the official statement and the costs of the rating process.

Table 3 on the following page shows the estimated costs of issuance budget for a public offering and is included in the amount borrowed:

Table 3: Estimated Cost of Issuance

<i>Line Item</i>	<i>Amount</i>
Bond/Disclosure Counsel	\$40,500
Municipal Advisor	\$42,500
Municipal Advisor Expenses	\$750
Standard & Poor Rating Fee	\$15,000
Trustee	\$5,000
Trustee Counsel	\$2,500
Title Insurance	\$7,500
Printing	\$5,000
Miscellaneous	\$8,829
Underwriter's Discount ⁽¹⁾	\$25,694
Bond Insurance ⁽²⁾	\$28,445
Surety Policy (Reserve Fund) ⁽³⁾	\$12,859
Total	\$194,577

(1) Variable based on a percentage of the par amount of bonds

(2) Variable based upon a percentage of total debt service on the bonds

(3) Variable based upon a percentage of the reserve fund requirement

Worth noting is that the City may pay off the lease revenue bonds after 10 years without a prepayment penalty.

Documents for Consideration

- **Site Lease:** Document that governs the lease of the assets from the City to the Authority in consideration for the par amount of bonds sold.
- **Facilities Lease:** Document that governs the lease of the assets by the City from the Authority and assigns the lease payments received by the Authority to The Bank of New York Mellon Trust Company, N.A. for payment to bondholders.
- **Preliminary Official Statement (including the Continuing Disclosure Certificate):** The primary marketing document used by the Underwriter, Brandis Tallman LLC, for the sale of the lease revenue bonds to the public. The document describes the terms and conditions of the lease revenue bonds, describes the Authority and displays the financial and economic information about the City. The Continuing Disclosure Certificate governs the annual information to be provided by the City each year to the Electronic Municipal Market Access System ("EMMA") for

the benefit of bondholders. In addition, there are several listed material events that require immediate disclosure in the event they occur.

- Contract of Purchase: The document that governs the terms and conditions whereby the Underwriter, Brandis Tallman LLC, purchases the bonds in an “arms-length” transaction from the Authority. This document is executed on the sale date once the bonds are either sold to investors or the Underwriter determines to underwrite (retain) any unsold balances.

Financing Schedule (Subject to Change)

If the Council and MPFA approve the Resolutions tonight, Table 4 below shows the financing schedule with the estimated dates and items to be completed before the closing date of the bonds:

Table 4: Tentative Financing Schedule	
<i>Date</i>	<i>Task</i>
April 17, 2019	City Council Consideration
Week of April 22, 2019	<ul style="list-style-type: none"> ▪ Documents Sent to Rating Agency ▪ Documents Sent to Bond Insurers
Week of April 29, 2019	Rating Presentation
Week of May 13, 2019	<ul style="list-style-type: none"> ▪ Rating Released ▪ Bond Insurance Commitment ▪ Due Diligence Call ▪ Print and Post Preliminary Official Statement
Week of June 3, 2019	Sell Bonds
Week of June 10, 2019	Print and Post Final Official Statement Documents Executed
Week of June 17, 2019	Closing and Transfer of Funds

FINANCIAL IMPACT:

It is estimated that the City’s General Fund will pay approximately \$319,074 per year and the internal source of repayment will be Measure K sales tax dollars.

The costs of issuance are fully contingent upon the transaction closing except the rating fee and the fee for title insurance. The rating fee is currently estimated at \$15,000 and the fee for title insurance is currently estimated at \$7,500. Both the rating fee and the fee for title insurance can be paid from the costs of issuance. If the transaction fails to close, these fees would be due and payable by the City. The entire estimated costs of issuance are assumed paid from the bond issue and are fully accounted for in all the numbers presented above and in the good faith estimates shown below.

SB 450 Compliance (Good Faith Estimates)

In compliance with SB 450, the good faith estimates set forth herein are provided with respect to the bonds. Such good faith estimates have been provided to the City by the Municipal Advisor. Each estimate is based on the City's financing plan and current market conditions, including the proposed interest rate prevailing at the time of preparation of the estimate.

- *Principal Amount:* The estimated aggregate principal amount of the bonds is \$4,430,000.
- *True Interest Cost:* The estimated true interest cost of the bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the bonds, is 3.146575%.
- *Finance Charge:* The estimated finance charge for the bonds, which means the sum of all fees and charges paid to third parties is \$127,578.11 for the fixed costs of issuance, \$25,694 for the underwriter's discount, a bond insurance premium of \$28,445.19 and a surety premium of \$12,859.25 for a total of \$194,576.55.
- *Amount of Proceeds to be Received:* The estimate of the amount of proceeds to be received by the City from the bonds, less the finance charge of the bonds, as estimated above, is \$4,500,000.
- *Total Payment Amount:* The estimated total payment amount, which means the sum of all payments the City will make to pay debt service on the bonds, plus the finance charge for the bonds not paid with the proceeds of the bonds, calculated to the final maturity of the bonds, is \$6,231.152.58.

The foregoing estimates are good faith estimates only. The actual figures may differ from the estimates owing to:

- a) Differences between assumptions regarding the date of the closing of the bonds, the principal amount of the bonds, the amortization of the bonds, the final interest rate of the bonds and actual facts;
- b) Other market conditions,
- c) Changes in the City's financing plan; or
- d) A combination of such factors.

ALTERNATIVES:

As an alternative the Council may wish to:

- A. Seek additional time to consider the Resolutions and the various documents and request the Financing Team bring back the item for future consideration
- B. Direct the Financing Team to consider other financing alternatives and bring the item back for future consideration
- C. Direct staff to find alternative ways to fund the \$4,500,000 needed to complete the fire station

ATTACHMENTS:

1. Resolution of the Madera Public Financing Authority
2. Resolution of the City Council of the City of Madera
3. Site Lease
4. Facilities Lease
5. Preliminary Official Statement (Including the Continuing Disclosure Certificate)
6. Contract of Purchase

RESOLUTION _____

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MADERA PUBLIC FINANCING AUTHORITY APPROVING THE FORMS OF AND AUTHORIZING EXECUTION AND DELIVERY OF A SITE LEASE, A FACILITIES LEASE, A CONTRACT OF PURCHASE, AND A TRUST AGREEMENT; AUTHORIZING THE ISSUANCE OF SERIES 2019 BONDS IN AN AMOUNT NOT TO EXCEED FIVE MILLION DOLLARS; AND APPROVING OTHER ACTIONS RELATED TO THE MADERA PUBLIC FINANCING AUTHORITY LEASE REVENUE BONDS, SERIES 2019

WHEREAS, the Madera Public Financing Authority (the “Authority”) is a joint exercise of powers agency duly organized and operating pursuant to Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”) and a joint exercise of powers agreement (the “Joint Powers Agreement”);

WHEREAS, the City of Madera (the “City”) is a member agency of the Authority;

WHEREAS, Article 4 of the Act and the Joint Powers Agreement authorize the Authority to lease property and issue bonds to assist the Authority in financing and refinancing public improvements for the City;

WHEREAS, to provide funds to finance the construction of a fire station (the “Project”), the Authority intends to issue its Madera Public Financing Authority Lease Revenue Bonds, Series 2019 (the “Bonds”);

WHEREAS, the Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code (the “Marks-Roos Act”);

WHEREAS, the City and the Authority desire to provide for the negotiated sale of the Bonds;

WHEREAS, the City and the Authority have selected Brandis Tallman LLC to act as underwriter (the “Underwriter”) to purchase the Bonds from the Authority pursuant to a contract of purchase between the Authority, the City, and the Underwriter;

WHEREAS, the Project to be financed by the Bonds is located within the City’s boundaries;

WHEREAS, on April 17, 2019, the City Council held a public hearing, following the required notice by publication, and adopted a resolution approving the financing of the Project by the issuance of the Bonds and making a finding of significant public benefit;

WHEREAS, in accordance with Section 6586.5 of the Marks-Roos Act, notice of such hearing was published once at least five days prior to the hearing in the Madera Tribune, a newspaper of general circulation in the City;

WHEREAS, the following proposed agreements and documents relating to the issuance, sale and delivery of the Bonds by the Authority, which are incorporated herein by reference, have been presented to the Board for its review and approval:

1. The Site Lease (the “Site Lease”) between the City, as lessor, and the Authority, as lessee, whereby the City will lease to the Authority certain real property and any facilities located thereon (the “Leased Property”);
2. The Facilities Lease (the “Facilities Lease”) between the Authority, as lessor, and the City, as lessee, whereby the Authority will lease the Leased Property to the City for Rental Payments (as defined in the Facilities Lease), that are pledged to the owners of the Bonds by the Authority pursuant to the Trust Agreement (defined below);
3. The Trust Agreement (the “Trust Agreement”) between the Authority and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”), which provides for the issuance, execution, and delivery of the Bonds, the proceeds of the sale of which will pay for the construction of the Project;
4. The Contract of Purchase (the “Purchase Contract”) between the Authority, the City, and the Underwriter, whereby the Underwriter will agree to purchase the Bonds when and as issued and delivered by the Authority; and
5. The Official Statement (the “Official Statement”) describing the Bonds, the Authority, and the City;

WHEREAS, it appears to the Board that the authorization, approval, execution, and delivery of the agreements and documents described above or contemplated thereby or incidental thereto and the issuance, sale, and delivery of the Bonds in accordance with the Trust Agreement are desirable and in the best interests of the Authority;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Madera Public Financing Authority, as follows:

Section 1. Recitals. The foregoing recitals are true and correct and the Board so finds and determines.

Section 2. Authorization of Officers to Execute and Deliver Documents. The Board hereby authorizes and directs the Chairman, the Vice-Chairman, the Secretary, and the Treasurer/Auditor of the Authority and their designees (the “Designated Officers”), and each of them individually, for and in the name of the Authority, to approve, execute, and deliver the following agreements and documents:

- a. the Site Lease,
- b. the Facilities Lease,
- c. the Trust Agreement,

- d. the Purchase Contract, and
- e. the Official Statement,

in substantially the forms presented to the Board at this meeting, which agreements and documents are hereby approved, with such changes, insertions, revisions, corrections, or amendments as shall be approved by the officer or officers executing the agreement or document for the Board. The execution of the foregoing by a Designated Officer or Officers shall constitute conclusive evidence of such officer's or officers' and the Board's approval of any such changes, insertions, revisions, corrections, or amendments to the respective forms of agreements and documents presented to the Board at this meeting. The date, respective principal amounts of each maturity, the interest rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption, and other terms of the Bonds, shall be as provided in the Trust Agreement as finally executed.

Section 3. Authorization to Issue Bonds. The Board hereby authorizes the issuance of not to exceed \$5,000,000 principal amount of the Bonds in accordance with the terms of the Trust Agreement as finally executed.

Section 4. Authorization of Sale. The Board hereby authorizes the sale of the Bonds to the Underwriter pursuant to the Purchase Contract. The Designated Officers are hereby authorized and directed to negotiate with the Underwriter the final terms of the sale and its timing.

Section 5. Execution of the Bonds. The Designated Officers are hereby authorized and directed to execute each of the Bonds on behalf of the Authority.

Section 6. Distribution of Official Statement. The Board hereby authorizes the Underwriter to distribute copies of the Official Statement in preliminary form to persons who may be interested in the purchase of the Bonds and authorizes and directs the Underwriter to deliver copies of the final Official Statement to all purchasers of the Bonds.

Section 7. Identification of Professionals Involved. The Board hereby approves the firm of Del Rio Advisors, LLC, to act as municipal advisor (the "Municipal Advisor") and the firm of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, to act as bond and disclosure counsel with respect to the issuance of the Bonds.

Section 8. Disclosure of Specified Financing Information. Pursuant to the requirements of Government Code section 5852.1, the Authority is required to disclose at a public meeting certain information related to the financing. The Board has obtained from the Municipal Advisor good faith estimates of this required information and hereby discloses the estimates information as shown in Exhibit A attached hereto and incorporated herein by reference.

Section 9. Debt Policy. On October 18, 2017, the Authority and the City approved their debt management policy (the "Debt Policy") as required by amendments to Government Code section 8855(i). The Debt Policy remains in full force and effect. The sale and issuance of the Bonds as contemplated by this resolution are in compliance with the Debt Policy.

Section 10. General Authorization. The Board hereby authorizes and directs the Designated Officers, and each of them individually, for and in the name of and on behalf of the Authority, to do any and all things and to execute and deliver any and all documents that they may deem necessary or advisable in order to complete the sale, issuance, and delivery of the Bonds and otherwise to carry out, give effect to, and comply with the terms and intent of this resolution. All actions heretofore taken by such officers and agents that are in conformity with the purposes and intent of this resolution are hereby ratified, confirmed and approved in all respects.

Section 11. Effective Date. This resolution is effective immediately upon adoption.

* * * * *

PASSED AND ADOPTED by the Madera Public Financing Authority at a regular meeting thereof this 17th day of April 2019, by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

APPROVED:

ANDREW J. MEDELLIN, Chairperson

ATTEST:

CLAUDIA MENDOZA, Secretary

APPROVED AS TO LEGAL FORM:

General Counsel

Exhibit A

Specified Financial Information

The good faith estimates set forth herein are provided with respect to the Bonds. Such good faith estimates have been provided to the Authority by Del Rio Advisors, LLC, as municipal advisor to the Authority. Each estimate is based on the Authority's financing plan and current market conditions, including market interest rates prevailing at the time of preparation of the estimate.

Principal Amount. The estimated aggregate principal amount of the Bonds to be sold is \$4,430,000.

True Interest Cost. The estimated true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is 3.146575%.

Finance Charge. The estimated finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$194,576.55.

Amount of Proceeds to be Received. The estimate of the amount of proceeds to be received by the Authority from the sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$4,500,000. (No capitalized interest is expected to be funded with proceeds of the Bonds.)

Total Payment Amount. The estimated total payment amount, which means the sum total of all payments the Authority will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$6,231,152.58.

The foregoing estimates are good faith estimates only. The actual figures may differ from the estimates owing to (a) differences between assumptions regarding the date of the sale of the Bonds, the principal amount of Bonds sold, the amortization of the Bonds, and market interest rates at the time of sale of the Bonds and actual facts, (b) other market conditions, (c) changes in the Authority's financing plan, or (d) a combination of such factors.

RESOLUTION NO. ____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MADERA APPROVING THE ISSUANCE BY THE MADERA PUBLIC FINANCING AUTHORITY OF THE AUTHORITY'S LEASE REVENUE BONDS, SERIES 2019, IN AN AMOUNT NOT TO EXCEED FIVE MILLION DOLLARS; APPROVING THE FORMS OF AND AUTHORIZING EXECUTION AND DELIVERY OF A FACILITIES LEASE, SITE LEASE, AND RELATED DOCUMENTS; AND AUTHORIZING NECESSARY RELATED ACTIONS

WHEREAS, the City of Madera and the Redevelopment Agency of the City of Madera established, pursuant to the laws of the State of California, the Madera Public Financing Authority (the "Authority") for the purpose of, among other things, issuing bonds to finance and refinance public capital improvements, including, but not limited to, general municipal improvements;

WHEREAS, the Authority has proposed to issue bonds to finance the construction of a fire station (the "Project");

WHEREAS, the Authority and the City have determined that it would be in the best interests of the Authority, the City, and residents of the City to authorize the preparation, sale and delivery of Madera Public Financing Authority Lease Revenue Bonds, Series 2019 (the "Bonds"), for the purpose of financing the Project;

WHEREAS, the Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code (the "Act");

WHEREAS, the City and the Authority desire to provide for the negotiated sale of the Bonds;

WHEREAS, the City and the Authority have selected Brandis Tallman LLC, to act as underwriter (the "Underwriter") to purchase the Bonds from the Authority pursuant to a contract of purchase between the City, the Authority, and the Underwriter;

WHEREAS, the City is a member of the Authority and the Project is located within the boundaries of the City;

WHEREAS, Section 6586.5 of the Act requires the City Council, after holding a public hearing, to approve the Authority's financing of public capital improvements that are to be located in the City and to make a finding of significant public benefit;

WHEREAS, in accordance with Section 6586.5 of the Act, notice of such hearing was published once at least five days prior to the hearing in *The Madera Tribune*, a newspaper of general circulation in the City;

WHEREAS, the City Council held a public hearing on April 17, 2019, at the meeting that commenced at 6:00 p.m., in the Council Chambers, City Hall, Madera, California, following duly published notice thereof, and all persons desiring to be heard have been heard;

WHEREAS, the following proposed agreements and document relating to the financing, which are incorporated herein by reference, have been presented to the City Council for its review and approval:

1. The Site Lease (the “Site Lease”) between the City, as lessor, and the Authority, as lessee, whereby the City will lease to the Authority certain real property and any facilities located thereon (the “Leased Property”); and
2. The Facilities Lease (the “Facilities Lease”) between the Authority, as lessor, and the City, as lessee, whereby the Authority will lease the Leased Property to the City;
3. The Contract of Purchase (the “Purchase Contract”) between the Authority, the City, and the Underwriter, whereby the Underwriter will agree to purchase the Bonds when and as issued and delivered by the Authority; and
4. The Official Statement (the “Official Statement”) describing the Bonds, the City, and the Authority;
5. The Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), whereby the City undertakes to provide annual reports and material events notices as required under federal securities laws;

WHEREAS, information required by Government Code section 5852.1 to be disclosed by the Authority at a public meeting has been provided to the City in advance of this meeting;

WHEREAS, it appears to the City Council that the authorization, approval, execution, and delivery of the agreements described above or contemplated thereby or incidental thereto and the financing of the Project by the Authority are desirable and in the best interests of the City;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Madera as follows:

Section 1. Recitals. The foregoing recitals are true and correct and the City Council so finds and determines.

Section 2. Significant Public Benefit. The City Council hereby finds that the proposed financing of the Project by the Authority will produce more efficient delivery of local City services to its residents, which is of significant public benefit.

Section 3. Approval of Financing. The City Council hereby approves the issuance by the Authority of not to exceed \$5,000,000 aggregate principal amount of its Madera Public Financing Authority Lease Revenue Bonds, Series 2019.

Section 4. Authorization of Officers to Execute and Deliver Documents. The City Council hereby authorizes and directs the Mayor, the City Manager, the Director of Financial Services, and the City Clerk and their designees (the “Designated Officers”), and each of them individually, for and in the name of the City, to approve, execute, and deliver the following agreements:

- a. the Site Lease,
- b. the Facilities Lease,
- c. the Purchase Contract,
- d. the Official Statement, and
- e. the Continuing Disclosure Certificate,

in substantially the forms presented to the City Council at this meeting, which agreements and document are hereby approved, with such changes, insertions, revisions, corrections, or amendments as shall be approved by the officer or officers executing the agreement or document for the City. The execution of the foregoing by a Designated Officer or Officers shall constitute conclusive evidence of such officer's or officers' and the City Council's approval of any such changes, insertions, revisions, corrections, or amendments to the respective forms of agreements and document presented to the City Council at this meeting.

Section 5. Distribution of Official Statement. The City Council hereby authorizes the Underwriter to distribute copies of the Official Statement in preliminary form to persons who may be interested in the purchase of the Bonds and authorizes and directs the Underwriter to deliver copies of the final Official Statement to all purchasers of the Bonds.

Section 6. Identification of Professionals Involved. The City Council has engaged the firm of Del Rio Advisors, LLC, to act as municipal advisor (the "Municipal Advisor") and the firm of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, to act as bond and disclosure counsel with respect to the issuance of the Bonds.

Section 7. Debt Policy. On October 18, 2017, the City and the Authority approved their debt management policy (the "Debt Policy") as required by amendments to Government Code section 8855(i). The Debt Policy remains in full force and effect. The execution of the Facilities Lease and the Authority's sale and issuance of the Bonds as contemplated by this resolution are in compliance with the Debt Policy.

Section 8. Authorization of Officers to Execute Documents. The City Council hereby authorizes and directs the Designated Officers and other officers and agents of the City, and each of them individually, for and in the name of and on behalf of the City, to do any and all things and to execute and deliver any and all documents that they may deem necessary or advisable in order to complete the sale, issuance, and delivery of the Bonds and otherwise to carry out, give effect to, and comply with the terms and intent of this resolution. All actions heretofore taken by such officers and agents that are in conformity with the purposes and intent of this resolution are hereby ratified, confirmed and approved in all respects.

Section 9. Effective Date. This resolution shall take effect immediately upon its adoption.

* * * * *

PASSED AND ADOPTED by the City of Madera this 17th day of April 2019, by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

APPROVED:

ANDREW J. MEDELLIN, Mayor

ATTEST:

CLAUDIA MENDOZA, City Clerk

APPROVED AS TO LEGAL FORM:

General Counsel

RECORDING REQUESTED BY:

Kronick, Moskovitz, Tiedemann & Girard
for the benefit of the Madera Public Financing Authority

WHEN RECORDED RETURN TO:

Kronick, Moskovitz, Tiedemann & Girard
400 Capitol Mall, 27th Floor
Sacramento, California 95814
Attention: Deborah Fields, Public Finance

This document is recorded for the benefit of the Madera Public Financing Authority, and recording is exempt from recording fees pursuant to Government Code §27383.

The term of this site lease is less than 35 years. This transaction is exempt from documentary transfer tax by Revenue & Taxation Code §11928.

SITE LEASE

between the

CITY OF MADERA

and the

MADERA PUBLIC FINANCING AUTHORITY

Dated May 1, 2019

Relating to

[\$[PAR AMOUNT]]
Madera Public Financing Authority
Lease Revenue Bonds, Series 2019

SITE LEASE

This Site Lease, dated May 1, 2019 (this "Site Lease"), between the City of Madera (the "City"), a general law city duly organized and validly existing under and pursuant to the Constitution and laws of the State of California (the "City"), as lessor, and the Madera Public Financing Authority (the "Authority"), a joint exercise of powers agency established pursuant to the laws of the State of California;

WITNESSETH:

WHEREAS, the City presently owns that certain real property located in the City of Madera, County of Madera, State of California, more particularly described in Exhibit A attached hereto and by this reference incorporated herein, together with the improvements thereon (the "Leased Property");

WHEREAS, the City will lease the Leased Property to the Authority hereunder and the Authority will lease the Leased Property back to the City pursuant to a facilities lease of even date herewith (the "Facilities Lease") to provide funds for the purpose of public capital improvements;

WHEREAS, the Authority will assign all of its right, title and interest in the Rental Payments due under the Facilities Lease to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") under a Trust Agreement dated the date hereof (the "Trust Agreement"), between the Authority and the Trustee, pursuant to which the Authority will issue its Madera Public Financing Authority Lease Revenue Bonds, Series 2019 (the "Bonds"); and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Site Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Site Lease;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. Leased Property. The City hereby leases to the Authority, and the Authority hereby hires from the City, on the terms and conditions hereinafter set forth, the Leased Property.

Section 2. Term. The term of this Site Lease shall commence on the Closing Date, as that term is defined in the Trust Agreement, and shall end on February 1, 2039, unless such term is extended or sooner terminated as hereinafter provided. If on February 1, 2039, the Bonds shall not be fully paid, or if the rental payable under the Facilities Lease shall have been abated at any time and for any reason, then the term of this Site Lease shall be extended for a period of ten (10) years. If the Bonds shall be fully paid, or provision therefor made, the term of this Site Lease shall end ten (10) days thereafter or ten (10) days after written notice by the City to the Authority, whichever is earlier.

Section 3. Rental. The Authority shall pay to the City as and for advance rental hereunder for the entire term hereof the sum of \$[PAR AMOUNT], on or before the date of commencement of the term of this Site Lease. The funds representing such rental shall be deposited or disbursed by the Trustee as provided in the Trust Agreement. The Authority hereby waives any right that it may have under the laws of the State of California to a rebate of such rental in full or in part in the event there is substantial interference with the use and right to possession by the Authority of the Leased Property or portion thereof as a result of material damage, destruction, or condemnation.

Section 4. Purpose. The Authority shall use the Leased Property solely for the purpose of leasing it to the City pursuant to the Facilities Lease and for such purposes as may be incidental thereto; provided that in the event of default by the City under the Facilities Lease the Authority may exercise the remedies provided in the Facilities Lease.

Section 5. Owner in Fee. The City covenants that it is the owner in fee of the Leased Property.

Section 6. Assignment and Subleases. The Authority may not assign its rights under this Site Lease, except pursuant to the Trust Agreement, or sublet the Leased Property, without the written consent of the City and the [INSURER] (the “Insurer”) for so long as the Bonds are outstanding.

Section 7. Right of Entry. The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements, or changes necessary for the preservation thereof.

Section 8. Surrender of Possession. The Authority agrees, upon the termination of this Site Lease and on the first date on which the Bonds are no longer outstanding, to quit and surrender the Leased Property to the City, without warranty as to condition.

Section 9. Default. In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of this Site Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Authority, the City may exercise any and all remedies granted by law, except that no merger of this Site Lease and of the Facilities Lease shall be deemed to occur as a result thereof; provided, however, that the City shall have no power to terminate this Site Lease by reason of any default on the part of the Authority if any of the Bonds are Outstanding, or if such termination would affect or impair any assignment or sublease of all or any part of the Leased Property then in effect between the Authority and any assignee or subtenant of the Authority (other than the City under the Facilities Lease). So long as any such assignee or subtenant of the Authority shall duly perform the terms and conditions of this Site Lease and of its then existing sublease (if any), such assignee or subtenant shall be deemed to be and shall become the tenant of the City hereunder and shall be entitled to all of the rights and privileges granted under any such assignment; provided, further, that so long as any Bonds are outstanding and unpaid in accordance with the terms thereof, the rentals or any part thereof payable to the Trustee shall continue to be paid to the Trustee.

Section 10. Quiet Enjoyment. The Authority at all times during the term of this Site Lease, subject to the provisions of Section 9 (Default) hereof, shall peaceably and quietly have, hold and enjoy all of the Leased Property.

Section 11. Waiver of Personal Liability. All liabilities under this Site Lease on the part of the Authority shall be solely liabilities of the Authority as a joint exercise of powers agency, and the City hereby releases each and every member of the governing board and officer of the Authority of and from any personal or individual liability under this Site Lease unless such person acted outside of the scope of his or her duties. No member of the governing board or officer of the Authority shall at any time or under any circumstances be individually or personally liable under this Site Lease to the City or to any other party whomsoever for anything done or omitted to be done by the Authority hereunder.

Section 12. Taxes. The City covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Leased Property (including both land and improvements).

Section 13. Eminent Domain. In the event the whole or any part of the improvements on the Leased Property is taken by eminent domain proceedings the effect of such taking hereunder shall be in accord with the provisions of the Facilities Lease relating thereto.

Section 14. Partial Invalidity. If any one or more of the terms, provisions, covenants, or conditions of this Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining terms, provision, covenants and conditions of this Site Lease shall be affected thereby, and each provision of this Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 15. Notices. All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail, postage prepaid, and addressed as follows:

City:

City of Madera
205 West 4th Street
Madera, California 93637
Attn: City Manager

Authority:

Madera Public Financing Authority
205 West 4th Street
Madera, California 93637
Attention: Chairman

The City and the Authority may, by notice given hereunder, designate any further or different address to which subsequent notices shall be sent.

Section 16. Section Headings. All section headings contained herein are for convenience or reference only and are not intended to define or limit the scope of any provision of this Site Lease.

Section 17. Third Party Beneficiary. The Insurer is hereby declared to be a third-party beneficiary of this Site Lease.

Section 18. Execution in Counterparts. This lease may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same lease. It is also agreed that separate counterparts of this Site Lease may separately be executed by the City and the Authority, all with the same force and effect as though the same counterpart had been executed by both the City and the Authority.

[signature page follows]

IN WITNESS WHEREOF, the City and the Authority have caused this Site Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF MADERA, Lessor

By: _____
[NAME/TITLE]

**MADERA PUBLIC FINANCING AUTHORITY,
Lessee**

By: _____
[NAME/TITLE]

INSERT NOTARY ACKNOWLEDGMENTS

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

All that real property located within the City of Madera, County of Madera, State of California, described as follows:

PARCEL ONE:

Lots 2, 3, 4 and 5 in Block 87 of the City of Madera, according to the map entitled, "Blocks 87 and 88, Madera", filed and recorded in the Office of the County Recorder of the County of Madera, State of California, June 23, 1915 in Vol. 4 of Maps, at Page 25.

APN: 007-191-016

PARCEL TWO:

Parcel 2 of Parcel Map recorded November 26, 1984 in Book 30, Page 161 of Maps, being a portion of Lots 6 through 12, inclusive, of Block 87 of the City of Madera, according to the map entitled, "Blocks 87 and 88, Madera", filed and recorded in Book 4, Page 25 of Maps, Madera County Records.

APN: 007-191-018

PARCEL THREE:

Lots 27, 28, 29 and 30 in Block 87 of the City of Madera, according to map entitled, "Blocks 87 and 88, Madera", recorded June 23, 1915 in Book 4 of Maps, at Page 25, Madera County Records.

APN: 007-191-013

PARCEL FOUR:

Parcel 2 as shown on that certain Parcel Map recorded August 26, 1976 in Book 22 of Maps, at Page 37, Madera County Records.

APN: 007-191-010

PARCEL FIVE:

Lot 31 in Block 87 of the City of Madera, County of Madera, State of California, according to the map entitled, "Blocks 87 and 88, Madera", filed and recorded in the Office of the County Recorder of the County of Madera, State of California, June 23, 1915 in Book 4 of Maps, at Page 25.

APN: 007-191-014

Such property is commonly known as the Police Administration Building, located at 330 South "C" Street, Madera, California.

Parcel 1, as shown on Parcel Map filed by the City of Madera on March 25, 1978 in Book 24 of Maps, at Page 93, and corrected by that Certificate of Correction recorded May 26, 1978 in Book 1398, Page 606 of Official Records.

Excepting therefrom that portion thereof described in the Grant Deed to Bomanite Corporation, a California corporation, recorded April 15, 1996 as Instrument No. 9609932 of Official Records, described as follows:

All that portion of the Southeast quarter of the Northwest quarter of Section 26, Township 11 South, Range 17 East, Mount Diablo Base and Meridian, being more particularly described as follows:

Beginning at the Northeast corner of Parcel 2 of that certain Parcel Map recorded February 28, 1985 in Book 31 of Maps, at Page 11 of Madera County Records; thence S. 89° 56' 22" W., along the North line of said Parcel 2, a distance of 315.08 feet to the Northwest corner of said Parcel 2, said Northwest corner being on the East line of Parcel 1 of said Parcel Map; thence N. 00° 10' 24" W., along the East line of said Parcel 1, a distance of 299.99 feet to the Northeast corner of said Parcel 1; thence N. 89° 57' 00" E., along the South line of 100.00 foot right of way as shown on the Map of "Madera Industrial Park Subdivision in the City of Madera", recorded in Book 20 of Maps, Page 56, Madera County Records, a distance of 74.00 feet; thence S. 00° 10' 24" E., 74.00 feet East of and parallel to the East line of said Parcel 1, a distance of 211.03 feet; thence N. 89° 56' 22" E., 89.00 feet North of and parallel to the North line of said Parcel 2, a distance of 230.70 feet to the west line of Schnoor Avenue as shown on said Parcel Map; thence S. 06° 49' 40" E., along the said West line of Schnoor Avenue, a distance of 89.57 feet to the point of beginning.

APN: 009-270-054

Such property is commonly known as Fire Station No. 7, located at 200 S. Schnoor Avenue, Madera, California.

FACILITIES LEASE

between the

MADERA PUBLIC FINANCING AUTHORITY

and the

CITY OF MADERA

relating to the

[\$[PAR AMOUNT]
Madera Public Financing Authority
Lease Revenue Bonds, Series 2019

Dated May 1, 2019

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FACILITIES LEASE

This Facilities Lease (this “Facilities Lease”), dated May 1, 2019, between the MADERA PUBLIC FINANCING AUTHORITY (the “Authority”), a joint exercise of powers agency established pursuant to the laws of the State of California , and the CITY OF MADERA (the “City”), a general law city duly organized and validly existing under and pursuant to the Constitution and laws of the State of California;

W I T N E S S E T H:

WHEREAS, the City is authorized pursuant to the laws of the State of California to lease real property that is necessary and proper for public purposes; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Facilities Lease do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Facilities Lease;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

**ARTICLE I
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION**

Section 1.01. Definitions. Unless the context otherwise requires, the capitalized terms used in this Facilities Lease shall have the meanings indicated in that certain Trust Agreement dated May 1, 2019 (the “Trust Agreement”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

Section 1.02. Notices. All approvals, authorizations, consents, demands, designations, notices, offers, requests, statements or other communications hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail, postage prepaid, with, in each case, a copy to the Trustee, and addressed as follows:

City: City of Madera
205 West 4th Street
Madera, California 93637
Attention: City Manager

Authority: Madera Public Financing Authority
205 West 4th Street
Madera, California 93637
Attention: Chairman

Insurer: [INSURER]]
[ADDRESS]
Attention: _____

Trustee: The Bank of New York Mellon Trust Company, N.A.
100 Pine Street, Suite 3100
San Francisco, CA 94111
Attention.: Corporate Trust
Facsimile: (415) 399-1647

Notices sent to the Trustee may also be sent by facsimile to (415) 399-1647 or by e-mail to: janette.sanluis@bnymellon.com. The City, the Authority, and the Trustee may, by notice given hereunder, designate any further or different address to which subsequent notices shall be sent.

Section 1.03. Successors and Assigns. Whenever in this Facilities Lease either the City or the Authority is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Facilities Lease contained by or on behalf of the City or the Authority shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 1.04. Benefits of Lease. Nothing in this Facilities Lease expressed or implied is intended or shall be construed to give to any person other than the City, the Authority, the Trustee, and the Insurer any legal or equitable right, remedy, or claim under or in respect of this Facilities Lease or any covenant, condition, or provision therein or herein contained; and all such covenants, conditions, and provisions are and shall be held to be for the sole and exclusive benefit of the City, the Authority, the Trustee, and the Insurer. The Trustee and the Insurer are hereby declared to be third-party beneficiaries of this Facilities Lease.

Section 1.05. Amendments. This Facilities Lease may be altered, amended, or modified in writing as may be mutually agreed by the Authority and the City, subject to the prior written approval of the Trustee, and further provided that any such alteration, amendment or modification shall be made only in compliance with the terms of the Trust Agreement.

Section 1.06. Effect of Headings and Table of Contents. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, or effect of this Facilities Lease.

Section 1.07. Validity and Severability. If for any reason this Facilities Lease or any part thereof shall be held by a court of competent jurisdiction to be void, voidable, or unenforceable by the Authority or by the City, all of the remaining terms hereof shall nonetheless continue in full force and effect. If for any reason it is held by such a court that any of the agreements, conditions, covenants or terms required to be observed or performed by the City hereunder, including the covenant to pay rentals hereunder, is unenforceable for the full term hereof, then and in such event this Facilities Lease is and shall be deemed to be a lease from year to year under which the rentals are to be paid by the City annually in consideration of the right of the City to use and occupancy of

the Leased Property, and all the other agreements, conditions, covenants and terms hereof, except to the extent that such agreements, conditions, covenants and terms are contrary to or inconsistent with such holding, shall remain in full force and effect.

Section 1.08. Law Governing. This Facilities Lease shall be construed and governed in accordance with the laws of the State of California.

Section 1.09. Execution in Counterparts. This Facilities Lease may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

**ARTICLE II
REPRESENTATIONS AND COVENANTS OF THE CITY;
REPRESENTATIONS AND COVENANTS OF THE AUTHORITY**

Section 2.01. Representations and Covenants of City. The City represents and covenants for the benefit of the Insurer, the Authority and its assignees as follows:

(A) Valid Existence. The City is a general law city duly organized and validly existing as a municipal corporation under the Constitution and laws of the State of California.

(B) Authority to Enter into Lease. The City is authorized under the laws of the State of California to enter into this Facilities Lease and perform all of its obligations hereunder.

(C) Due Authorization. The City has been duly authorized to execute and deliver this Facilities Lease under the terms and provisions of a resolution of the City Council approving the form and authorizing the execution of this Facilities Lease.

(D) Enforceability of Lease. The City represents, covenants, and warrants that all requirements have been met and procedures have occurred in order to ensure the enforceability of this Facilities Lease (except as such enforceability may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally and by the application of equitable principles).

(E) Limitation on Use of Leased Property. During the term of this Facilities Lease, the Leased Property will be used by the City only for the purpose of performing one or more governmental functions of the City consistent with the permissible scope of the City's authority. City hereby further agrees and covenants during the term hereof as to the Leased Property, except as otherwise provided herein, that it will not abandon or vacate the Leased Property.

(F) Essential Facilities. The City represents and warrants that the Leased Property is essential for performing its governmental functions.

(G) Compliance with Ordinances. The City represents and warrants that the Leased Property is in compliance with all applicable zoning, environmental and safety ordinances.

(H) Leased Property Subject to Title Insurance. The City represents and warrants that the Leased Property is the same property described in the title insurance policy provided required herein and delivered on the Closing Date.

Section 2.02. Representations of Authority. The Authority hereby represents to the City and the Insurer as follows:

(A) Authority Status. The Authority is a joint exercise of powers agency duly organized, validly existing, and in good standing under and by virtue of the laws of the State of California.

(B) Power to Enter into Lease. The Authority has all requisite power and authority to enter into this Facilities Lease and perform all of its obligations hereunder.

(C) Due Authorization. This Facilities Lease has been duly authorized by all necessary action on the part of the Authority.

(D) Enforceability of Lease. The Authority represents, covenants, and warrants that this Facilities Lease is a valid and binding obligation of the Authority, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by the application of equitable principles.

ARTICLE III LEASE OF PROPERTY

Section 3.01. Lease of Property. The Authority hereby leases the Leased Property to the City and the City hereby hires the Leased Property from the Authority on the conditions and terms hereinafter set forth, and subject to all easements, encumbrances and restrictions that existed at the commencement of the term hereof. In exchange for the Rental Payments herein provided, the Authority agrees to provide only the Leased Property. Exhibit A hereto describes the real property component of the Leased Property.

Section 3.02. No Merger of Estates. The leasing by the Authority to the City of the Leased Property pursuant to this Facilities Lease shall not effect or result in a merger of the City's leasehold estate pursuant hereto and its fee estate. The Authority shall continue to have and hold a leasehold estate in the Leased Property pursuant to the Site Lease throughout the term thereof and the term of this Facilities Lease. As to the Leased Property, this Facilities Lease shall be deemed and constitute a sublease.

Section 3.03. Lease Term; Occupancy.

(A) Term. The term of this Facilities Lease shall commence on the Closing Date and shall end on February 1, 2039, unless such term is extended or sooner terminated as hereinafter provided. If on February 1, 2039, the Bonds shall not be fully paid or if the rental payable hereunder shall have been abated at any time and for any reason, then the term of this Facilities Lease shall be extended for a period of ten (10) years. If the Bonds shall be fully paid, or provision therefor made, the term of this Facilities Lease shall end ten (10) days thereafter or ten (10) days after written notice by the City to the Authority, whichever is earlier.

(B) Occupancy. The City will take possession of the Leased Property upon commencement of the term of the Lease. If the Authority, for any reason whatsoever, cannot deliver possession of the Leased Property or any part thereof to the City on this date, this Facilities Lease shall not be void or voidable, nor shall the Authority be liable to the City for any loss or damage

resulting therefrom; but in that event, the rent payable hereunder and attributable to the Leased Property shall be abated as provided in Section 4.07 (Abatement of Rental).

Section 3.04. Substitution. The City may substitute alternate property for any property that constitutes all or any portion of the Leased Property for purposes of the Site Lease and this Facilities Lease, but only after the City shall have filed with the Trustee all of the following:

(A) Documents. Executed copies of the amended Site Lease and Facilities Lease containing the amended description of the Leased Property.

(B) Recording. A Certificate of the City stating that the amended Site Lease and Facilities Lease, or memoranda thereof, have been duly recorded in the official records of the County of Madera.

(C) Appraisal. An MAI fair market appraisal demonstrating that the value of the substituted property is at least equal to the property being released;

(D) Title Insurance. A California Land Title Association leasehold title policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing policy or policies in an amount or amounts such that the amount of title insurance coverage with respect to the Leased Property after the substitution is at least equal to the amount of such insurance with respect to the Leased Property prior to the substitution. Each such policy or endorsement, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the Authority in such substituted property, subject only to the following exceptions: (1) Permitted Encumbrances as defined in Section 7.05 (Title Insurance), (2) exceptions that do not substantially interfere with the City's right to use and occupy the substituted property, and (3) exceptions that will not result in an abatement of Rental Payments. Prior to the release of any of the Leased Property, the City shall also provide evidence that the existing title policy is not affected by the substitution;

(E) No Effect on Occupancy; Useful Life. A Certificate of the City certifying to the Trustee that the substituted real property has (i) similar or greater essentiality of use than the portion of the Leased Property being substituted and (i) equivalent or greater useful life than the period remaining until the last maturity of the Bonds;

(F) No Prior Liens. A Certificate of the City certifying that the property that will constitute the Leased Property after the substitution is not subject to any liens securing monetary obligations (other than Permitted Encumbrances), unless such liens are subordinate to the interests of the Authority created by this Facilities Lease.

(G) Opinion of Counsel. An Opinion of Counsel to the effect that the amendments to the Site Lease and this Facilities Lease that implement the substitution (1) are authorized or permitted by and comply with the Constitution and laws of the State of California and the Trust Agreement; and (2) upon execution and delivery will be valid obligations of the City and the Authority; and that (3) such substitution will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes;

(H) Notice to Rating Agencies. Evidence of delivery of written notice of the proposed substitution to each Rating Agency then rating the Bonds.

(I) Consent of Insurer. So long as the Bond Insurance Policy is in effect and the Insurer is not in default with respect to its payment obligations thereunder, the written consent of the Insurer to the substitution.

Section 3.05. Release of Property. The City may release a portion of the property that constitutes the Leased Property for purposes of the Site Lease and the Facilities Lease, but only after the City has filed with the Trustee with copies to each rating agency then providing a rating for the Bonds, all of the following:

(A) Documents. Executed copies of the amended Site Lease and Facilities Lease containing the amended description of the Leased Property;

(B) Recording. A Certificate of the City stating that the amended Site Lease and Facilities Lease, or memoranda thereof, have been duly recorded in the official records of the County of Madera;

(C) Appraisal. An MAI fair market appraisal demonstrating that the value of the property that will constitute the Leased Property after the substitution or release will be at least equal to the value of the Leased Property originally leased;

(D) Opinion of Counsel. An Opinion of Counsel to the effect that the amendments to the Site Lease and the Facilities Lease that implement the release (1) are authorized or permitted by and comply with the Constitution and laws of the State of California and the Trust Agreement; and (2) upon execution and delivery will be valid obligations of the City and the Authority;

(E) Notice to Rating Agencies. Evidence of delivery of written notice of the proposed release to each Rating Agency then rating the Bonds; and

(F) Consent of Insurer. So long as the Bond Insurance Policy is in effect and the Bond Insurer is not in default with respect to its payment obligations thereunder, the written consent of the Bond Insurer to the release.

Section 3.06. Title to Leased Property. During the term of this Facilities Lease, the Authority shall have a leasehold estate in the Leased Property pursuant to the Site Lease.

Section 3.07. Modifications to the Leased Property. The City shall, at its sole cost, have the right during the term hereof to make improvements to the Leased Property or to attach any fixtures, structures or signs to the Leased Property if such improvements, fixtures, structures or signs are necessary or beneficial for the use of the Leased Property by the City for public purposes; provided, that such actions by the City shall not materially adversely affect the value of the Leased Property or operation of the Leased Property for the purpose intended.

Section 3.08. Installation of City Equipment. The City and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment in or upon the Leased Property. All such items shall remain the sole property of such party, in which neither the Authority nor the Trustee shall have any interest, and may be removed or modified by such party at any time, provided that such party shall repair and

restore any and all damage to the Leased Property resulting from the installation, modification, or removal of any such items.

Nothing in this Facilities Lease shall prevent the City from purchasing items to be installed pursuant to or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Property.

ARTICLE IV RENTAL PAYMENTS

Section 4.01. Rental Payments. The City agrees to pay to the Authority, its successor or assigns as annual rental for the use of the Leased Property the following amounts, at the following times, in the manner hereinafter set forth:

(A) Amount and Timing. The City shall pay Rental Payments, comprising principal and interest components, in semiannual installments of the amounts and on the fifteenth day of the month preceding the respective payment dates set forth in the Schedule of Rental Payments attached as Exhibit B hereto. The semiannually paid interest components of the Rental Payments shall be paid by the City as and constitute interest paid on the annually paid principal components of the Rental Payments.

(B) Extension of Lease Term. If the term of this Facilities Lease shall have been extended pursuant to Section 3.03 (Lease Term; Occupancy) hereof, Rental Payments shall continue to be due as described herein. Rental Payments shall be calculated on an annual basis, for the twelve-month periods commencing on February 2 and ending on February 1. Rental Payment installments shall continue to be payable in installments on January 15 (interest and principal) and July 15 (interest) in each year (the "Rental Payment Dates"), continuing to and including the date of termination of this Facilities Lease, in an aggregate amount equal to the amount of Rental Payments payable for the twelve-month period commencing February 2, 2038. Upon such extension of this Facilities Lease, the principal and interest components of the Rental Payments shall be established so that the principal components will, in the aggregate, be sufficient to pay all unpaid principal components and the interest components will be sufficient to pay all unpaid interest components plus interest on the extended principal components at a rate equal to the rate of interest on the principal component of the Rental Payment payable on July 15, 2038, computed on the basis of a 360-day year composed of twelve 30-day months.

(C) Credits Against Rental Payments. Any amount held in the Revenue Fund on any Rental Payment Date (other than any amounts required for payment of past due principal or interest on any Bonds not yet presented for payment) shall be credited towards the Rental Payment then due and payable.

(D) Rental Period. Each aggregate annual payment of Rental Payments shall be for the use of the Leased Property for the twelve-month period (or shorter, in the case of the first rental period, which commences on the closing date) ending on the February 1 on which the principal component of such annual Rental Payment is due.

(E) **Medium and Place of Payment.** Each Rental Payment installment payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Trustee, as assignee of the Authority, at the Corporate Trust Office or such other place as the Trustee shall designate.

(F) **Rate on Overdue Payments.** Any Rental Payment installment or Additional Payment accruing hereunder that shall not be paid when due shall, to the extent permitted by law, bear interest at a rate equal to the rate of interest on the respective principal components to which such Rental Payment relates or with respect to Additional Payments at the rate on the principal component of the Rental Payment due January 15, 2039, plus two percent (2%) per annum from the date when the same is due hereunder until the same shall be paid. All such delinquent installments of Rental Payments and the interest thereon shall be deposited in the Reserve Fund and all such delinquent installments of Additional Payments and interest thereon shall be paid to the order of the Authority and the Trustee, with respect to the amounts owed to each of them by the City.

Section 4.02. Allocation of Rental Payments. All Rental Payments received shall be applied first to the interest components of the Rental Payments due hereunder and then to the principal components of the Rental Payments due hereunder, but no such application of any payments that are less than the total Rental Payment due and owing shall be deemed a waiver of any default hereunder.

Section 4.03. Fair Rental Value. The Rental Payments and Additional Payments for each rental period during the term of this Facilities Lease shall constitute the total rental for such rental period, and shall be paid by the City on or before the due dates thereof for and in consideration of the right to the use and occupancy, and the continued quiet enjoyment, of the Leased Property during the rental period for which such rental is paid. The parties hereto have agreed and determined that such rental represents the fair rental value of the Leased Property. In making such determination, consideration has been given to the historical value of the Leased Property, other obligations of the parties hereunder, the uses and purposes that may be served by the Leased Property and the benefits therefrom which will accrue to the City, its residents and the general public.

Section 4.04. No Offsets. Notwithstanding any dispute between the Authority and the City, the City shall make all Rental Payments and Additional Payments when due hereunder without deduction or offset of any kind and shall not withhold any Rental Payments and Additional Payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for such Rental Payments or Additional Payments or any portion thereof, such payments or excess of payments, as the case may be, shall be credited against subsequent Rental Payments or Additional Payments due hereunder.

Section 4.05. Net Lease. This Facilities Lease shall be deemed and construed to be a “net-net lease” and the City hereby agrees that the Rental Payments shall be an absolute net return to the Authority free and clear of any expenses, charges, or setoffs whatsoever.

Section 4.06. Covenant to Budget and Appropriate. The City agrees and covenants to take such action as may be necessary to include all Rental Payments and Additional Payments due hereunder in its annual budgets and to make the necessary annual appropriations for all such Rental Payments and Additional Payments. Annually within thirty days of the adoption of the budget, the

City will furnish to the Trustee a Certificate of the City certifying that such budget contains the necessary appropriation for all Rental Payments and Additional Payments. If requested in writing by the Trustee, the City will furnish a copy of such budget.

The City's obligation hereunder to appropriate funds to pay Rental Payments and Additional Payments is not limited to any particular source of funds; and the City shall pay the Rental Payments and Additional Payments due hereunder from any lawfully available funds of the City including, without limitation, amounts available from the City's General Fund.

The agreements and covenants on the part of the City contained in this Section shall be deemed to be and shall be construed to be ministerial and non-discretionary duties imposed by law and it shall be the duty of each and every public official of the City to take such actions and do such things as are required by law in the performance of the official duties of such officials to enable the City to carry out and perform the agreements and covenants required to be carried out and performed by it contained in this Section.

Section 4.07. Abatement of Rental. Except to the extent of amounts held in the Reserve Fund or otherwise available to the City for payments hereunder, during any period in which, by reason of damage to, destruction of, taking under the power of eminent domain (or sale to any entity threatening the use of such power) of, or title defect with respect to any portion of the Leased Property there is substantial interference with the use and occupancy by the City of any portion of the Leased Property, Rental Payments due hereunder shall be abated proportionately. The amount of abatement shall be such that the resulting Rental Payments and Additional Payments represent no more than fair consideration for the use and possession of the portion of the Leased Property (i) available for occupancy or (ii) not so interfered with, as certified by the City based either on the proportion in which the historical cost of that portion of the Leased Property that remains usable bears to the entire historical cost of the Leased Property or an MAI fair rental value appraisal. Such abatement shall commence with the date of such interference and shall end only with cure of the interference with use and possession of the Leased Property.

The City waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and of Title 11 of the United States Code, Section 365(h) and any and all other rights to terminate this Facilities Lease by virtue of any such interference and this Facilities Lease shall continue in full force and effect.

Section 4.08. Additional Payments.

(A) Amount. The City shall pay to the Authority as Additional Payments hereunder such amounts in each year as shall be required:

(1) Costs and Expenses: by the Authority for the payment in full of all costs and expenses incurred by the Authority in connection with the execution, performance or enforcement hereof or any assignment hereof, of the Trust Agreement, of the ownership of the Leased Property and the lease of the Leased Property to the City, including but not limited to payment of all fees, costs and expenses and all administrative costs of the Authority in connection with the Site Lease, the Leased Property, and this Facilities Lease; all taxes, assessments and governmental charges of any nature whatsoever hereafter levied or

imposed by any governmental authority against the Leased Property or the rentals and the other payments required to be made by the City hereunder; and all expenses, compensation, and indemnification of the Trustee payable under the Trust Agreement, fees of auditors, accountants, attorneys, engineers, or architects, and all other necessary administrative costs of the Authority or charges required to be paid by it in order to comply with the terms of the Bonds or of the Trust Agreement.

(2) Reserve Fund Valuation Deficiencies: for the restoration of the amount on deposit in the Reserve Fund to the Reserve Fund Requirement if the deficiency was due to the valuation of investments (rather than a withdrawal of funds from the Reserve Fund) in accordance with the schedule described in Section 7.07(C) (Replenishment of the Reserve Fund) of the Trust Agreement;

(3) Reserve Fund Replenishment: for the restoration of the amount on deposit in the Reserve Fund to the Reserve Fund Requirement and for reimbursement to the issuer of a Reserve Facility delivered by the City to satisfy the Reserve Fund Requirement in accordance with the schedule described in Section 7.07(C) (Replenishment of Reserve Fund) of the Trust Agreement, of amounts drawn under a Reserve Facility, but only if there has been delivered to the City and the Trustee, at the request of the credit instrument issuer, an appraisal showing that the annual fair rental value of the Leased Property during the period the reimbursements provided for in this subsection would be paid is at least equal to the amount of the Rental Payments and Additional Payments (including such reimbursements) during such reimbursement period;

(4) Rebate Amounts: for deposit into the Rebate Fund as required under Section 7.09 (Rebate Fund) of the Trust Agreement;

(5) Insurer Costs: all reasonable expenses, including attorneys' fees and expenses, incurred by the Insurer in connection with (i) the enforcement by the Insurer of the Authority's obligations, or the preservation or defense of any rights of the Insurer, under the Trust Agreement, this Facilities Lease, and any other document executed in connection with the issuance of the Bonds, and (ii) any consent, amendment, waiver or other action with respect to the Trust Agreement, this Facilities Lease, or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at _____ or the maximum interest rate permitted by law, whichever is less. In addition, the Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved; and

(6) Other Amounts. for the payment of any other amounts owed by the Authority to the Insurer hereunder or under the Trust Agreement.

(B) Billing. Such Additional Payments shall be billed to the City by the Authority from time to time, together with a statement certifying that the amount so billed has been paid by the Authority for one or more of the items above described, or that such amount is then payable by the Authority for one or more of such items, and all amounts so billed shall be due and payable by the City to or upon the order of the Authority within thirty (30) days after receipt of the bill by the City.

The City hereby consents to and agrees to pay, as Additional Payments, directly to the Trustee, within thirty (30) days of a receipt of a bill therefore, the fees and expenses of the Trustee payable under the Trust Agreement.

Section 4.09. Contributions/Advances. Nothing contained in this Facilities Lease shall prevent the City from making contributions or advances to the Authority from time to time for any purpose now or hereafter authorized by law, including the making of repairs to, or the restoration of, the Leased Property in the event of damage to or the destruction of the Leased Property.

Section 4.10. Prepayment.

(A) Casualty/Condemnation. The City shall prepay from net insurance proceeds (including title insurance) and eminent domain proceeds, to the extent provided in and in accordance with Article VII (Insurance; Eminent Domain) hereof, all or a proportionate amount of each (such that the remaining Rental Payments are substantially equal in each year thereafter) of the principal components of the Rental Payments then unpaid, at a prepayment amount equal to the sum of the principal components prepaid plus the interest component of such Rental Payments accrued to the date of prepayment.

(B) Optional Prepayment. The City may prepay, from any source of available funds, such part of the Rental Payments as specified by the City by depositing with the Trustee moneys or securities as provided in Article V (Defeasance) of the Trust Agreement sufficient to make such Rental Payments when due. The City agrees that, if following such prepayment the Leased Property is damaged or destroyed or taken by eminent domain, it is not entitled to, and by such prepayment waives the right of, abatement of such prepaid Rental Payments and shall not be entitled to any reimbursement of such Rental Payments. Any such prepayment shall be applied by the Trustee to pay the principal of and interest on the Bonds and to redeem Bonds if such Bonds are subject to redemption pursuant to the terms of the Trust Agreement. Exercise of the City's option to prepay all of the Rental Payments shall constitute the City's purchasing of the Leased Property and the Authority's leasehold estate created under the Site Lease.

(C) Notice of Prepayment. Before making any prepayment pursuant to this Section, the City shall, within five (5) days following the event creating such right or obligation to prepay, give written notice to the Authority describing such event and specifying the date on which the prepayment will be made, which date shall not be less than thirty (30) days from the date such notice is given. The City shall also give such notice as is required to the Trustee under the Trust Agreement.

Section 4.11. Discharge of Obligations.

When:

(i) in accordance with the Trust Agreement there shall have been deposited, with the Trustee at or prior to the due dates of the Rental Payments, in trust for the benefit of the Owners and irrevocably appropriated and set aside to the payment of the Rental Payments, sufficient moneys and Defeasance Securities as described in the Trust Agreement, the principal of and interest on which when due will provide money sufficient to pay all principal components and interest

components of the Rental Payments to the due date or dates of the Rental Payments (or the Redemption Price plus the principal of and interest on all the Bonds to the date fixed for their redemption),

(ii) an agreement shall have been entered into with the Trustee for the payment of its fees and expenses so long as any of the Bonds shall remain unpaid; and

(iii) all other obligations of the City hereunder and under the Trust Agreement have been satisfied, including any amounts owed to the Insurer;

then and in that event the right, title, and interest of the Authority herein and the obligations of the City hereunder shall thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Authority and the obligation of the City to have such moneys and such Defeasance Securities applied to the payment of the Rental Payments and the redemption of the Bonds).

In such event, if requested by the City, the Authority shall (i) cause an accounting for such period or periods to be prepared and filed with the City, (ii) prepare and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and (iii) pay over to the City as an overpayment of Rental Payments all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Rental Payments and all other amounts due under this Facilities Lease and the Trust Agreement and the fees and expenses of the Trustee, which moneys and Permitted Investments shall continue to be held by the Authority in trust for the payment of the Rental Payments and the fees and expenses of the Trustee, and shall be applied by the Authority to the payment of the Rental Payments and the fees and expenses of the Trustee.

ARTICLE V USE OF PROCEEDS

Section 5.01. Use of Proceeds. The City and the Authority agree that the proceeds of the Bonds will be used: (i) to construct a fire station; (ii) to [fund the Reserve Fund as provided in the Trust Agreement] [purchase a municipal bond insurance policy and a debt service reserve insurance policy for the Bonds] and (iii) to pay the costs of issuing the Bonds and incidental and related expenses.

Section 5.02. Disclaimer of Warranties. The Authority makes no agreement, warranty, or representation, either express or implied, as to the value, design, condition, habitability, merchantability, fitness for particular purpose, or fitness for use of the Leased Property, or warranty with respect thereto. The City acknowledges that the Authority has not constructed the Leased Property and is not a real estate broker, that the City leases the Leased Property as-is, its being agreed that all of the aforementioned risks are to be borne by the City. In no event shall the Authority or Trustee be liable for any incidental, indirect, special, or consequential damage in connection with or arising out of this Facilities Lease or the existence, furnishing, functioning, or the City's use of the Leased Property or any item or products or services provided for in this Facilities Lease.

ARTICLE VI COVENANTS

Section 6.01. Quiet Enjoyment. The City shall at all times during the term hereof peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority, so long as the City observes and performs its covenants and agreements and is not in default hereunder.

Section 6.02. Right of Entry and Inspection. The officers and agents of the Authority shall have the right to enter the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations hereunder and for all other lawful purposes.

Section 6.03. Maintenance of the Leased Property by City. The City agrees that, at all times during the term of this Facilities Lease, the City will, at the City's own cost and expense, maintain, preserve, and keep the Leased Property and every portion thereof in good repair, working order, and condition and that the City will from time to time make or cause to be made all necessary and proper repairs, replacements, and renewals.

Section 6.04. Taxes and other Governmental Charges; Utility Charges.

(A) Taxes and other Governmental Charges on the Leased Property. The parties to this Facilities Lease contemplate that the Leased Property will be used for governmental purposes of the City and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to property. In the event that the use, possession, or acquisition by the City or the Authority of the Leased Property is found to be subject to taxation in any form (except for income or franchise taxes of the Authority), the City will pay during the term of this Facilities Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property, and any equipment or other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Leased Property; provided that, with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as this Facilities Lease is in effect.

(B) Lease-Related Taxes Imposed on Authority. The City shall also pay directly or pay as Additional Payments hereunder, such amounts, if any, in each year as shall be required by the Authority for the payment of all license and registration fees and all taxes (including, without limitation, income, excise, license, franchise, capital stock, recording, sales, use, value-added, property, occupational, excess profits and stamp taxes), levies, imposts, duties, charges, withholdings, assessments, and governmental charges of any nature whatsoever, together with any additions to tax, penalties, fines or interest thereon, including, without limitation, penalties, fines, or interest arising out of any delay or failure by the City to pay any of the foregoing or failure to file or furnish to the Authority for filing in a timely manner any returns, hereinafter levied or imposed against the Authority with respect to the Leased Property, this Facilities Lease, the Rental Payments, and other payments required hereunder or any parts thereof or interests of the City or the Authority therein by any governmental authority.

(C) Utility Charges. The City shall pay or cause to be paid all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility, and other charges incurred in the operation, maintenance, use, occupancy, and upkeep of the Leased Property.

(D) Contest of Charges. The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments, or other charges and, in the event of any such contest, may permit the taxes, assessments, or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the City that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Leased Property will be materially endangered or the Leased Property, or any part thereof, will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments, or charges or provide the Authority with full security against any loss that may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Section 6.05. Liens. If the City shall at any time during the term hereof cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the City shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against any portion of the Leased Property or the Authority's interest therein, except for Permitted Encumbrances. In the event any such lien attaches to or is filed against any portion of the Leased Property or the Authority's interest therein, the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City shall forthwith pay or cause to be paid and discharged such judgment. The City agrees to and shall, to the maximum extent permitted by law, indemnify and hold the Authority, the Trustee, their directors, agents, successors and assigns, harmless from and against, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorney's fees) as a result of any such lien or claim of lien against the Leased Property or the Authority's interest therein.

Section 6.06. Environmental Covenants.

(A) Compliance with Laws; No Hazardous Substances. The City will comply with all Applicable Environmental Laws with respect to the Leased Property and will not use, store, generate, treat, transport, or dispose of any Hazardous Substance thereon or in a manner that would cause any Hazardous Substance to later flow, migrate, leak, leach, or otherwise come to rest on or in the Leased Property. If the City breaches this provision, the City hereby agrees to indemnify the Insurer for any injury or loss associated therewith.

(B) Notification of Trustee. The City will transmit copies of all notices, orders, or statements received from any governmental entity concerning violations or asserted violations of Applicable Environmental Laws with respect to the Leased Property and any operations conducted thereon or any conditions existing thereon to the Trustee, and the City will notify the Trustee in writing immediately of any release, discharge, spill, or deposit of any Hazardous Substance that has

occurred or is occurring that in any way affects or threatens to affect the Leased Property, or the people, structures, or other property thereon, provided that no such notification shall create any liability or obligation on the part of the Trustee.

(C) Access for Inspection. The City will permit the Trustee, its agents, or any experts designated by the Trustee to have full access to the Leased Property during reasonable business hours for purposes of such independent investigation of compliance with all Applicable Environmental Laws, provided that the Trustee has no obligation to do so, or any liability for any failure to do so, or any liability should it do so.

Section 6.07. Assignment and Subleasing by City. Neither this Facilities Lease nor any interest of the City hereunder shall be mortgaged, pledged, assigned, sublet, or transferred by the City by voluntary act or by operation of law or otherwise, except with the prior written consent of the Authority and the Insurer, which, in the case of subletting, shall not be unreasonably withheld; provided such subletting shall not affect the tax-exempt status of the interest on the Bonds and the City provides an Opinion of Counsel to that effect. No such mortgage, pledge, assignment, sublease or transfer shall in any event affect or reduce the obligation of the City to make the Rental Payments and Additional Payments required hereunder, and any instrument creating such a mortgage, pledge, assignment, sublease, or transfer shall contain an explicit provision to that effect.

Section 6.08. City Consent to Assignment by Authority. Certain of the Authority's rights under this Facilities Lease, including the right to receive and enforce payment of the Rental Payments, are being assigned to the Trustee pursuant to the Trust Agreement. The City hereby consents to such assignment. The City agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, that may be reasonably requested by the Authority, its assignee, or any Owner to protect their interests in the Leased Property and in this Facilities Lease.

Section 6.09. Authority Not Liable; Indemnification of the Authority. The Authority shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on, about or relating to the Leased Property.

The City shall to the full extent then permitted by law, indemnify, protect, hold harmless, save, and keep harmless the Authority and its assignees (including the Trustee) and their board members, directors, officers, and employees from and against any and all liability, obligations, losses, claims, and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of this Facilities Lease or the Trust Agreement or any other agreement entered into in connection herewith or therewith, the design or ownership of the Leased Property, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage, or return of any part of the Leased Property, or any accident in connection with the operation, use, condition, possession, storage, or return of any item of the Leased Property resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the City or the Authority; any claim for patent, trademark, or copyright infringement; and any claim arising out of strict liability in tort, the Trustee's exercise and performance of its powers and duties hereunder, under this Facilities Lease,

the Site Lease and any other document or transaction contemplated in connection herewith or therewith. The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations under this Facilities Lease or the termination of the term of this Facilities Lease for any reason or, with regard to the Trustee, the resignation or removal of the Trustee. The City and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

Section 6.10. Further Assurances. The City and the Authority agree that they will, from time to time, execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered such supplements hereto and such further instruments as may be necessary or proper to carry out the intention or to facilitate the performance of this Facilities Lease.

Section 6.11. Continuing Disclosure. The City hereby covenants and agrees to comply with and carry out all of the provisions of the Continuing Disclosure Certificate.

Section 6.12. Eminent Domain. The City hereby covenants and agrees, to the extent it may lawfully do so, that so long as any of the Bonds remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Leased Property. The City further stipulates and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the Leased Property, the value of the Leased Property is not less than the greater of (a) if the Bonds are then subject to redemption, the principal and interest components of the Bonds outstanding through the date of their redemption, or (b) if the Bonds are not then subject to redemption, the amount necessary to defease the Bonds to the first available redemption date in accordance with the Trust Agreement.

ARTICLE VII INSURANCE; EMINENT DOMAIN

Section 7.01. Fire and Extended Coverage Insurance.

(A) **Coverage.** The City shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of this Facilities Lease, insurance against loss or damage to the Leased Property and to any structures constituting any part of the Leased Property by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance. The extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, flood and such other hazards as are normally covered by such insurance. The insurance required by this Section may be maintained as part of or in conjunction with any other insurance maintained by the City. Full payment of proceeds of such insurance up to the policy limit shall not be contingent on the degree of damage sustained at other property owned or leased by the City, provided, however, that such insurance may be subject to a limit of \$100,000,000 per occurrence.

(B) **Amount.** Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Leased Property, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to deductible clauses for any one loss of not to exceed \$5,000, or \$25,000 in the case of a

loss due to flooding), or, in the alternative, shall be in an amount and in a form sufficient (together with moneys in the Reserve Fund as established by the Trust Agreement), in the event of total or partial loss, to enable all Bonds then Outstanding to be redeemed. The policy must explicitly waive any co-insurance penalty.

(C) Application of Net Proceeds.

(1) Repair or Replacement of Leased Property. In the event of any damage to or destruction of any part of the Leased Property caused by the perils covered by such insurance, the City, except as hereinafter provided, shall cause the proceeds of such insurance to be utilized for the repair, reconstruction, or replacement of the damaged or destroyed item or items. The Trustee shall hold the proceeds separate and apart from all other funds in a fund or account to be established by the Trustee, with such proceeds to be invested in the manner specified in the Trust Agreement, to the end that such proceeds shall be applied to the repair, reconstruction, or replacement of the Leased Property to at least the same good order, repair, and condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of the proceeds. If such net proceeds are insufficient, the City will use its best efforts to provide sufficient construction funds in order to ensure completion, repair, restoration, modification or improvement of the Leased Property.

Claims shall be adjusted in accordance with the terms of the insurance policy or memorandum of coverage. As loss payee, the Trustee's endorsement shall be required on all claims payments. The Trustee shall permit use of the proceeds of insurance from time to time upon receiving the Written Request of the City, stating that the City has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended or such liabilities were incurred. Each such Written Request of the City shall be sufficient evidence to the Trustee of the facts stated therein, and the Trustee shall have no duty to confirm the accuracy of such facts.

Any balance of the proceeds not required for repair, reconstruction, or replacement shall be treated by the Trustee as Rental Payments and applied in the manner provided by the Trust Agreement.

(2) Prepayment of Lease. Alternatively, the City, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to redeem an aggregate principal amount of the Outstanding Bonds plus accrued interest to the redemption date, equal to the amount of the Outstanding Bonds attributable to the item or items of the Leased Property so destroyed or damaged (determined by reference to the proportion that the acquisition and construction cost of such portion of the Leased Property bears to the acquisition costs of the Leased Property), may elect not to repair, reconstruct, or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause the proceeds to be used for the redemption of outstanding Bonds pursuant to the Trust Agreement; provided, however, that the resulting Rental Payments subsequent to such redemption will be sufficient in amount to pay the Outstanding Bonds. If, however, the City has elected to acquire casualty insurance only in an amount sufficient to

redeem all the Outstanding Bonds, the City shall pay the proceeds of such insurance to the Trustee, and the Trustee shall use the proceeds (together with amounts available in the Reserve Fund and the Revenue Fund) to redeem the Outstanding Bonds plus accrued interest to the redemption date, unless such insurance proceeds are sufficient to fully rebuild or repair the Leased Property.

(D) Federal Disaster Relief. The City shall promptly apply for Federal disaster aid or State of California disaster aid in the event that the Leased Property is damaged or destroyed as a result of an earthquake occurring at any time. Any proceeds received as a result of such disaster aid shall be used to repair, reconstruct, restore, or replace the damaged or destroyed portions of the Leased Property or, at the option of the City, to redeem all Outstanding Bonds if such use of such disaster aid is permitted.

(E) Alternative Risk Management. As an alternative to providing the insurance required by subsection (a) of this Section or any portion thereof, but subject to Section 7.06(D) (General Provisions - Alternative Risk Management), the City may adopt an alternative risk management program, including, without limitation, (1) a self-insurance method or plan of protection, (2) a program involving captive insurance companies, (3) participation in state or federal insurance programs, (4) participation with other public agencies in mutual or other cooperative insurance or other risk management programs, including those made available through joint exercise of powers agencies, or (5) establishment or participation in other alternative risk management programs; if and to the extent such alternative risk management program shall afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability, and similar plans or methods of protection adopted by public entities in the State of California other than the City.

Section 7.02. Public Liability and Property Damage Insurance.

(A) Coverage. Except as hereinafter provided, the City shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of this Facilities Lease, a standard comprehensive general liability insurance policy or policies insuring against all direct or contingent loss or liability for damages for personal injury, death, or property damage occasioned by reason of the operation of the Leased Property. The insurance required by this Section may be maintained as part of or in conjunction with any other insurance maintained by the City.

(B) Limits. The minimum liability limits of such insurance shall be \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event and shall be \$1,000,000 (subject to a deductible clause of not to exceed \$10,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

(C) Alternative Risk Management. As an alternative to providing the insurance required by subsection (a) of this Section or any portion thereof, but subject to Section 7.06(D) (General Provisions - Alternative Risk Management), the City may adopt an alternative risk management program, including, without limitation, (1) a self-insurance method or plan of protection, (2) a

program involving captive insurance companies, (3) participation in state or federal insurance programs, (4) participation with other public agencies in mutual or other cooperative insurance or other risk management programs, including those made available through joint exercise of powers agencies, or (5) establishment or participation in other alternative risk management programs; if and to the extent such alternative risk management program shall afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability, and similar plans or methods of protection adopted by public entities in the State of California other than the City.

Section 7.03. Rental Abatement Insurance.

(A) Coverage. The City shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of this Facilities Lease, rental abatement insurance to cover loss, total or partial, to the Authority of the Rental Payments due hereunder owing to an abatement of rental as the result of any of the hazards covered by the insurance required herein. The policy shall specifically cite the Leased Property. The City shall send a copy of the policy annually upon renewal to the Insurer.

(B) Amount. Such insurance shall be maintained in an amount sufficient to pay the Rental Payments hereunder during the twenty-four-month period in which the total of such Rental Payments is greatest.

(C) Payment of Net Proceeds. Any proceeds of such insurance shall be paid in accordance with the terms of the insurance policy or memorandum of coverage directly to the Trustee. The Trustee shall use the proceeds it receives to reimburse to the City any Rental Payments theretofore paid by the City under this Facilities Lease attributable to the damaged or destroyed Leased Property to the extent and for a period of time during which the payment of Rental Payments under this Facilities Lease is abated; and any proceeds of such insurance not so used shall be applied as Rental Payments (to the extent required for the payment of Rental Payments) and, as Additional Payments as provided hereunder (to the extent required for the payment of Additional Payments).

(D) Self-Insurance. If the Bond Insurance Policy is no longer in effect or the Insurer is in default with respect to its payment obligations thereunder, as an alternative to providing the insurance required by subsection (A) of this Section, the City may self-insure against the risk of rental abatement but only if the City sets aside in a separate trust fund held by an independent trustee the full amount described in subsection (B) of this Section in cash or cash equivalent. Amounts in the trust fund are not subject to non-appropriation or abatement.

Section 7.04. Workers' Compensation Insurance.

(A) Coverage. Except as provided in subsection (B) of this Section, the City shall maintain workers' compensation insurance covering all employees working at the Leased Property in the amounts as required by law. Such insurance may be maintained by the City as part of or in conjunction with any other insurance maintained by the City.

(B) Self-Insurance. As an alternative to providing the insurance described in subsection (A) of this Section, the City may file a resolution with the State Department of Industrial Relations, Division of Self-Insurance Plans, declaring the City to be legally self-insured against workers'

compensation claims and may maintain that status; provided that the City shall annually employ an actuary to review the City's workers' compensation claims experience and project future claims exposure. The City covenants to budget the amounts and comply with the other actions recommended by the actuary. The City further agrees to comply with any requirements made by the Division of Self-Insurance Plans as a result of any audit performed by that office.

Section 7.05. Title Insurance. The City shall provide a title insurance policy with respect to the Leased Property in an amount equal to the principal amount of the Bonds. Such title insurance policy shall be payable to the Trustee for the use and benefit of the Owners of the Bonds. Such policy shall be in the form of a CLTA leasehold title policy issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances, as defined below. The City agrees to deliver to the Trustee all proceeds received by the City pursuant to any policy of title insurance with respect to the Leased Property under which the City is beneficiary. All proceeds received by the Trustee under such title insurance policies shall be applied and disbursed by the Trustee in the same order and priority and for the same purposes as are provided in Section 7.07 (Eminent Domain) relating to proceeds received in eminent domain proceedings except that the term "eminent domain proceedings" as used in Section 7.07 (Eminent Domain) shall be read as "proceedings affecting the title of the Authority."

"Permitted Encumbrances" means (1) liens for general ad valorem taxes and assessment, if any, not then delinquent, or that the City may, pursuant to this Facilities Lease, permit to remain unpaid, (2) easements, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions, or restrictions that exist of record as of the date of recordation of this Facilities Lease and that the City certifies in writing will not materially impair the use of the Leased Property, (3) the Site Lease, this Facilities Lease, and the Trust Agreement, as they may be amended from time to time, (4) any right or claim of any mechanic, laborer, materialman, supplier, or vendor not filed or perfected in the manner prescribed by law, (5) easements, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions, or restrictions established following the date of recordation of this Facilities Lease and to which the City, the Authority, and the Insurer consent in writing and that the City certifies in writing will not materially impair the use of the Leased Property, and (6) liens relating to special assessments levied with respect to the Leased Property.

Section 7.06. General Provisions.

(A) Form of Policies. All policies of insurance required by Sections 7.01 (Fire and Extended Coverage Insurance), 7.02 (Public Liability and Property Damage Insurance), 7.03 (Rental Abatement Insurance), and 7.05 (Title Insurance) hereof shall name the Authority and the Trustee as additional insureds. All policies of insurance required by Sections 7.01 (Fire and Extended Coverage Insurance), 7.03 (Rental Abatement Insurance), and 7.05 (Title Insurance) hereof shall provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement substantially in accordance with the form approved by the Insurance Services Office and the California Bankers Association. The Trustee shall collect and receive all moneys that may become due and payable under any such policies, may compromise any and all claims thereunder, and shall apply the proceeds of such insurance as provided in this Article. All policies of insurance required by this Facilities Lease shall provide that the Trustee shall be given thirty (30)

days' notice of each expiration thereof or any intended cancellation thereof or reduction of the coverage provided thereby.

(B) Ratings. All policies of insurance shall be obtained from companies rated "A" or better by A.M. Best Co., or be rated in one of the two highest Rating Categories by Standard & Poor's and Moody's.

(C) Payment of Premiums. The City shall pay when due the premiums for all insurance policies required by this Facilities Lease, and shall promptly furnish evidence of such payments in the form of a certificate of insurance to the Trustee.

(D) Alternative Risk Management. So long as the Bond Insurance Policy is in effect and the Insurer is not in default with respect to its payment obligations thereunder, the City shall not self-insure for the risk of rental abatement. So long as the Bond Insurance Policy is in effect and the Insurer is not in default with respect to its payment obligations thereunder, the City shall not self-insure for the risks described in Sections 7.01 (Fire and Extended Coverage Insurance) and 7.02 (Public Liability and Property Damage Insurance), unless the Insurer approves such self-insurance in writing. Before any alternative risk management program permitted by this Article may be provided by the City, there shall be filed with the Trustee a certificate of an Independent Insurance Consultant stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the respective Section and, when effective, would afford reasonable coverage for the risks required to be insured against. The self-insurance reserve fund or funds created under such method shall be held by an independent trustee (or by a joint powers authority that is not controlled by the City). In the event of loss covered by any such self-insurance method, the liability of the City hereunder shall be limited to the amounts in the self-insurance reserve fund or funds created under such method. If the self-insurance program is discontinued, the City shall maintain the actuarial soundness of the self-insurance reserve fund.

(E) Protection of Trustee. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

(F) Evidence of Insurance. The City will deliver annually, within thirty days of purchase or renewal of insurance, (i) to the Trustee, a written certificate of an officer of the City stating that such policies satisfy the requirements of this Facilities Lease, setting forth the insurance policies then in force pursuant to this Article, the names of the insurers that have issued the policies, the amounts thereof, and the property and risks covered thereby, and (ii) to the Insurer, a copy of each policy. So long as any alternative risk management program is being used to satisfy the requirements of this Facilities Lease, the City shall deliver at the same time the report and certificate of an Independent, Insurance Consultant that states the levels of resources available under such alternative risk management program and certifies with respect to the method or plan of protection (i) that it is in accordance with the requirements of this Facilities Lease and is maintained on an actuarially sound basis, (ii) that the self-insurance reserve fund or funds are held by an independent trustee (or by a joint powers authority that is not controlled by the City), (iii) that, in the event the method or plan of protection is discontinued, the claim reserve is actuarially sound, and (iv) the current level of funding in the self-insurance account. Delivery to the Trustee of the certificates and report under the provisions of this Section shall not confer responsibility upon the Trustee as to the sufficiency of

coverage or amounts of such policies and alternative risk management programs, and the Trustee may conclusively rely thereon. If so requested in writing by the Trustee, the City shall also deliver to the Trustee certificates or duplicate originals or certified copies of each insurance policy described in the City officer's certificate.

(G) Reserves Against Deductibles. The City shall provide adequate reserves to fund the amount of any deductible allowed under this Article.

(H) Cooperation. The Authority shall cooperate fully with the City in filing any proof of loss with respect to any insurance policy maintained pursuant to this Article and in the defense of any proceeding in eminent domain with respect to the Leased Property.

(I) Advances. In the event the City shall fail to maintain the full insurance coverage required by this Facilities Lease or shall fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and the City agrees to reimburse the Authority all amounts so advanced within thirty (30) days of a written request therefor.

Section 7.07. Eminent Domain. So long as any of the Bonds shall be outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof shall be applied to the prepayment of Rental Payments as provided herein. Any such award made after all of the Bonds have been fully paid and retired shall be paid to the City.

If all of the Leased Property (or portions thereof such that the remainder is not usable for public purposes by the City) shall be taken under the power of eminent domain, the term hereof shall cease as of the day that possession shall be so taken. If the award on a partial or complete taking, together with other funds available therefor, is insufficient to redeem all of the Outstanding Bonds, the City shall use all reasonable efforts to appeal such award to obtain an award that will be sufficient in amount to redeem the Bonds in full for a complete taking, or, in the event of a partial taking, an amount sufficient such that remaining Rental Payments will be sufficient to pay the remaining Outstanding Bonds. If less than the entire Leased Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then this Facilities Lease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement in an amount equivalent to the amount by which the annual payments of principal and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds, but subject to the limitation regarding fair consideration as provided in Section 4.07 (Abatement of Rental).

ARTICLE VIII LEASE DEFAULT EVENTS AND REMEDIES

Section 8.01. Lease Default Events. The following events shall be Lease Default Events:

(A) Payment Default. Failure of the City to pay any Rental Payment or Additional Payment payable hereunder when the same becomes due and payable, time being expressly declared to be of the essence of this Facilities Lease;

(B) Breach of Covenant. Failure of the City to keep, observe, or perform any other term, covenant or condition contained herein to be kept or performed by the City for a period of thirty (30) days after notice of the same has been given to the City by the Authority, the Insurer, or the Trustee;

(C) Transfer of City's Interest. Assignment or transfer of the City's interest in this Facilities Lease or any part hereof without the written consent the Authority, either voluntarily or by operation of law or otherwise;

(D) Bankruptcy or Insolvency. Institution of any proceeding under the United States Bankruptcy Code or any federal or state bankruptcy, insolvency, or similar law or any law providing for the appointment of a receiver, liquidator, trustee, or similar official of the City or of all or substantially all of its assets, by or with the consent of the City, or institution of any such proceeding without its consent that is not permanently stayed or dismissed within sixty days, or agreement by the City with the City's creditors to effect a composition or extension of time to pay the City's debts, or request by the City for a reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or a general or any assignment by the City for the benefit of the City's creditors;

(E) Abandonment of the Leased Property. Abandonment by the City of any part of the Leased Property. Property released from the lien of this Facilities Lease hereof shall not be deemed abandoned by the City.

Notwithstanding Section 8.01(B) (Breach of Covenant), failure of the City to comply with the Continuing Disclosure Certificate shall not be considered a Lease Default Event. Nevertheless, any Participating Underwriter or any Beneficial Owner (as these terms are defined in the Continuing Disclosure Certificate) may take such actions as may be necessary and appropriate, including mandate or specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Certificate.

Section 8.02. Remedies on Default. Upon the occurrence and during the continuance of a Lease Default Event, it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to this Facilities Lease. Upon a Lease Default Event, the Authority shall have the option to do any of the following:

(A) Termination of Lease.

(1) Notice of Termination; Re-entry. By written notice to the City, to terminate this Facilities Lease and to re-enter the Leased Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Property and place such personal property in storage in any warehouse or other suitable place in Madera County, State of California. In the event of such termination, the City agrees to surrender immediately possession of the Leased Property, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the City, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Leased Property and removal or storage of such property by the Authority or its duly authorized agents in accordance with the provisions herein contained.

(2) No Termination Except by Notice. Neither (a) notice to pay rent or to deliver up possession of the Leased Property given pursuant to law, nor (b) any entry or re-entry by the Authority, nor (c) any proceeding brought by the Authority to recover possession of the Leased Property, nor (d) the appointment of a receiver upon initiative of the Authority to protect the Authority's interests under this Facilities Lease shall of itself operate to terminate this Facilities Lease. No termination of this Facilities Lease on account of default by the City shall be or become effective by operation of law or acts of the parties hereto, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate this Facilities Lease. The City covenants and agrees that no surrender of the Leased Property or of the remainder of the term hereof or any termination of this Facilities Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(B) Continuation of Lease; Reletting.

(1) Continuation Remedies. Without terminating this Facilities Lease, (i) to collect each installment of rent as it becomes due and enforce any other term or provision hereof to be kept or performed by the City, regardless of whether or not the City has abandoned the Leased Property, and/or (ii) to enter, retake possession of, and re-let the Leased Property. The term "re-let" or "re-letting" as used in this Article shall include, but not be limited to, re-letting by means of the operation by the Authority of the Leased Property.

(2) City to Remain Liable. If the Authority does not elect to terminate this Facilities Lease in the manner provided for in subsection (A)(1) hereof, the City shall remain liable and agrees to keep or perform all covenants and conditions herein contained to be kept or performed by the City. If the Leased Property is not re-let, the City agrees to pay the full amount of the rent to the end of the term of this Facilities Lease; if the Leased Property is re-let, the City agrees to pay any deficiency in rent that results therefrom. The City further agrees to pay the rent punctually at the same time and in the same manner as for the payment of rent hereunder (without acceleration), notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental herein specified and notwithstanding any entry or re-entry by the Authority or proceeding brought by the Authority to recover possession of the Leased Property.

(3) Agency. Should the Authority elect to enter or re-enter the Leased Property as herein provided, the City hereby irrevocably appoints the Authority as the agent and attorney-in-fact of the City to re-let the Leased Property, or any item or part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable. The City further appoints the Authority as its agent to remove all persons in possession of the Leased Property and all personal property whatsoever situated upon the Leased Property and to place such personal property in storage in any warehouse or other suitable place in Madera County, State of California, for the account of and at the expense of the City. The City hereby exempts and agrees to save harmless the Authority from any costs, loss, or damage whatsoever arising out of, in connection with, or incident to any such retaking of possession and re-letting of the

Leased Property and removal and storage of such property by the Authority or its duly authorized agents in accordance herewith.

(4) Adequate Notice. The City agrees that the terms of this Facilities Lease constitute full and sufficient notice of the right of the Authority to re-let the Leased Property and to do all other acts to maintain or preserve the Leased Property as the Authority deems necessary or desirable in the event of such retaking or re-entry without effecting a surrender of this Facilities Lease, and further agrees that no acts of the Authority in attempting such re-letting shall constitute a surrender or termination of this Facilities Lease, irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate this Facilities Lease shall vest in the Authority to be effected in the sole and exclusive manner provided for in subsection (A) hereof.

(5) Waiver of Right to Excess Rent; Agreement to Pay Costs. The City further waives the right to rental obtained by the Authority in excess of the rental herein specified and hereby conveys and releases such excess to the Authority as compensation to the Authority for its services in re-letting the Leased Property or any items or part thereof. The City further agrees to pay the Authority the cost of any alterations or repairs or additions to the Leased Property or any items or part thereof necessary to place the Leased Property or any items or part thereof in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or repairs or alterations.

The City hereby waives any and all claims for damages caused or that may be caused by the Authority in entering or re-entering and taking possession of the Leased Property as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Leased Property.

Section 8.03. No Acceleration. Notwithstanding anything herein or in the Trust Agreement to the contrary, there shall be no right under any circumstance to accelerate the Rental Payments or otherwise declare any Rental Payments not yet due to be immediately due and payable.

Section 8.04. No Remedy Exclusive. Each and all of the remedies given to the Authority hereunder or by any law now or hereafter enacted are cumulative and the exercise of one right or remedy shall not impair the right of the Authority to any or all other remedies. If any statute or rule of law validly shall limit the remedies given to the Authority hereunder, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

Section 8.05. Authority Defaults; City Remedies.

(A) Authority Defaults. The Authority shall in no event be in default in the performance of any of its obligations hereunder or imposed by any statute or rule of law unless and until the Authority shall have failed to perform such obligation within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the City to the Authority properly specifying wherein the Authority has failed to perform any such obligation.

(B) City Remedies. The Authority's failure to perform any of its obligations hereunder shall not be an event permitting the nonpayment of rent or termination of this Facilities Lease by the City. The parties hereto agree that the performance of the Authority is unique, that the remedies at law for the Authority's nonperformance would be inadequate, and that the City shall institute a suit for specific performance by the Authority upon any default by the Authority.

Section 8.06. Attorneys' Fees. If the Authority prevails in any action brought to enforce any of the terms and provisions of this Facilities Lease, the City agrees to pay a reasonable amount as and for attorneys' fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority hereunder, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

Section 8.07. No Additional Waiver. Failure of the Authority to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice that may grow up between the parties in the course of administering this Facilities Lease be construed to waive or to lessen the right of the Authority to insist upon performance by the City of any term, covenant or condition hereof, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent hereunder shall not be, nor be construed to be, a waiver of any term, covenant or condition of this Facilities Lease.

Section 8.08. Application of Amounts Collected. All amounts collected by the Authority under this Article, other than or provided in Section 8.02(B) (Remedies on Default - Continuation of Lease; Reletting), shall be deposited by the Trustee in the Revenue Fund and credited towards the Rental Payments in order of Rental Payment Dates.

Section 8.09. Trustee and Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article have been assigned by the Authority to the Trustee under the Trust Agreement, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners as provided in the Trust Agreement; provided, however, that the Trustee shall have no obligation to act as agent or attorney-in-fact of the City to re-let the Leased Property or remove person or property situated in the Leased Property.

Section 8.10. Insurer Control of Remedies. Notwithstanding anything to the contrary contained in this Lease, so long as the Insurer is not in default in its payment obligations under the Bond Insurance Policy, no remedy shall be exercised hereunder without the prior written consent of the Insurer and the Insurer shall have the right to direct the exercise of any remedy hereunder.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Facilities Lease by their officers thereunto duly authorized as of the day and year first above written.

MADERA PUBLIC FINANCING AUTHORITY

By: _____
[NAME/TITLE]

CITY OF MADERA

By: _____
[NAME/TITLE]

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

All that real property located within the City of Madera, County of Madera, State of California, described as follows:

PARCEL ONE:

Lots 2, 3, 4 and 5 in Block 87 of the City of Madera, according to the map entitled, "Blocks 87 and 88, Madera", filed and recorded in the Office of the County Recorder of the County of Madera, State of California, June 23, 1915 in Vol. 4 of Maps, at Page 25.

APN: 007-191-016

PARCEL TWO:

Parcel 2 of Parcel Map recorded November 26, 1984 in Book 30, Page 161 of Maps, being a portion of Lots 6 through 12, inclusive, of Block 87 of the City of Madera, according to the map entitled, "Blocks 87 and 88, Madera", filed and recorded in Book 4, Page 25 of Maps, Madera County Records.

APN: 007-191-018

PARCEL THREE:

Lots 27, 28, 29 and 30 in Block 87 of the City of Madera, according to map entitled, "Blocks 87 and 88, Madera", recorded June 23, 1915 in Book 4 of Maps, at Page 25, Madera County Records.

APN: 007-191-013

PARCEL FOUR:

Parcel 2 as shown on that certain Parcel Map recorded August 26, 1976 in Book 22 of Maps, at Page 37, Madera County Records.

APN: 007-191-010

PARCEL FIVE:

Lot 31 in Block 87 of the City of Madera, County of Madera, State of California, according to the map entitled, "Blocks 87 and 88, Madera", filed and recorded in the Office of the County Recorder of the County of Madera, State of California, June 23, 1915 in Book 4 of Maps, at Page 25.

APN: 007-191-014

Such property is commonly known as the Police Administration Building, located at 330 South "C" Street, Madera, California.

Parcel 1, as shown on Parcel Map filed by the City of Madera on March 25, 1978 in Book 24 of Maps, at Page 93, and corrected by that Certificate of Correction recorded May 26, 1978 in Book 1398, Page 606 of Official Records.

Excepting therefrom that portion thereof described in the Grant Deed to Bomanite Corporation, a California corporation, recorded April 15, 1996 as Instrument No. 9609932 of Official Records, described as follows:

All that portion of the Southeast quarter of the Northwest quarter of Section 26, Township 11 South, Range 17 East, Mount Diablo Base and Meridian, being more particularly described as follows:

Beginning at the Northeast corner of Parcel 2 of that certain Parcel Map recorded February 28, 1985 in Book 31 of Maps, at Page 11 of Madera County Records; thence S. $89^{\circ} 56' 22''$ W., along the North line of said Parcel 2, a distance of 315.08 feet to the Northwest corner of said Parcel 2, said Northwest corner being on the East line of Parcel 1 of said Parcel Map; thence N. $00^{\circ} 10' 24''$ W., along the East line of said Parcel 1, a distance of 299.99 feet to the Northeast corner of said Parcel 1; thence N. $89^{\circ} 57' 00''$ E., along the South line of 100.00 foot right of way as shown on the Map of "Madera Industrial Park Subdivision in the City of Madera", recorded in Book 20 of Maps, Page 56, Madera County Records, a distance of 74.00 feet; thence S. $00^{\circ} 10' 24''$ E., 74.00 feet East of and parallel to the East line of said Parcel 1, a distance of 211.03 feet; thence N. $89^{\circ} 56' 22''$ E., 89.00 feet North of and parallel to the North line of said Parcel 2, a distance of 230.70 feet to the west line of Schnoor Avenue as shown on said Parcel Map; thence S. $06^{\circ} 49' 40''$ E., along the said West line of Schnoor Avenue, a distance of 89.57 feet to the point of beginning.

APN: 009-270-054

Such property is commonly known as Fire Station No. 7, located at 200 S. Schnoor Avenue, Madera, California.

EXHIBIT B
RENTAL PAYMENT SCHEDULE*

Date	Principal Component	Interest Component	Total Rental Payments
February 1, 2020			
August 1, 2020			
February 1, 2021			
August 1, 2021			
February 1, 2022			
August 1, 2022			
February 1, 2023			
August 1, 2023			
February 1, 2024			
August 1, 2024			
February 1, 2025			
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February 1, 2034			
August 1, 2034			
February 1, 2035			
August 1, 2035			
February 1, 2036			
August 1, 2036			
February 1, 2037			
August 1, 2037			
February 1, 2038			
August 1, 2038			
February 1, 2039			
Total			

*Rental Payments are payable on the fifteenth (15th) day of the month before the dates indicated above.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL __, 2019

NEW ISSUE -- FULL BOOK-ENTRY

RATING:

[_____ "____"]
See "Rating."

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings, and court decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is exempt from State of California personal income taxes and is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

[\$[PAR AMOUNT]]*
MADERA PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2019

Dated: Date of Delivery**Due: February 1, as set forth on inside cover**

The Madera Public Financing Authority (the "Authority") is issuing its Lease Revenue Bonds, Series 2019 (the "Bonds"), in the aggregate principal amount of \$[PAR AMOUNT] to provide funds to (i) construct a fire station, (ii) [fund a reserve fund with respect to the Bonds][purchase a municipal bond insurance policy and a debt service reserve insurance policy for the Bonds]; and (iii) pay costs of issuance of the Bonds.

The Bonds are being issued pursuant to a Trust Agreement (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds are limited obligations of the Authority payable solely from certain revenues of the Authority, consisting primarily of Rental Payments (as defined herein) to be made by the City of Madera, California (the "City"), to the Authority pursuant to a Facilities Lease dated May 1, 2019 (the "Facilities Lease"), pursuant to which the City will lease the Leased Property (defined herein) from the Authority. The City has covenanted in the Facilities Lease to take such action as may be necessary to include Rental Payments in its annual budgets and to make necessary annual appropriations therefor. The City has agreed in the Facilities Lease to make all Rental Payments, subject to abatement in the event of damage to or destruction or condemnation of the Leased Property results in substantial interference with the City's use and occupancy of the Leased Property, and except as otherwise described therein.

Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2020. The Bonds will be issued in book-entry form, without coupons, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Bonds. Ownership interests in the Bonds may initially be purchased, in denominations of \$5,000 or any integral multiple thereof, in book-entry only form as described herein. So long as Cede & Co is the registered owner of the Bonds, payments of principal and interest will be made to Cede & Co., as nominee for DTC. DTC is required in turn to remit such payments to DTC Participants for subsequent disbursements to Beneficial Owners. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants as more fully described herein. See APPENDIX F—"DTC AND THE BOOK-ENTRY-ONLY SYSTEM." The Bonds are subject to optional, mandatory and extraordinary redemption as described herein. See "THE BONDS—Redemption Provisions."

[The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by _____]. See "BOND INSURANCE."]

[Insurer Logo]

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or the City or any of their income or receipts, except as described herein. Neither the faith and credit nor the general taxing power of the City, the State of California, or any political subdivision thereof is pledged to the payment of the Bonds. Neither the payment of the principal of or interest on the Bonds nor the obligation to make rental payments under the Facilities Lease constitutes a debt, liability or obligation of the Authority or the City for which either entity is obligated to levy or pledge any form of taxation or for which either entity has levied or pledged any form of taxation. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power.

This cover page contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "CERTAIN RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

MATURITY SCHEDULE
(on inside front cover)

The Bonds will be offered when, as and if executed and delivered and received by the Underwriter, subject to the approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California, Bond Counsel to the City. Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, has also served as Disclosure Counsel. Certain legal matters will be passed upon for the Authority and for the City by the City Attorney. Stradling Yocca Carlson & Rauth, P.C., San Francisco, California, is serving as counsel to the Underwriter. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of The Depository Trust Company on or about May __, 2019.

[Brandis Tallman LLC]

This Official Statement is dated May __, 2019

* Preliminary, subject to change

MATURITY SCHEDULE

**MADERA PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2019**

MATURITY SCHEDULE*

\$ _____ * **Serial Bonds**

Maturity (February 1)	Principal Amount	Interest Rate	Yield	CUSIP®†
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** Preliminary, subject to change*

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® numbers are provided for convenience of reference only. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the City, the Authority, Bond Counsel, Disclosure Counsel, or the Municipal Advisor are responsible for the selection or correctness of the CUSIP® numbers set forth above.

Stabilization of and Changes to Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market price of the Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated above, and those public offering prices may be changed from time to time by the Underwriter.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the City, the Authority, or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the City, the Authority, or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the City, the Authority, or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the City and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Estimates and Forecasts. When used in this Official Statement and in any press release and in any oral statement made with the approval of an authorized officer of the City or the Authority, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward-looking statements.” Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Statement of Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or the completeness of such information.”

Document Summaries. All summaries of documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents and do not purport to be complete statements of any or all of such provisions. Copies of documents referred to herein and information concerning the Bonds are available from the Director of Financial Services of the City, 205 W. 4th Street, Madera, California 93637; telephone: 559-661-5400. The City may impose a charge for copying, mailing and handling.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the City, the Authority, the other parties described in this Official Statement, or the condition of the property within the City since the date of this Official Statement.

Website. The City maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

CITY OF MADERA, CALIFORNIA

City Council and Madera Public Financing Authority Governing Board

Andrew J. Medellin, Mayor
Steve Montes, Mayor Pro Tem
Cecelia Gallegos, Council Member
Jose Rodriguez, Council Member
Derek O. Robinson Sr., Council Member
Santos Garcia, Council Member
Donald E. Holley, Council Member

City and Authority Staff

Arnoldo Rodriguez, City Manager
Tim Przybyla, Director of Financial Services
David Merchen, Director of Community Development
Hilda Cantú Montoy, City Attorney

Municipal Advisor

Del Rio Advisors, LLC
Modesto, California

Bond Counsel and Disclosure Counsel

Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation
Sacramento, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

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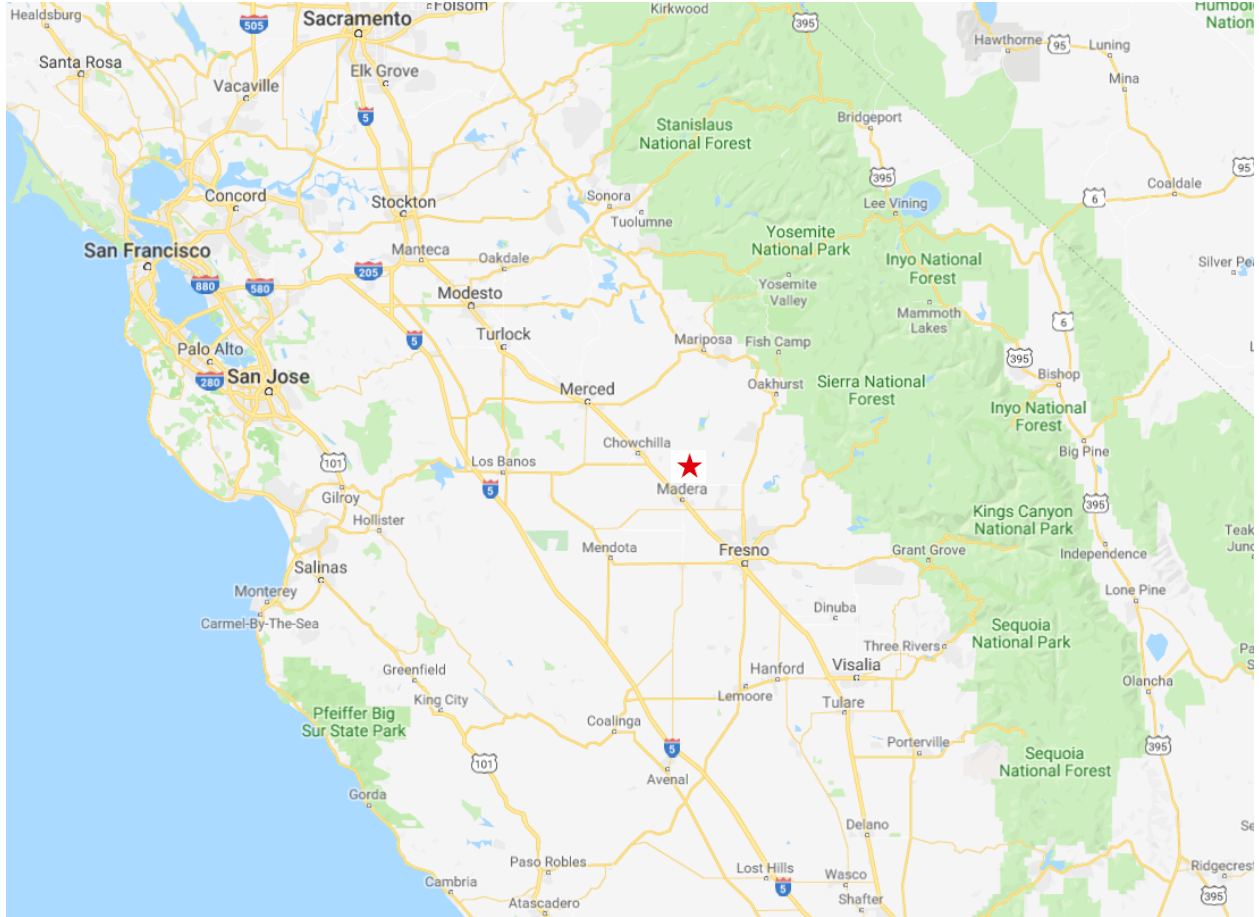
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Area Map

Madera, California



[\$[PAR AMOUNT]]*
MADERA PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2019

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the inside cover page, and the attached appendices, is to provide information concerning the Madera Public Financing Authority Lease Revenue Bonds, Series 2019 (the “Bonds”), to be issued by the Madera Public Financing Authority (the “Authority”) in the aggregate principal amount specified above. This Official Statement speaks only as of its date, and the information herein is subject to change.

The Bonds are being issued pursuant to the Trust Agreement dated May 1, 2019 (the “Trust Agreement”) between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Bonds are limited obligations of the Authority payable solely from Revenues (as defined herein) consisting primarily of certain payments (the “Rental Payments”) made by the City of Madera, California (the “City”), to the Authority for the beneficial use and occupancy of certain essential facilities (collectively, the “Leased Property”).

The Leased Property will be leased by the City to the Authority pursuant to the Site Lease dated May 1, 2019 (the “Site Lease”), in exchange for the deposit of proceeds of the Bonds in various funds and accounts created under the Trust Agreement, including a project construction fund, from which the City may withdraw funds to pay for the construction of a fire station. The Authority will lease the Leased Property back to the City pursuant to the Facilities Lease dated May 1, 2019 (the “Facilities Lease”), in exchange for the payment of the Rental Payments.

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Trust Agreement. See APPENDIX C—“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS.”

THE PROJECT

A portion of the proceeds of the Bonds will be used to pay a portion of the costs of the construction of a fire station (the “Project”). On October 17, 2018, the City Council voted to award the construction contract for the Project to Davis Moreno Construction, Inc., of Fresno, California, at a base price of \$6,468,365. The total construction budget for the Project is \$8,219,369, the elements of which are listed in the table below:

Project Budget	
Expenditure	Budgeted Amount
Construction, contract amount	\$6,568,365
Construction contingency	656,836
Construction management	363,418
Utilities and permits	80,000
Furnishings, fixtures and equipment	<u>550,750</u>
Total	<u>\$8,219,369</u>

* Preliminary, subject to change

The City has hired Jerry Martinez as its construction manager for the Project. The City has obtained all permits necessary for construction to commence. The City issued a notice to proceed for the project in January 2019, and expects that construction will be completed within 12 months.. The construction contract includes provisions for the payment of liquidated damages if the Project is not completed as scheduled.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds and the City’s equity contribution are expected to be applied as follows:

Sources:	Principal amount of Bonds	
	Net original issue premium	
	City equity contribution	
	Total Sources:	_____
Uses:	Project Costs	
	[Deposit to Reserve Fund]	
	Underwriter’s Discount	
	Costs of Issuance ⁽¹⁾	
	Total Uses:	_____

⁽¹⁾ Includes fees of Bond Counsel, Disclosure Counsel, Municipal Advisor, [bond insurance and debt service reserve policy premiums,] rating agency fees, printing costs, and other costs of issuance.

THE BONDS

Legal Authority for Issuance

The Authority was established as a separate governmental entity pursuant to a Joint Exercise of Powers Agreement dated July 17, 1989 (the “Joint Powers Agreement”), entered into by the City and the Redevelopment Agency of the City of Madera in accordance with the provisions of the Joint Exercise of Powers Act (the “Act”), which comprises Articles 1 through 4 (commencing with section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code. The Joint Powers Agreement authorizes the Authority to finance the acquisition of public capital improvements necessary or convenient for the operation of the City. Both the Joint Powers Agreement and the Act authorize the Authority to lease property and to issue bonds for that purpose. The Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, which constitutes Article 4 of the Act.

Purpose of the Bonds

The Authority will use proceeds of the Bonds to provide funds to (i) construct a fire station, (ii) [fund a reserve fund with respect to the Bonds][purchase a municipal bond insurance policy and a debt service reserve insurance policy for the Bonds]; and (iii) pay costs of issuance of the Bonds.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Bond Counsel and the satisfaction of certain other conditions. It is anticipated that the Bonds in book-entry form will be available for delivery to Cede & Co., as nominee of DTC in New York, New York, on or about May __, 2019.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing their interests in the Bonds but will receive a credit balance on the books of the nominees for such beneficial owners.

Book-Entry Only System. As long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners mean Cede & Co. and do not mean the beneficial owners of the Bonds. See APPENDIX F–“DTC AND THE BOOK-ENTRY-ONLY SYSTEM” for more information about DTC. If the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered as described under the caption “DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM - REGISTRATION, TRANSFER AND EXCHANGE OF BONDS.”

Principal and Interest Payments. The Bonds bear interest from their date of delivery at the rates shown on the inside cover page hereof. Interest on the Bonds is payable on February 1, 2020, and semiannually thereafter on February 1 and August 1 of each year (each an “Interest Payment Date”) until maturity or earlier redemption. The Bonds mature on February 1, in the years and amounts set forth on the inside cover page hereof. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Payments on Bonds. Debt service on the Bonds will be paid by the Trustee to DTC, which will in turn remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein.

The Trustee, the Authority, the City, and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

Redemption Provisions

Optional Redemption. The Bonds are subject to redemption prior to their respective stated maturities at the option of the Authority at the direction of the City, from any source of available funds, as a whole or in part (in such maturities as may be specified by the City and at random within a maturity), on any date on or after February 1, 20__, at a redemption price equal to 100% of the principal amount of Bonds called for redemption, together with accrued interest to the date fixed for redemption.

Mandatory Sinking Account Redemption. The Bonds maturing on February 1, 20__, are subject to redemption prior to their stated maturity, in part, at random from amounts deposited into the 20__ Sinking Account, in the following amounts and on the following dates, at the principal amount thereof, without premium:

\$_____ Term Bonds Maturing on February 1, 20__	
Redemption Date (February 1)	Principal Amount
_____	_____

*

*Final Maturity

The amount of each such redemption will be reduced proportionately in the event and to the extent of any optional redemptions of the term Bonds, as set forth in a schedule produced by the City.

Extraordinary Redemption-Casualty Loss, Material Title Defect or Governmental Taking. The Bonds are subject to redemption prior to their respective stated maturities, as a whole on any date or in part (in such maturities as may be specified by the City and at random within a maturity) on any Interest Payment Date from prepaid Rental Payments made by the City from funds received by the City due to a casualty loss, material title defect or governmental taking of the Leased Property or portions thereof by eminent domain proceedings, at a redemption price equal to the sum of the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. See APPENDIX C—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—FACILITIES LEASE—Prepayments—Casualty/Condemnation."

Selection of Bonds for Redemption. If less than all of the Bonds are to be redeemed at any one time, the City will select the maturities of the Bonds to be redeemed in its sole and absolute discretion. If less than all the Bonds of a maturity are to be redeemed, the Trustee will select the particular Bonds of such maturity to be redeemed (in whole or in part, in minimum denominations of \$5,000) at random.

Notice of Redemption. When redemption is required, the Trustee will give notice (the "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice will specify: (i) the date of the Redemption Notice, (ii) the date of issue of the Bonds, (iii) the redemption date, (iv) the amount of any redemption premium, (v) the place or places where the redemption will be made, including the name and appropriate address or addresses of the Trustee, (vi) the CUSIP numbers (if any) of the maturity or maturities of the Bonds to be redeemed and, if less than all Bonds of a maturity are to be redeemed, the distinctive certificate numbers of the Bonds of the maturity to be redeemed, and (viii) in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each Redemption Notice will further state that, on the specified date, there will become due and payable upon each such Bond the principal amount thereof or specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with premium (if any) and interest thereon accrued to the date fixed for redemption, and that from and after such redemption date interest thereon will cease to accrue. The notice will also state that such Bonds are required to be surrendered at the address or addresses of the Trustee specified in the Redemption Notice.

The notice is required to be mailed by first class mail to each registered owner at the address appearing on the records of the Trustee not fewer than 30 nor more than 60 days before the redemption date.

Failure of any owner to receive a Redemption Notice or any defect in any such Redemption Notice does not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail Redemption Notice to any one or more of the respective owners of any Bonds designated for redemption does not affect the sufficiency of the proceedings for redemption with respect to the owner or owners to whom such Redemption Notice was mailed. Neither the Authority, the City, nor the Trustee has responsibility for a defect in the CUSIP number appearing on a Bond or in the Redemption Notice.

So long as Cede & Co., as nominee of DTC, continues to be the registered owner of the Bonds, any Redemption Notices will be given only to Cede & Co., as nominee of DTC, and not to DTC, DTC Participants, or Beneficial Owners. See APPENDIX F—"DTC AND THE BOOK-ENTRY-ONLY SYSTEM."

Conditional Notice of Redemption; Rescission of Redemption. The Authority, if so directed by the City at its option, shall specify in any notice of optional redemption that redemption is conditional upon the availability of money sufficient to pay the redemption price of all the Bonds that are to be redeemed on

the date fixed for redemption. The Authority, if so directed by the City at its option, prior to the date fixed for optional redemption in any notice of redemption, rescind and cancel such notice of optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute a default under the Trust Agreement. Neither the Authority, the City, nor the Trustee will have any liability to the owners of the Bonds or any other party as a result of the Authority's failure to redeem Bonds as a result of insufficient money.

Effect of Redemption. If notice of redemption is given as provided in the Trust Agreement and the amount necessary for the payment of the redemption price is held by the Trustee, then the Bonds, or portion thereof, designated for redemption become due and payable at the redemption prices thereof and interest thereon ceases to accrue.

Upon surrender of a Bond to be redeemed in part, there will be issued, in lieu of the unredeemed portion of principal, one or more new Bonds of the same maturity date and of authorized denominations, equal in aggregate principal amount to the unredeemed portion.

Discontinuance of Book-Entry-Only System

If the Bonds are no longer registered in book-entry form, the following provisions will apply:

Payments on Bonds. If the book-entry-only system is discontinued, the provisions in the Trust Agreement summarized below will govern payments on the Bonds.

Payment of interest on any Bond on any Interest Payment Date will be made to the person appearing on the registration books of the Trustee as the owner thereof as of the Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed to such owner on the Interest Payment Date at the owner's address as it appears on the registration books or at such other address as the owner may have filed with the Trustee for that purpose on or before the Record Date. The owner of \$1,000,000 or more in aggregate principal amount of Bonds may request in writing to the Trustee that such owner be paid interest by wire transfer to the bank and account number on file with the Trustee as of the Record Date. "Record Date" means the fifteenth day of the month immediately preceding the Interest Payment Date. The principal of the Bonds is payable upon maturity or redemption upon surrender at the principal office of the Trustee. The interest on and principal of the Bonds is payable in lawful money of the United States of America.

Registration, Transfer and Exchange of Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Bonds will be made in accordance with DTC procedures. See APPENDIX F – "DTC AND THE BOOK ENTRY SYSTEM." If the book-entry-only system is discontinued, the provisions in the Trust Agreement summarized below will govern the registration, exchange and transfer of the Bonds.

The Trustee will keep or cause to be kept, at the Trustee's Office, the Bond Register to provide for the registration and transfer of the Bonds. Any Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Trustee. Whenever any Bonds are surrendered for transfer or exchange, the Authority will execute and the Trustee will authenticate and deliver new Bonds for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The Trustee will collect from the

Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfers or exchanges of Bonds will be required to be made (i) within the 15 days prior to the date designated by the Trustee as the date for selecting Bonds for redemption, or (ii) with respect to any Bond after such Bond has been selected for redemption, except the unredeemed portion of a Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in part.

Defeasance of Bonds

The Authority may pay and discharge any of the Bonds by depositing in trust with an escrow agent or other fiduciary at or before maturity, either (i) money in an amount equal to the principal amount or redemption price of such Bonds and all unpaid interest thereon to maturity or to the redemption date or (ii) non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount that will, together with the interest to accrue thereon and any cash deposited therewith, be fully sufficient in the opinion of an independent certified public accountant to pay and discharge the indebtedness on such Bonds (including all principal, interest and premium) at or before their respective maturity dates.

If the Authority pays or causes to be paid all of the principal of, interest and premium, if any, on all of the outstanding Bonds, and the City pays or causes to be paid all other sums payable by the City under the Facilities Lease, then all agreements and covenants of the Authority to the owners of Bonds under the Trust Agreement and of the City under the Facilities Lease will terminate and be satisfied and discharged, except only that the Authority will remain liable for payment of all principal of and interest and premium, if any, on the Bonds from moneys deposited with the Trustee or escrow agent or other fiduciary.

Scheduled Debt Service

The following is the debt service schedule for the Bonds, assuming no optional or extraordinary redemption of the outstanding Bonds:

Year Ending February 1	Principal	Interest	Total
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or the City or any of their income or receipts, except as described herein. Neither the faith and credit nor the general taxing power of the City, the State of California, or any political subdivision thereof is pledged to the payment of the Bonds. Neither the payment of the principal of or interest on the Bonds nor the obligation to make rental payments under the Facilities Lease constitutes a debt, liability or obligation of the Authority or the City for which either entity is obligated to levy or pledge any form of taxation or for which either entity has levied or pledged any form of taxation. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power.

Pledge of Revenues

The Bonds are limited obligations of the Authority payable solely from the Revenues and other assets pledged under the Trust Agreement. The term “Revenues” is defined in the Trust Agreement to mean all Rental Payments paid by the City and received by the Authority pursuant to the Facilities Lease and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund established under the Trust Agreement). As rental for the beneficial use and occupancy of the Leased Property, the City covenants to pay Rental Payments to the Trustee. The Rental Payments, which are subject to abatement are calculated to be sufficient to pay principal of and interest on the Bonds when due.

In the Trust Agreement, the Authority assigns to the Trustee for the benefit of the Owners of Bonds all right, title, and interest of the Authority in the Rental Payments and in the Facilities Lease, except for its rights to receive certain fees, expenses, and indemnification.

Rental Payments

Rental Payments are calculated on an annual basis for 12-month periods commencing on February 2 and ending on February 1, and each annual Rental Payment will be divided into two installments, an interest installment due on July 15 and a principal and interest installment due January 15 (each a “Rental Payment Date”), continuing to and including the date of termination of the Facilities Lease. Each annual Rental Payment (to be payable in installments as aforesaid) will be for the use of the Leased Property for the twelve-month period commencing on February 2 of the period in which such installments are payable (except the first rental period which commences on the date of recording of the Facilities Lease).

The Trust Agreement requires that Rental Payments be deposited in the Revenue Fund maintained by the Trustee. In accordance with the Trust Agreement, the Trustee will transfer such amounts as are necessary to the Interest Fund or the Principal Fund, as the case may be, to pay principal of and interest on the Bonds as the same become due and payable. On each payment date, following the payment of principal of and/or interest on the Bonds, any excess amount in the Revenue Fund will be transferred to the Reserve Fund, to the extent that the amount therein is less than the Required Reserve, and then to the Rebate Fund, as necessary, and thereafter to the City. See APPENDIX C–“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–TRUST AGREEMENT–Establishment of Funds and Accounts.”

Deposit of Revenues; Funds and Accounts

The Trustee is required under the Trust Agreement to deposit the Rental Payments as received into the Revenue Fund. All moneys in the Revenue Fund are held in trust for the benefit of the Owners and will be disbursed, allocated, and applied solely for the uses and purposes set forth in the Trust Agreement.

If the Reserve Fund has been drawn upon as a result of a delinquency in the payment of Rental Payments, the Trustee will transfer the delinquent Rental Payments thereafter received to the Reserve Fund to replenish the amount therein to the Required Reserve.

Allocation of Rental Payments. So long as any Bonds are Outstanding, the Trustee will allocate the moneys in the Revenue Fund in the following respective funds or accounts (each of which is established, maintained and held in trust for the benefit of the Owners of the Bonds) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of moneys sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority:

- First:* Interest Fund
- Second:* Principal Fund; Sinking Accounts
- Third:* Redemption Fund
- Fourth:* Reserve Fund

Interest Fund. On each Interest Payment Date, commencing February 1, 2020, the Trustee will set aside in the Interest Fund an amount equal to the aggregate amount of interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest due and payable on such Interest Payment Date upon all of the Bonds then Outstanding (but excluding any moneys on deposit in the Interest Fund from the proceeds of the Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Date).

All money in the Interest Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Fund; Sinking Accounts. On each Principal Payment Date, commencing February 1, 2020, the Trustee will deposit in the Principal Fund an amount equal to (i) the aggregate amount of principal becoming due and payable on the Outstanding Serial Bonds and (ii) the aggregate principal amount of Bonds to be redeemed on such date from the respective Sinking Accounts for the Term Bonds.

No deposit need be made into the Principal Fund so long as there is in such fund moneys sufficient to pay the principal of all Serial Bonds then Outstanding and maturing by their terms on such Principal Payment Date *plus* the aggregate principal amount of all Term Bonds required to be redeemed on such Principal Payment Date, but less any amounts deposited into the Principal Fund during the preceding 12-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such 12-month period.

All amounts in the Principal Fund will be used and withdrawn by the Trustee solely for the purposes of paying the principal of the Bonds when due and payable, except that all amounts in the Sinking Accounts will be used and withdrawn by the Trustee solely to purchase or redeem or pay Bonds at maturity, as provided in the Trust Agreement.

Any amounts remaining in a Sinking Account when all of the Term Bonds for which such account was established are no longer Outstanding will be withdrawn by the Trustee and transferred to the City to be used for any lawful purpose.

Redemption Fund. On the date specified in a Written Request of the City filed with the Trustee, at the time that any prepaid Rental Payment is paid to the Trustee, the Trustee will deposit in the Redemption Fund that amount of moneys representing the portion of the Rental Payments designated as prepaid Rental Payments. Except as provided in the Trust Agreement, moneys in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest and the redemption premiums, if any, on and principal of the Bonds to be redeemed.

All amounts deposited in the Redemption Fund will be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner, at the times and upon the terms and conditions specified in the Trust Agreement.

Surplus Amounts. Any moneys remaining in the Revenue Fund after the transfers described above will be deposited, in order of priority: (i) into the Reserve Fund to the extent that the amount therein is less than the Required Reserve, and (ii) into the Rebate Fund if so directed by the Authority. Amounts not required to be so deposited will be transferred on the same Business Day to the City, except that any amounts representing delinquent Rental Payments and any proceeds of rental abatement insurance shall remain on deposit in the Revenue Fund. The City may use and apply any moneys when received by it for any lawful purpose of the City, including the redemption of Bonds upon the terms and conditions set forth herein and the purchase of Bonds as and when and at such prices as it may determine.

Reserve Fund

General. Under the Trust Agreement, a Reserve Fund is established and held by the Trustee and pledged to payment of the Bonds in the amount of the Required Reserve. The term “Required Reserve” means, as of any date of calculation, an amount equal to the least of (i) maximum annual debt service in any Bond Year on all Bonds Outstanding, (ii) 125% of average annual debt service in any Bond Year on all Bonds Outstanding, and (iii) 10% of the original principal amount of the Bonds. On the date of delivery of the Bonds the Required Reserve will be \$_____ [and the Debt Service Reserve Policy issued by the Bond Insurer will be deposited into the Reserve Fund in such amount].

The Required Reserve may be satisfied at any time with the acquisition of a letter of credit, insurance policy, surety bond or other credit source deposited with the Trustee meeting the requirements of a “Reserve Facility.” See APPENDIX C–“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–TRUST AGREEMENT–Establishment of Funds and Accounts–*Application of Reserve Fund.*”

Replenishment of Reserve Fund. The Trustee will deposit in the Reserve Fund (from amounts received as Additional Payments due to Reserve Fund valuation deficiencies or for Reserve Fund replenishment, as described in the Facilities Lease) as soon as possible in each month, except as otherwise provided in the Trust Agreement, upon the occurrence of any deficiency therein, 1/12th of the aggregate amount of each unreplenished prior withdrawal from the Reserve Fund and 1/4 of the aggregate amount of any deficiency due to any required valuations of the investments in the Reserve Fund until the total of the cash balance in the Reserve Fund and the amount available under any Reserve Facility is at least equal to the Required Reserve.

Use of Amounts in the Reserve Fund. All amounts in the Reserve Fund (including all amounts that may be obtained from Reserve Facilities on deposit in the Reserve Fund) shall be used and withdrawn by the Trustee solely for the purpose of making up any deficiency in the Interest Fund or the Principal Fund,

or for the payment of the final principal and interest payment with respect to the Bonds if following such payment the amounts in the Reserve Fund (including the amounts that may be obtained from Reserve Facilities on deposit therein) will equal the Required Reserve. In such event, the Trustee shall first draw on the portion of the Reserve Fund held in cash or Permitted Investments and then, on a pro rata basis with respect to amounts held in the form of Reserve Facilities (calculated by reference to the maximum amounts of such Reserve Facilities), draw on or collect under each Reserve Facility issued with respect to the Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the principal and interest represented by the Bonds when due.

Transfer of Excess Amounts. Any amounts in the Reserve Fund in excess of the Required Reserve (as calculated by the City) will be transferred by the Trustee to the City on the last Business Day of February and August of each year; provided that such amounts will be transferred only from the portion of the Reserve Fund held in the form of cash or Permitted Investments and further provided that the City is not then in default under the Facilities Lease.

Covenant to Budget and Appropriate

Budget and Appropriate. The City covenants in the Facilities Lease to include all Rental Payments in its annual budgets and to make the necessary annual appropriations therefor. The Authority will pledge the Rental Payments to the Trustee for the benefit of the Owners of the Bonds. By the 15th day of the month immediately preceding each Interest Payment Date, the City must pay to the Trustee Rental Payments (to the extent required under the Facilities Lease) that will be sufficient to pay, when due, the scheduled principal of and interest on the Bonds. Rental Payments are not subject to acceleration.

Under the Facilities Lease, the City agrees to pay Additional Payments for the payment of all expenses and all costs of the Authority and the Trustee related to the issuance of the Bonds, including expenses of the Trustee payable by the Authority under the Trust Agreement, and fees of accountants, attorneys and consultants. The City is responsible for repair and maintenance of the Leased Property during the term of the Facilities Lease.

The obligation of the City under the Facilities Lease to appropriate funds to pay Rental Payments and Additional Payments is not limited to any particular source of funds; and the City shall pay the Rental Payments and Additional Payments due thereunder from any lawfully available funds of the City including, without limitation, amounts available from the City's General Fund. See THE CITY; CITY FINANCES.

Insurance

Casualty Insurance. The Facilities Lease requires the City procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facilities Lease, insurance against loss or damage to the Leased Property and any structures constituting any part of the Leased Property by fire and lightning, with extended coverage insurance, vandalism and malicious mischief insurance and sprinkler system leakage insurance. The extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, flood and such other hazards as are normally covered by such insurance. The insurance may be maintained as part of or in conjunction with any other insurance maintained by the City. Full payment of the proceeds of such insurance up to the policy limit shall not be contingent on the degree of damage sustained at other property owned or leased by the City, provided, however, that such insurance may be subject to a limit of \$100,000,000 per occurrence for fire and extended coverage insurance.

Such insurance will be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the Leased Property, excluding the cost of excavations, of grading and filling, and of the land (except that such insurance may be subject to deductible clauses for any one loss of not to exceed \$5,000 for fire and extended coverage and \$10,000 for public liability and property damage), or, in the alternative, will be in an amount and in a form sufficient (together with moneys in the Reserve Fund), in the event of total or partial loss, to enable all Bonds then Outstanding to be redeemed. Such policy is required to explicitly waive any co-insurance policy.

As an alternative to providing the fire and extended coverage insurance, or any portion thereof, required by the Facilities Lease, the City may adopt an alternative risk management program, including, without limitation, (i) a self-insurance method or plan of protection, (ii) a program involving captive insurance companies, (iii) participation in state or federal insurance programs, (iv) participation with other public agencies in mutual or other cooperative insurance or other risk management programs, including those made available through joint exercise of powers agencies, or (v) establishment or participation in other alternative risk management programs; if and to the extent such alternative risk management program shall afford reasonable coverage for the risks required to be insured against, in light of all circumstances, giving consideration to cost, availability, and similar plans or methods of protection adopted by public entities in the State of California other than the City. So long as such method or plan is being provided to satisfy the requirements of the Facilities Lease, there will be filed with the Trustee a statement of an actuary, insurance consultant or other qualified person, stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Facilities Lease and, when effective, would afford reasonable coverage for the risks required to be insured against. There will also be filed a certificate of the City setting forth the details of such substitute method or plan. In the event of loss covered by any such self-insurance method, the liability of the City under the Facilities Lease will be limited to the amounts in the self-insurance reserve fund or funds created under such method.

Rental Abatement. The Facilities Lease also requires the City to maintain or cause to be maintained, rental abatement insurance to cover loss, total or partial, to the Authority of the Rental Payments owing to an abatement or rental as the result of any of the hazards covered by the insurance required by the Facilities Lease described in the preceding paragraphs, in an amount sufficient to pay Rental Payments during the twenty-four-month period in which the total Rental Payments are the greatest. Any proceeds of such insurance will be used by the Trustee to reimburse to the City any rental theretofore paid by the City under the Facilities Lease attributable to the damaged or destroyed Leased Property to the extent and for a period of time during which the payment of Rental Payments under the Facilities Lease is abated; and any proceeds of such insurance not so used will be applied to pay Rental Payments and Additional Payments. The City may self-insure against abatement-risk but only if funds equal to Rental Payments during the twenty-four-month period in which the total Rental Payments are the greatest are set aside in a separate trust fund held by an independent trustee.

Workers' Compensation Insurance. The City is required to maintain workers' compensation insurance covering all employees working at the Leased Property in the amounts as required by law. Such insurance may be maintained by the City as part of or in conjunction with any other insurance maintained by the City. As an alternative to providing this insurance, the City may file a resolution with the State Department of Industrial Relations, Division of Self-Insurance Plans, declaring the City to be legally self-insured against workers' compensation claims and may maintain that status; provided that the City annually employ an actuary to review the City's workers' compensation claims experience and project future claims exposure.

Title Insurance. The City is required to provide a CLTA leasehold title policy, subject only to Permitted Encumbrances, as defined in the Facilities Lease, issued by a company of recognized standing duly authorized to issue the same with respect to the Leased Property in an amount equal to the principal

amount of the Bonds. Such title insurance policy is required to be payable to the Trustee for the use and benefit of the Owners of the Bonds. The City agrees to deliver to the Trustee all proceeds received by the City pursuant to any policy of title insurance with respect to the Leased Property under which the City is beneficiary. All proceeds received by the Trustee under such title insurance policies will be applied and disbursed by the Trustee in the same order and priority and for the same purposes as provided in the Facilities Lease relating to proceeds received in eminent domain proceedings.

Public Liability and Property Damage. The City is also required to procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Facilities Lease, a standard comprehensive general liability insurance policy or policies insuring against all direct or contingent loss or liability for damages for personal injury, death, or property damage, occasioned by reason of the operation of the Leased Property. This insurance may be maintained as part of or in conjunction with any other insurance maintained by the City.

Application of Net Proceeds. In the event of any damage to or destruction of any part of the Leased Property caused by the perils covered by insurance, the City, except as hereinafter described, will cause the proceeds of the insurance to be utilized for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property, to at least the same condition as they were in prior to the damage or destruction, insofar as the same may be accomplished by the use of the proceeds. The Trustee will hold the proceeds separate and apart from all other funds in a fund or account established by the Trustee with the proceeds invested as specified in the Trust Agreement. Any balance of the proceeds not required for repair, reconstruction or replacement will be treated by the Trustee as Rental Payments and applied in the manner provided by the Trust Agreement. Alternatively, if the proceeds of the insurance together with any other moneys then available for the purpose are at least sufficient to redeem an aggregate principal amount of Outstanding Bonds equal to the amount of Rental Payments attributable to the portion of the Leased Property so destroyed or damaged (determined by reference to the proportion which the acquisition and construction cost of such portion of the Leased Property bears to the acquisition and construction cost of the entire Leased Property), the City, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon will cause the proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of the Trust Agreement.

The City covenants to promptly apply for federal or State disaster aid in the event that the Leased Property is damaged or destroyed as a result of an earthquake occurring at any time. Any proceeds received as a result of such disaster aid will be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Property, or, at the option of the City, to redeem Outstanding Bonds if such use of such disaster aid is permitted.

Abatement

Except to the extent of amounts held in the Reserve Fund or otherwise available to the City for payments thereof, during any period in which by reason of damage to, destruction of, taking under the power of eminent domain (or sale to any entity threatening the use of such power) of, or title defect with respect to any portion of the Leased Property, there is substantial interference with the use and occupancy of any portion of the Leased Property by the City, the Rental Payments will be abated proportionately. The amount of abatement shall be such that the resulting Rental Payments and Additional Payments represent no more than fair consideration for the use and possession of the portion of the Leased Property (i) available for occupancy or (ii) not so interfered with, as certified by the City based either on the proportion in which the historical cost of that portion of the Leased Property that remains usable bears to the entire historical cost of the Leased Property or an MAI fair rental value appraisal.

During any such period of abatement, except to the extent that amounts held by the Trustee in the Revenue Fund or the Reserve Fund are otherwise available to pay the Bonds, Revenues will not be available to pay the Bonds. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Facilities Lease will continue in full force and effect and the City waives any right to terminate the Facilities Lease by virtue of any such damage or destruction. See “CERTAIN RISK FACTORS–Abatement of Rental Payments.”

Eminent Domain

If all of the Leased Property, or so much thereof as to render the remainder unusable, is taken under power of eminent domain, the term of the Facilities Lease will cease as of the day possession is so taken. If less than the entire Leased Property is taken by eminent domain, and the remainder is usable for public purposes by the City at the time of such taking, there will be a partial abatement of the rental due under the Facilities Lease in an amount equivalent to the amount by which the annual payments of principal of and interest on the Bonds then Outstanding will be reduced by the application of the award in eminent domain to the redemption of Outstanding Bonds.

Default

If the City defaults under the Facilities Lease, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Facilities Lease [as directed by the Bond Insurer]. In the event of default, the Trustee may (i) terminate the Facilities Lease and lease the Leased Property to another tenant or (ii) maintain the Facilities Lease in effect, lease the Leased Property to another tenant, and collect from the City the difference between the new tenant’s payments and the Rental Payments. See APPENDIX C–“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–FACILITIES LEASE.” See “CERTAIN RISK FACTORS–Limitations on Remedies” for a discussion on the limitations on the Trustee’s ability to exercise certain remedies if the City defaults under the Facilities Lease.

THE LEASED PROPERTY

Description

The City will lease the Leased Property to the Authority pursuant to the Site Lease. The Authority will lease the Leased Property back to the City pursuant to the Facilities Lease. The City represents and warrants in the Facilities Lease that the Leased Property is essential to the fulfillment of governmental purposes and that it will only be used for performing governmental functions consistent with the scope and authority of the City. The Leased Property consists of the Police Administration Building and Fire Station No. 7, each of which is owned by the City. The following is a summary of the location, completion date, size and structure value of the leased assets.

Facility	Address	Original Completion Date	Approx. Acreage of Site	Approx. Building Square Footage	Estimated Structure Value ⁽¹⁾
Police Administration Building	330 South “C” St.	2007	1.84	17,249	\$4,028,045
Parking Shelter		2007		5,840	263,457
Storage Building		2007		812	52,932
Fire Station No. 7	200 S. Schnoor Ave	1978	1.09	6,853	<u>1,284,604</u>
TOTAL					\$5,629,038

(1) Based on an independent insurance appraisal conducted in April 28, 2017, by the Central San Joaquin Valley Risk Management Authority (CSJVRMA).
Source: City of Madera.

The City may, upon satisfaction of certain requirements described in the Facilities Lease, substitute other real property for one or more of the Leased Property. See below “ – SUBSTITUTION [OR RELEASE] OF PROPERTY.”

Substitution [or Release] of Property

Substitution of Property. The City may substitute alternate property for any property that constitutes all or any portion of the Leased Property for purposes of the Site Lease and the Facilities Lease, but only after the City has filed with the Trustee with copies to each rating agency then providing a rating for the Bonds, all of the following:

- (i) Executed copies of the amended Site Lease and Facilities Lease containing the amended description of the Leased Property;
- (ii) A Certificate of the City stating that the amended Site Lease and Facilities Lease, or memoranda thereof, have been duly recorded in the official records of the County of Madera;
- (iii) An MAI fair market appraisal demonstrating that the value of the substituted property is at least equal to the property being released;
- (iv) A California Land Title Association leasehold policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing policy or policies in an amount or amounts such that the amount of title insurance coverage with respect to the Leased Property after the substitution is at least equal to the amount of such insurance with respect to the Leased Property prior to the substitution;
- (v) A Certificate of the City certifying to the Trustee that the substituted real property has similar or greater essentiality of use than the portion of the Leased Property being substituted and equivalent or greater useful life than the period remaining until the last maturity of the Bonds;
- (vi) A Certificate of the City certifying that the property that will constitute the Leased Property after the substitution is not subject to any liens securing monetary obligations (other than Permitted Encumbrances), unless such liens are subordinate to the interests of the Authority created by the Facilities Lease;
- (vii) An Opinion of Counsel to the effect that the amendments to the Site Lease and the Facilities Lease that implement the substitution (1) are authorized or permitted by and comply with the Constitution and laws of the State of California and the Trust Agreement; and (2) upon execution and delivery will be valid obligations of the City and the Authority; and that (3) such substitution will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes;
- (vii) Evidence of delivery of written notice of the proposed substitution to each Rating Agency then rating the Bonds; and
- [(ix) So long as the Bond Insurance Policy is in effect and the Bond Insurer is not in default with respect to its payment obligations thereunder, the written consent of the Bond Insurer to the substitution.]

[Release of Property. The City may release a portion of the property that constitutes the Leased Property for purposes of the Site Lease and the Facilities Lease, but only after the City has filed with the Trustee with copies to each rating agency then providing a rating for the Bonds, all of the following:

- (i) Executed copies of the amended Site Lease and Facilities Lease containing the amended description of the Leased Property;

(ii) A Certificate of the City stating that the amended Site Lease and Facilities Lease, or memoranda thereof, have been duly recorded in the official records of the County of Madera;

(iii) An MAI fair market appraisal demonstrating that the value of the property that will constitute the Leased Property after the substitution or release will be at least equal to the value of the Leased Property originally leased;

(iv) An Opinion of Counsel to the effect that the amendments to the Site Lease and the Facilities Lease that implement the release (1) are authorized or permitted by and comply with the Constitution and laws of the State of California and the Trust Agreement; and (2) upon execution and delivery will be valid obligations of the City and the Authority;

(v) Evidence of delivery of written notice of the proposed release to each Rating Agency then rating the Bonds; and

[(vi) So long as the Bond Insurance Policy is in effect and the Bond Insurer is not in default with respect to its payment obligations thereunder, the written consent of the Bond Insurer to the release.]]

[BOND INSURANCE]

[The following information has been furnished by [INSURER] (the “Bond Insurer”) for use in this Official Statement. Reference is made to APPENDIX G for a specimen of the Municipal Bond Insurance Policy. Neither the Authority, the City, nor the Underwriter makes any representation as to the accuracy or completeness of this information or as to the absence of material adverse changes in this information subsequent to the date hereof.]

[TO COME]

THE CITY; CITY FINANCES

The Bonds are limited obligations of the Authority payable solely from the Revenues, which consist primarily of the Rental Payments to be made by the City to the Authority pursuant to the Facilities Lease. The City is obligated to make such payments from any lawfully available funds of the City, including without limitation, amounts available from the City’s General Fund. The ability of the City to pay the Rental Payments when due is dependent on the financial condition of the City. The following information addresses the governance of the City, its financial condition, and its sources of funds for payment of the Rental Payments.

General

The City of Madera is located in the Central Valley of California, approximately 240 miles northwest of Los Angeles, 166 miles southeast of San Francisco, and 22 miles northwest of Fresno on State Highway 99. The City is approximately 10.3 square miles in total area and, as of January 2018, had a population estimated by the State Department of Finance of 66,225 persons.

Municipal Government

The City was incorporated in 1907 and operates as a general law city under the council-manager form of government. Policy-making and legislative authority are vested in the City Council consisting of a seven elected Council members. The Mayor and Mayor Pro Tem are selected from among the City Council by the members. The Council is responsible for, among other matters, passing ordinances, adopting the City budget, appointing committees, and hiring the City Manager and the City Attorney. The Council

is elected on a non-partisan basis. The City Council members are elected by the voters of the City to serve overlapping four-year terms at elections held every 2 years.

Members of the City Council and key administrative personnel of the City are listed at the front of this Official Statement.

Municipal functions include police and fire protection, water service, sewer service, drainage service, solid waste disposal, highways and streets, youth services, public improvements, parks and recreation services, community redevelopment and general administrative services. The City has approximately 236 full-time employees and 127 part-time employees.

Audited Financial Statements

The City's financial statements for the year ended June 30, 2018, are included in this Official Statement as Appendix B. The financial statements should be read in their entirety. The City's financial statements were audited by the independent accounting firm of Price Paige & Company, Accountancy Corporation (the "Auditor").

The Auditor has not reviewed this Official Statement, and the City has not sought the consent of the Auditor to the inclusion of the Auditor's report in this Official Statement. The City did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Copies of the City's audited financial statements for prior years are available upon written request directed to: Director of Financial Services, City of Madera, 205 W. 4th Street, Madera, California 93637.

General Fund Revenues and Expenditures

The General Fund is used to account for all financial transactions not restricted for specific uses by resolution, ordinance, or general laws and accounted for in another fund. The following table presents a summary of revenues, expenditures and fund balances of the City's General Fund for fiscal years 2014-15 through 2017-18, as reported in the City's annual financial statements[, and budgeted amounts for fiscal year 2018-19].

CITY OF MADERA
Summary of General Fund Revenues, Expenditures and Changes in Fund Balances
for Fiscal Years 2014-15 through 2017-18 (Audited) [and 2018-19 (Budget)]

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>[Budget 2018-19]</u>
REVENUES					
Property Taxes	\$ 3,087,520	\$ 3,115,740	\$ 3,696,995	\$ 3,467,163	\$3,692,000
Sales and Use Taxes†	5,638,847	6,506,004	8,741,373	13,262,908	13,200,000
Other Taxes	1,222,063	1,231,995	1,321,157	1,298,932	
Use of money and property	175,354	551,138	205,668	233,178	
Franchise Taxes	612,474	678,438	649,415	666,238	
Licenses and permits	595,255	646,800	701,825	1,049,103	
Fines	960,889	912,398	734,193	578,255	
Intergovernmental	8,971,429	7,672,196	6,892,226	6,913,636	
Charges for current services	4,130,662	1,155,445	1,360,859	1,378,363	
Miscellaneous	375,143	336,475	604,836	634,370	
TOTAL REVENUES	25,769,636	22,806,629	24,908,547	29,482,146	
EXPENDITURES					
Current:					
General government	4,873,445	2,959,739	1,659,616	2,010,569	
Public protection	13,452,053	14,549,630	14,833,735	16,842,253	
Social services	--	--	405,251	309,121	
Public ways and facilities	1,958,448	2,229,821	2,687,550	2,863,024	
Community development	4,046,573	3,795,507	2,709,786	2,937,494	
Culture and recreation	3,425,208	3,392,870	3,831,163	3,800,416	
Capital outlay	91,429	1,417,918	829,037	1,422,672	
Debt service					
Principal	73,898	222,577	400,658	1,276,749	
Interest	59,614	78,223	87,410	57,429	
TOTAL EXPENDITURES	27,980,668	28,646,285	27,444,206	31,519,727	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,211,032)	(5,839,656)	(2,535,659)	(2,037,581)	
OTHER FINANCING SOURCES (USES)					
Transfers in	4,916,541	6,371,060	4,194,996	4,128,980	
Transfers out	(1,539,579)	(1,613,901)	(854,610)	(772,244)	
Sales of capital assets	--	9,969	37,027	41,691	
Capital lease	--	1,540,065	--	--	
Proceeds from long-term debt	--	--	--	895,900	
TOTAL OTHER FINANCING SOURCES (USES)	3,376,962	6,307,193	3,377,413	4,294,327	
NET CHANGE IN FUND BALANCES	1,165,930	467,537	841,754	2,256,746	
Fund balance - beginning	12,849,813	--	--	--	
Prior period adjustments	(57,334)	--	--	--	
Fund balance – beginning (restated)	<u>12,792,479</u>	<u>13,980,413</u>	<u>14,598,348</u>	<u>15,791,602</u>	
Fund balance - ending	\$13,958,409	\$14,447,950	\$15,440,102	\$18,048,348	

† Includes a voter approved local ½ cent transactions and use tax (Measure K) collected for various general governmental services. Collection of this tax commenced April 1, 2017, and the authorization to levy and collect it continues until terminated by the voters. The amount of Measure K taxes collected in Fiscal Year 2017-18 was \$4,478,109 and is projected to be \$5,000,000 in Fiscal Year 2018-19. See also “– Sales and Use Taxes; Transactions and Use Taxes” below.

Source: City of Madera

Principal Sources of General Fund Revenues

For Fiscal Year 2018-19, the City projects property tax revenues of approximately \$9.2 million, or 24.9% of General Fund revenues; sales tax revenues of approximately \$8.2 million, or 22.1% of General Fund revenues; and transactions and use tax (Measure K) revenues of approximately \$4.2 million, or 11.4% of General Fund Revenues. Other significant sources of funding for the General Fund and their approximate percentage for Fiscal Year 2018-19, as projected by the City, are: administrative overhead charged to other City funds, 4.2%; transient occupancy taxes, 2.1%; gas tax, 1.8%; Measure T (a county transportation transactions and use tax), 2.3%; engineering department capital project management charges, 2.4%; Community Development Block Grant, 2.3%. All together, these sources are projected to provide approximately 73.5% of General Fund Revenues in Fiscal Year 2018-19.

Property Taxes

Tax Levies, Collections and Delinquencies. City property taxes are assessed and collected by the County of Madera (the “County”) at the same time and on the same rolls as are County, school and special district property taxes. Taxes are levied for each fiscal year on taxable real and personal property that is situated in the City as of the preceding January 1. A supplemental roll is developed when property changes hands or new construction is completed that produces additional revenue.

Secured property taxes are due on November 1 and March 1 and become delinquent, if not paid by December 10 and April 10, respectively. A 10% percent penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1st of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder’s Office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Teeter Plan. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes is credited the amount of uncollected taxes in the same manner as if the amount credited had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, which otherwise would have been due to the local agency.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of the County’s fiscal year, the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may, after holding a public hearing on the matter, discontinue the procedures with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls in that agency.

The rate of tax that the City receives is determined by a formula prepared by the County Auditor, in accordance with the laws of the State. The City receives its proportionate share of property taxes in several installments commencing November 30 of each calendar year. As long as the Teeter Plan remains in effect, the City will receive 100% of the annual installments of tax levied on the secured roll without regard to the actual amount collected.

Assessed Valuation. The County Assessor values taxable property within the City, except unitary property, as of the January 1 lien date each year. Supplemental assessment of property occurs upon a change in ownership or completion of new construction after the lien date. Unitary property (consisting mostly of operational property owned by utility companies) is assessed by the State Board of Equalization.

Assessed valuations are reported at 100% of the “full cash value” of the property, as defined in Article XIII A of the California Constitution. In addition to adjustments because of change in ownership or new construction, the full cash value of property may be adjusted annually to reflect inflation at a rate not to exceed 2% per year or to reflect any reductions in the consumer price index or comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors, including a general economic downturn.

For assessment and collection purposes, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property secured by a lien that is sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other taxable property is assessed on the “unsecured roll,” which generally comprises all property not attached to land, such as personal property or business equipment not otherwise exempt from taxation.

The following table shows the assessed valuation of property within the City for the last twelve fiscal years.

CITY OF MADERA
Assessed Valuation
Fiscal Year 2007-08 through Fiscal Year 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2007-08	\$2,617,852,115	\$866,511	\$151,923,712	\$2,770,642,338	--
2008-09	2,838,003,560	866,511	172,495,696	3,011,365,767	8.69%
2009-10	2,418,644,149	757,205	199,005,115	2,618,406,469	(-13.05)
2010-11	2,211,212,326	769,547	187,886,779	2,399,868,652	(-8.35)
2011-12	2,192,769,707	769,547	197,479,259	2,391,018,513	(-0.37)
2012-13	2,186,888,703	769,547	205,647,538	2,393,305,788	0.10
2013-14	2,255,508,730	743,768	213,914,348	2,470,166,846	3.21
2014-15	2,383,285,195	743,768	200,566,825	2,584,595,788	4.63
2015-16	2,518,840,458	743,768	201,164,923	2,720,749,149	5.27
2016-17	2,622,651,945	743,768	221,973,452	2,845,369,165	4.58
2017-18	2,749,667,073	625,460	237,615,373	2,987,907,906	5.01
2018-19	2,936,557,354	625,460	280,734,337	3,217,917,151	7.70

Source: California Municipal Statistics, Inc.

Property Taxpayers. The following table shows the twenty largest secured tax payers in the City as determined by secured assessed valuation in fiscal year 2018-19:

CITY OF MADERA
Largest Local Secured Taxpayers
Fiscal Year 2018-19

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total ⁽¹⁾
1.	David L. and Patricia R. Berry	Commercial and Residential	\$24,219,228	0.82%
2.	Oldcastle Precast Inc.	Industrial	19,672,228	0.67
3.	Sealed Air Corporation	Industrial	18,799,568	0.64
4.	John Bean Technologies Corp.	Industrial	15,693,763	0.53
5.	Eurodrip USA Inc.	Industrial	15,572,874	0.53
6.	Yosemite Point Partnership	Apartments	14,477,082	0.49
7.	HPC Hallmark Investors LP	Shopping Center	14,185,194	0.48
8.	Color Box LLC	Industrial	14,105,579	0.48
9.	Advanced Drainage Systems Inc.	Industrial	14,051,447	0.48
10.	CVS Caremark Corporation	Commercial	13,183,485	0.45
11.	DMP Development Corp.	Residential Properties	13,008,257	0.44
12.	BFP Partnership	Industrial	12,755,626	0.43
13.	Airport Drive Inv. LLC	Industrial	12,693,466	0.43
14.	Evapco Inc.	Industrial	12,200,637	0.42
15.	Q/S Tozer Avenue LLC	Commercial	11,960,384	0.41
16.	The Meadows MHC Holdings LP	Mobile Home Park	11,953,546	0.41
17.	Berry & Berry Inc.	Residential Properties	11,558,358	0.39
18.	Woodset Partners Inv. LLC	Assisted Living Facility	11,463,138	0.39
19.	HD Development of Maryland Inc.	Commercial	11,361,299	0.39
20.	Fawn Leong, Trustee	Apartments	11,043,871	0.38
Total			\$283,959,030	9.67%

⁽¹⁾ 2018-19 local secured assessed valuation: \$2,936,557,354

Source: California Municipal Statistics, Inc.

Property Tax Revenues. The following table shows the City's property tax revenues for Fiscal Years 2013-14 through 2017-18 and projected revenues for 2018-19:

PROPERTY TAX REVENUES
City of Madera
Fiscal Years 2013-14 through 2018-19
(In Rounded Thousands)

Fiscal Year	Total Revenue
2013-14	\$7,308,270
2014-15	7,409,000
2015-16	8,170,150
2016-17	9,003,653
2017-18	9,222,000
2018-19	9,222,000*

* Projected.

Source: City of Madera.

Sales and Use Taxes; Transactions and Use Taxes

Sales and Use Taxes. A sales and use tax is levied and collected statewide at the rate of 7.25%. Currently, of the 7.25% sales and use tax rate, 6.00% is levied for State purposes and 1.25% is levied for county and city general use. From that levy, the City receives an amount equal to what would be produced by a sales and use tax rate of 1.00%.

The following table shows the City’s sales and use tax revenues for Fiscal Years 2013-14 through 2017-18, together with projected revenues for Fiscal Year 2018-19.

SALES AND USE TAX REVENUES
City of Madera
Fiscal Years 2013-14 through 2018-19
(In Rounded Thousands)

Fiscal Year	Total Revenue
2013-14	\$7,149,903
2014-15	7,716,000
2015-16	8,175,967
2016-17	8,018,375
2017-18	8,457,260
2018-19	8,200,000*

* Projected.
Source: City of Madera.

Transactions and Use Taxes. Measure K. In November 2016, the voters of the City approved Measure K, which authorizes the levy of a local transactions and use tax at the rate of 0.50%. Measure K authorizes the City to use the taxes collected for improving and maintaining general governmental services, including police and fire protection. The City Council has adopted the policy to use half of the revenues for the support of fire protection services. The City has used Measure K funds to acquire land for a third fire station and expects to use them to pay debt service on the Bonds, which will finance the construction of the fire station. The City projects that Measure K will provide more than \$3.5 million in revenue per year.

The following table shows the City’s transactions and use tax revenues for Fiscal Years 2016-17 and 2017-18, together with projected revenues for Fiscal Year 2018-19.

TRANSACTIONS AND USE TAX REVENUES
(Measure K)
City of Madera
Fiscal Years 2016-17 through 2018-19
(In Rounded Thousands)

Fiscal Year	Total Revenue
2016-17	\$ 722,998
2017-18	4,478,109
2018-19	5,000,000*

* Projected.
Source: City of Madera.

Employee Relations

City employees are represented by four labor unions and associations, identified in the following table. Currently, 62% of City employees are represented by unions, with the General Bargaining Unit, which represents approximately 30% of all City employees, being the largest. The City has never experienced an employee work stoppage.

City employees are represented by employee bargaining units as follows:

**CITY OF MADERA
Employee Bargaining Units**

Bargaining Unit	Number of Members	Contract Expiration Date
General Bargaining Unit	111	June 30, 2019
Madera Police Officers' Association	75	June 30, 2019
Law Enforcement Mid Management Employee Group	5	June 30, 2019
Mid Management Employee Group	34	June 30, 2019

Source: City of Madera.

Pension Plans and Other Post-Employment Benefits

The City provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to its employees, retirees and other beneficiaries through its participation in the California Public Employees Retirement System (“CalPERS”). The City has two defined benefit pension plans, a Miscellaneous Plan and a Safety Plan. The Miscellaneous Plan is an Agent Multiple-Employer Plan, and the Safety Plan is a Cost-Sharing Multiple-Employer Plan. All qualified permanent and probationary employees are eligible to participate in either the City’s Safety Plan (police officers and fire fighters) or Miscellaneous Plan (all others), administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers.

Benefit provisions under the Plans are established by State statute and City resolution. Each Plan consists of individual rate plans (benefit tiers) within its risk pool (safety or miscellaneous). Plan assets may be used to pay benefits for any rate plan of the safety and miscellaneous pools. Accordingly, rate plans within each pool are not separate plans under GASB Statement No. 68. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

As of June 30, 2018, the City reported that its net pension liability for the Miscellaneous Plan was \$26,578,509 and that its Plan fiduciary net position as a percentage of the total pension liability was 68.24%. As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Safety Plan of \$18,807,385 and its Plan fiduciary net position as a percentage of the total pension as 68.95%. As of June 30, 2018, the City reported that the share of the combined net pension liability attributable to its governmental activities (and, therefore, payable out of its General Fund) was \$32,123,546.

For more information on the Plans and the risk pools, certain actuarial assumptions used, the annual pension cost, and the funded status, see “Note 8 – Pension Plans” and “Required Supplementary Information” to the City’s audited financial statements included in Appendix B.

As an employer, the City is required to contribute a percentage of payroll each year to CalPERS to fund the Plans based on actuarial valuations performed by CalPERS. For the fiscal year ended June 30, 2018, the City’s required employer contribution rate was 9.451% of covered payroll for the Miscellaneous Plan and was 19.723%, 16.842%, and 11.990%, respectively, of covered payroll for the three tiers of the Safety Plan. During the fiscal year ended June 30, 2018, the City contributed \$2,394,537 and \$1,942,249 to CalPERS for the Miscellaneous Plan and the Safety Plan, respectively. For the fiscal year ended June 30,

2019, the City is required to contribute ___% of covered payroll for the Miscellaneous Plan and __%, __%, and __%, respectively, of covered payroll for the three tiers of the Safety Plan. This results in an expected contribution by the City of \$_____ and \$_____ to the Miscellaneous Plan and the Safety Plan, respectively, for such fiscal year. \$4,163,451

The amount the City is required to contribute to CalPERS is expected to increase in the future. The actual amount of such increases will depend on a variety of factors, including but not limited to investment returns, actuarial methods and assumptions, experience and retirement benefit adjustments. While the City has some ability to adjust the retirement benefits provided to its employees, CalPERS determines the actuarial methods and assumptions used with respect to assets administered by CalPERS (including the City Plans assets) and makes the investment decisions with respect to such assets. For a description of such actuarial methods and assumptions (including the smoothing conventions used by CalPERS when setting employer contribution rates) and investments, see the comprehensive annual financial report of CalPERS available on its website at www.calpers.ca.gov. The City cannot guaranty the accuracy of such information. Actuarial assessments are “forward-looking” information that reflect the judgment of the fiduciaries of the pension plans and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

The City also provides certain post-retirement health care benefits. The City funds such benefits on a pay-as-you-go basis. The City paid \$258,666 and \$111,633 for such health care benefits for the fiscal years ended June 30, 2018, and 2017, respectively. As of June 30, 2018, the City reported that its net OPEB obligation was \$3,169,504. For more information on the City’s post-retirement health care benefits, see “Note 9 -- Other Post-Employment Benefits (OPEB) Obligations” to the City’s audited financial statements included in Appendix B.

Long-Term General Fund Obligations

The City’s long-term liabilities attributable to its governmental activities (and, therefore, payable out of its General Fund) relate to the acquisition of capital assets. The following table lists the outstanding principal balances as of June 30, 2018, of the City’s long-term obligations that are payable from the General Fund.

**CITY OF MADERA
Long-Term General Fund Obligations
(As of June 30, 2018)**

Obligation	Principal Balance
Capital Leases	
Madera Youth Center	\$ 185,000
Police In-car Camera lease	42,331
ERP System and Fire Truck	795,933
Total capital leases	\$1,023,325
Loans Payable	
Police Facility Commercial Loan	\$841,400
PG&E Energy Efficiency Retrofit loan	22,154
Total loans payable	\$ 863,554
Total	\$1,886,879

Source: City of Madera.

The police facility lease terminates in fiscal year 2025-26. The other leases and loans terminate between fiscal years 2018-19 and 2020-21. The maximum annual debt service on all of the City's long-term General Fund obligations, excluding the Bonds, is \$690,922, which falls to \$130,497 in fiscal year 2021-22. See APPENDIX B—"AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2018—Notes to Financial Statements—Note 7—Long-Term Liabilities."

The City does not have any outstanding general obligation bonds or any authorized but unissued general obligation bonds.

Direct and Overlapping Debt

Set forth on the following page is a statement of direct and overlapping bonded debt (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated April 1, 2019. The Debt Report is included for general information purposes only. The City has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by land within the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the Debt Report.

CITY OF MADERA
Statement of Direct and Overlapping Bonded Debt
Dated as of April 1, 2019

2018-19 Assessed Valuation: \$3,217,917,151

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	% Applicable	Debt 4/1/2019
State Center Community College District	3.763%	\$6,565,871
Madera Unified School District	49.114	53,797,727
City of Madera Community Facilities District No. 2006-1	100.000	2,389,616
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$62,753,214
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Madera County Certificates of Participation	22.347	\$2,251,520
Madera County Office of Education Certificates of Participation	22.347	4,641,965
Madera Unified School District Certificates of Participation	49.114	43,456,067
City of Madera Certificates of Participation	100.000	2,298,900 ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$52,648,452
OVERLAPPING TAX INCREMENT DEBT		35,510,000
COMBINED TOTAL DEBT:		\$150,911,666 ⁽²⁾

(1) Excludes the Bonds described in this Official Statement.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations

Ratios to 2018-19 Assessed Valuation:

Total Direct and Overlapping Tax and Assessment Debt.....	1.95%
Combined Direct Debt	0.07
Combined Total Debt	4.69

Ratios to Redevelopment Incremental Valuation (\$1,048,468,466)

Total Overlapping Tax Increment Debt.....	3.39%
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Source: California Municipal Statistics, Inc.

Future Financings

The City may from time to time issue additional obligations payable from the General Fund, however, the City does not anticipate issuing any lease revenue bonds, certificates of participation or other indebtedness that would be payable from General Fund revenues in Fiscal Year 2019-20.

Risk Management

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA), a public entity risk pool for workers' compensation and general liability insurance. With respect to general liability, the City is responsible for the first \$100,000 of any loss and CSJVRMA is responsible for losses above that amount up to \$1,000,000. CSJVRMA carries a purchased excess commercial liability policy of \$28,000,000 in excess of its \$1,000,000 retention limit to cover losses up to \$29,000,000. CSJVRMA also provides \$_____ aggregate per occurrence property coverage to its members with such coverage provided by purchased insurance. CSJVRMA will also provide the builder's risk insurance for the Project and will provide the rental abatement insurance required by the Facilities Lease.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the California Constitution

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The “base year” for establishing such appropriation limit is fiscal year 1978-79. Increases in appropriations by a governmental entity are also permitted (1) if financial responsibility for providing services is transferred to the governmental entity, or (2) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to any entity of government from (1) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (2) the investment of tax revenues and (3) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate “proceeds of taxes” received by the City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

As amended in June 1990, the appropriations limit for the City in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the City’s option, either (1) the percentage change in California per capita personal income, or (2) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college (“K-14”) districts.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The City’s appropriations limit for Fiscal Year 2005-06 was \$41,154,806, and the amount shown in the final budget for that year as the appropriations subject to limitation was \$37,699,436. The City’s appropriations limit for Fiscal Year 2006-07 is \$43,418,321, and the amount shown in the final budget as the appropriations subject to limitation is \$40,932,913.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the California Constitution, which contain a number of provisions affecting the ability of cities and counties to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City’s General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the City Council to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements. In addition, Article XIII D contains new provisions relating to how local agencies may levy and maintain “assessments” for municipal services and programs. “Assessment” is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. This definition applies to landscape and maintenance assessments for open space areas, street medians, street lights and parks.

Article XIII D also contains several provisions affecting “fees” and “charges,” defined for purposes of Article XIII D to mean “any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service.” All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as “property related” for purposes of Article XIII D, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

In addition to the provisions described above, Article XIII C removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City’s General Fund. “Assessment,” “fee” and “charge” are not defined in Article XIII C, and it is not clear whether the definitions of these terms in Article XIII D (which are generally property related as described above) would be applied to Article XIII C. If the Article XIII D definitions are not held to apply to Article XIII C, the initiative power could potentially apply to revenue sources that currently constitute a substantial portion of General Fund revenues. No assurance can be given that the voters of the City will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

In addition, Proposition 218 added several requirements making it generally more difficult for counties and other local agencies to levy and maintain assessments for municipal services and programs.

Finally, Proposition 218 requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general government purposes of the City require a majority vote and taxes for specific purposes only require a two-thirds vote. The voter approval requirements reduce the flexibility of the City Council to deal with fiscal problems by raising revenue and no assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

Proposition 1A

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the motor vehicle license fee (VLF). The legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse local governments when the State “mandates” a new local program or higher level of service. During periods of economic downturn, the State did not provide reimbursements for many mandated costs. In other cases, the State “suspended” mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

On November 3, 2004, the voters of the State approved Proposition 1A, which amended the California Constitution to, among other things, reduce the State Legislature’s authority over local government revenue sources by placing restrictions on the State’s access to local government’s property, sales and vehicle license fee revenues.

Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to a city, county, or special district for any fiscal year under the laws in effect as of November 3, 2004. The measure also specifies that any change in how property tax revenues are shared among local governments within a county must be approved by two-thirds of both houses of the Legislature (instead of by majority vote).

If the State reduces the VLF rate below its current level of 0.65% of the vehicle value, Proposition 1A requires the State to provide local governments with equal replacement revenues. Proposition 1A provides two significant exceptions to the above restrictions regarding sales and property taxes. *First*, beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues if: the Governor proclaims that the shift is needed due to a severe State financial hardship, the legislature approves the shift with a two-thirds vote of both houses and certain other conditions are met. The State must repay local governments for their property tax losses, with interest, within three years. *Second*, Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A amends the California Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. Beginning in Fiscal Year 2005-06, if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties or special districts to abide by the mandate would be suspended. In addition, Proposition 1A expands the definition of what constitutes a mandate to encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had complete or partial financial responsibility. This provision does not apply to mandates relating to schools or community colleges, or to those mandates relating to employee rights.

Proposition 1A restricts the State’s authority to reallocate local tax revenues to address concerns regarding funding for specific local governments or to restructure local government finance. For example, the State could not enact measures that changed how local sales tax revenues are allocated to cities and counties. In addition, measures that reallocated property taxes among local governments in a county would require approval by two-thirds of the members of each house of the legislature (rather than a majority vote). As a result, Proposition 1A could result in fewer changes to local government revenues than otherwise would have been the case.

Future Initiatives

Article XIII A, Article XIII B, Proposition 218 and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations, which may affect the City’s revenues or its ability to expend its revenues.

CERTAIN RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations, which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limited Obligation

The Bonds are not City debt and are limited obligations of the Authority. Neither the full faith and credit of the Authority nor the City is pledged for the payment of the interest on or principal of the Bonds nor for the payment of Rental Payments. The Authority has no taxing power. The obligation of the City to pay Rental Payments when due is an obligation payable from amounts in the General Fund of the City. The obligation of the City to make Rental Payments under the Facilities Lease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the City to make Rental Payments under the Facilities Lease constitute a debt or indebtedness of the Authority, the City, the State or any of its political subdivisions, within the meaning of any constitutional or statutory debt limitation or restrictions.

Rental Payments Not a Debt of the City

The Rental Payments due under the Facilities Lease (and insurance, payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges and assessments levied against the Leased Property) are not secured by any pledge of taxes or any other revenues of the City but are payable from any funds lawfully available to the City. The City may incur other obligations in the future payable from the same sources as the Rental Payments. In the event the City’s revenue sources are less than its total obligations, the City could choose to fund other municipal services before making Rental Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City’s appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the California Constitution. For information on the City’s current limitations on appropriations, see “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS—Article XIII B of the California Constitution.”

Valid and Binding Covenant to Budget and Appropriate

Pursuant to the Facilities Lease, the City covenants to take such action as may be necessary to include Rental Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants. A court, however, in its discretion may decline to enforce such covenants. Upon issuance of the Bonds, Bond Counsel will render its opinion (substantially in the form of APPENDIX D–“PROPOSED FORM OF BOND COUNSEL OPINION”) to the effect that, subject to the limitations and qualifications described therein, the Facilities Lease constitutes a valid and binding obligation of the City. As to the Authority’s practical realization of remedies upon default by the City, see “–Limitations on Remedies.”

Abatement of Rental Payments

In the event of loss or substantial interference in the use and occupancy of the Leased Property by the City caused by damage or destruction or condemnation of the Leased Property, Rental Payments will be subject to abatement. In the event that the Leased Property or any component thereof, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the City’s rental abatement insurance will be available in lieu of Rental Payments plus the period for which funds are available from the Reserve Fund or the Revenue Fund, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of the Leased Property or such component of the Leased Property or redemption of the Bonds, there could be insufficient funds to make payments to Owners in full. See APPENDIX C–“SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–FACILITIES LEASE–Abatement of Rental.”

It is not possible to predict the circumstances under which such an abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of the execution and delivery of the Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Bonds.

Limited Recourse on Default

Upon the occurrence of one of the “events of default” described below, the City will be deemed to be in default under the Facilities Lease and the Trustee, as the assignee of the Authority, may exercise any and all remedies available pursuant to law or granted pursuant to the Facilities Lease. Upon any such default, including a failure to pay Rental Payments, the Authority may either (1) terminate the Facilities Lease and seek to recover certain damages or (2) without terminating the Facilities Lease, (i) continue to collect rent from the City on an annual basis by seeking a separate judgment each year for that year’s defaulted Rental Payments and/or (ii) reenter the Leased Property and relet it. In the event of default, there is no right to accelerate the total Rental Payments due over the term of the Facilities Lease, and the Trustee has no possessory interest in the Leased Property and is not empowered to sell the Leased Property.

Events of default under the Facilities Lease include (i) the failure of the City to make rental payments under the Facilities Lease when the same become due and payable, (ii) the failure of the City to keep, observe or perform any term, covenant or condition of the Facilities Lease to be kept or performed by the City for a period of 30 days after notice of the same has been given to the City, and (iii) the bankruptcy or insolvency of the City.

Upon a default, the Trustee may elect to proceed against the City to recover damages pursuant to the Facilities Lease. Any suit for money damages would be subject to statutory and judicial limitations on lessors' remedies under real property leases, other terms of the Facilities Lease and limitations on legal remedies against public agencies in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Limitations on Remedies

The rights of the Owners of Bonds are subject to the limitations on legal remedies against counties in the State, including applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the application of general principles of equity, including concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the City, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Facilities Lease, and from taking any steps to collect amounts due from the City under the Facilities Lease.

All legal opinions with respect to the enforcement of the Facilities Lease and the Trust Agreement will be expressly subject to a qualification that such agreements may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity if equitable remedies are sought.

Risk of Earthquake and Other Natural Disasters

Earthquake. There are several active geologic faults in the State that have potential to cause serious earthquakes that could result in damage within the City and to the Leased Property, buildings, roads, bridges, and other property. While the City is not currently located in any existing special study zone, defined in the Alquist-Priolo Earthquake Zoning Act, which requires the State Division of Mines and Geology to delineate all known active faults and establish minimum set back distances for the construction of habitable structures near active fault zones, it is possible that new geologic faults could be discovered in the area and that an earthquake occurring on such faults could result in damage of varying degrees of seriousness to property and infrastructure in the City, including the Leased Property.

The Leased Property was designed to the seismic standards existing at the time of original construction. The Facilities Lease does not require the City to maintain insurance on the Leased Property against earthquakes. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Insurance" and "THE CITY; CITY FINANCES—Risk Management."

Risk of Flooding. Flood insurance rate maps ("FIRMs") for the City of Madera, with an effective date of September 26, 2008, available from the Federal Emergency Management Agency ("FEMA") Flood Map Service Center, indicated that, other than the channel of the Fresno River, land within the City is mapped either within the boundaries of the 500-year floodplain (the area that would be inundated during a flood event of the magnitude for which there is a 0.2% (or 1-in-500) probability in any year) or in areas of minimal flood hazard (at elevations higher than the 500-year floodplain).

The City has not been informed by FEMA that the issuance of updated flood maps is imminent. The City makes no representation that FEMA will not issue revised FIRMs that place the City within a higher risk zone.

The City is self-insured for risk of flooding for assets of the City.

Hazardous Substances

In general, the owners and operators of real property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but State laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) of the property is obligated to remedy a hazardous substance condition whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the finances of the City.

Further, it is possible that liabilities may arise in the future resulting from the existence, currently, on City owned property of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it.

Although the City handles, uses and stores and will handle, use and store certain hazardous substances, including but not limited to, solvents, paints, certain other chemicals on or near the Leased Property, the City knows of no existing hazardous substances which require remedial action on or near the Leased Property. However, it is possible that such substances do currently or potentially exist and that the City is not aware of them.

Limited Liability of Authority to the Owners

Except as expressly provided in the Trust Agreement, the Authority will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Facilities Lease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

Risk of Tax Audit

In December 1999, as a part of a larger reorganization of the Internal Revenue Service (the “IRS”), the IRS commenced operation of its Tax Exempt and Government Entities Division (the “TE/GE Division”), as the successor to its Employee Plans and Exempt Organizations division. The new TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations (which would include the issuance of securities such as the Bonds) is expected to increase significantly under the new TE/GE Division. There is no assurance that if an IRS examination of the Bonds was undertaken that it would not adversely affect the market value of the Bonds. See “TAX MATTERS.”

Effect of the State Budget on the City

In past years, the State experienced significant financial stress, with budget shortfalls in the billions of dollars. State revenues declined significantly as a result of economic conditions and other factors. While the State is not a significant source of City revenues, and the City does not anticipate that the State's financial condition will materially adversely affect the financial condition of the City, there can be no assurances that State financial pressures will not adversely affect the City.

Information about the State budget is available through various State-maintained websites. Historical State budgets can be found at http://www.dof.ca.gov/budget/historical_ebudgets, while the current budget can be found at <http://www.ebudget.ca.gov>. Additionally, budget analyses are regularly posted on the website of the Legislative Analyst's Office at www.lao.ca.gov.

The information referred to above is prepared by the State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the internet addresses or the accuracy, completeness, or timeliness of information posted there. Information on these websites is not incorporated by reference into this Official Statement.

Secondary Markets and Prices

The Underwriter will not be obligated to repurchase any of the Bonds, and no representation is made concerning the existence of any secondary market for the Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Bonds, and no assurance can be given that the initial offering prices for the Bonds will continue for any period of time.

Changes in Law

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the General Fund revenues of the City and consequently, having an adverse effect on the security for the Bonds.

CERTAIN LEGAL MATTERS

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California, Bond Counsel for the Authority. The opinion of Bond Counsel with respect to the Bonds will be delivered in substantially the form attached hereto as Appendix D. Certain legal matters will also be passed upon for the Authority by Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, as Disclosure Counsel.

TAX MATTERS

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based upon the analysis of existing statutes, regulations, ruling and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is exempt from State of California personal income taxes and is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. A complete copy of the proposed form of Opinion of Bond Counsel is set forth in Appendix D.

The Internal Revenue Code of 1986, as amended, (the “Code”) imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the City have made certain representations and has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after that date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes and exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the beneficial owner or the beneficial owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal and/or state income taxation, or otherwise prevent Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal and/or state tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service (“IRS”), including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations that present similar tax issues, will not affect the market price or liquidity of the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor’s rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Bonds, the Authority and the City will each certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the City or the Authority threatened, against the City or the Authority in any material respect affecting the existence of the City or the Authority or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale or delivery of the Bonds, the execution and delivery of the Trust Agreement, the Facilities Lease, the Site Lease, the Escrow Agreement or the payment of Rental Payments or challenging, directly or indirectly, or the proceedings to lease the Leased Property from the Authority.

Various legal actions are pending against the City. The aggregate amount of the uninsured liabilities of the City that may result from all legal claims currently pending against it will not, in the opinion of the City, materially affect the City’s finances or impair its ability to make Rental Payments under the Facilities Lease.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the City (the “Annual Report”) not later than March 31 of each year commencing with the report due March 31, 2020 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and event notices are to be filed by the City with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System (EMMA). The specific nature of the information to be contained in the Annual Report and in the event notices is described in Appendix E – “Form of Continuing Disclosure Certificate.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The City and its related governmental entities, including the City acting as the Successor Agency to the former Madera Redevelopment Agency, have previously entered into numerous disclosure undertakings under the Rule in connection with the issuance of long-term obligations. During the past five years, the City and/or its related governmental entities have failed to comply with their continuing disclosure undertakings under the Rule as follows:

- Audited financial statements required for certain undertakings for Fiscal Year 2012-13 were filed late;
- Certain operating/financial information required for certain undertakings for Fiscal Years 2012-13, 2013-14, and 2015-16 was not included in the applicable annual report (but later filed pursuant to a supplemental report) and/or the applicable annual report was filed late.

MUNICIPAL ADVISOR

The Authority has retained Del Rio Advisors, LLC of Modesto, California, as municipal advisor (the “Municipal Advisor”) in connection with the offering of the Bonds. All financial and other information presented in this Official Statement has been provided by the Authority and others from their records. Unless otherwise footnoted, the Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the Authority or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor has assisted the Authority with the structure, timing and terms for the sale of the Bonds. The Municipal Advisor provides municipal advisory services only and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments. The fee of the Municipal Advisor is contingent upon the successful closing of the Bonds.

RATINGS

[RATING AGENCY] (“_____”) is expected to assign its rating of “___” to the Bonds[, with the understanding that upon delivery of the Bonds, the policy insuring payment when due of the principal of and interest on the Bonds will be issued by the Bond Insurer. See “MUNICIPAL BOND INSURANCE” and APPENDIX G–“SPECIMEN MUNICIPAL BOND INSURANCE POLICY.” _____ has also assigned an underlying of “___.”] A rating reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the Bonds. An explanation of the significance of the rating may be obtained from [RATING AGENCY NAME AND ADDRESS]. Certain information was supplied by the Authority and the City to the rating agencies to be considered in evaluating the Bonds. Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the Bonds.

There is no assurance that such ratings will continue for any given period of time or that they will not be reduced or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. The Authority, the City, and the Trustee undertake no responsibility to oppose any such revision or

withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Brandis Tallman LLC (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at the purchase price of \$_____ (representing the aggregate principal amount of the Bonds of \$_____, plus net original issue premium in the amount of \$_____, less an Underwriter’s discount of \$_____). The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

AUTHORIZATION

The preparation and distribution of this Official Statement have been authorized by the Authority and the City.

MADERA PUBLIC FINANCING AUTHORITY

By: _____
[NAME/TITLE]

CITY OF MADERA

By: _____
[NAME/TITLE]

APPENDIX A

GENERAL, ECONOMIC, AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF MADERA AND MADERA COUNTY

General

The City of Madera is located in the Central Valley of California, approximately 240 miles northwest of Los Angeles, 166 miles southeast of San Francisco, and 22 miles north of Fresno on State Highway 99. The City contains approximately 10.3 square miles in total area.

Population

The following table presents population estimates for the City of Madera, Madera County and the State of California for the years 2014 to 2018:

ESTIMATED POPULATION CITY OF MADERA, MADERA COUNTY, AND STATE OF CALIFORNIA 2014 through 2018

Year	City of Madera	Madera County	State of California
2014	62,699	153,224	38,568,628
2015	63,752	154,827	38,912,464
2016	64,169	154,906	39,179,627
2017	65,172	156,963	39,500,973
2018	66,225	158,894	39,809,693

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2018, with 2010 Census Benchmark

Industry and Employment

The following table provides information about employment rates and employment by industry type for Madera County for calendar years 2013 through 2017.

MADERA COUNTY
Civilian Labor Force, Employment and Unemployment
Calendar Years 2013 through 2017
Annual Averages

	2013	2014	2015	2016	2017 ⁽⁵⁾
Civilian Labor Force ⁽¹⁾	62,300	62,000	60,000	61,300	61,500
Employment	54,400	55,000	53,700	55,600	56,500
Unemployment	7,800	6,900	6,300	5,700	5,000
Unemployment Rate ⁽²⁾	12.6%	11.2%	10.5%	9.2%	8.1%
Wage and Salary Employment: ⁽³⁾					
Farm	12,100	11,800	11,300	12,100	11,800
Mining, Logging & Construction	1,200	1,300	1,500	1,800	1,800
Manufacturing	3,600	3,800	3,600	3,500	3,500
Wholesale Trade	800	800	800	800	800
Retail Trade	3,500	3,600	3,700	3,800	3,800
Transportation, Warehousing & Utilities	900	900	900	900	1,000
Information	400	400	400	300	300
Financial Activities	800	800	800	900	900
Professional and Business Services	2,800	2,500	2,200	2,300	2,300
Educational and Health Services	7,600	7,600	7,700	7,800	8,300
Leisure and Hospitality	2,900	3,000	3,100	3,300	3,400
Other Services	900	1,000	1,000	1,000	900
Federal Government	300	300	300	300	300
State Government	2,200	2,300	2,300	2,400	2,500
Local Government	7,200	7,200	6,500	7,700	8,000
Total all Industries ⁽⁴⁾	47,200	47,500	46,200	48,800	49,600

⁽¹⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽²⁾ The unemployment rate is calculated using unrounded data.

⁽³⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽⁴⁾ Data may not add due to rounding.

⁽⁵⁾ Latest data available.

Source: State of California Employment Development Department; Industry Employment & Labor Force – by Annual Average. March 2017 Benchmark.

Major Employers

Listed below are the major employers in Madera County.

MAJOR EMPLOYERS MADERA COUNTY

Employer Name	Location	Industry
Ardagh Group	Madera	Glass Containers (mfrs)
BAC	Madera	Assembly & Fabricating Service (mfrs)
Baltimore Aircoil Co	Madera	Refrigerating Equip-Commercial (whls)
Brake Parts Inc	Chowchilla	Brakes – Manufacturers
Central AG Labor Svc	Madera	Labor Contractors
Certain Teed Corp	Chowchilla	Building Materials – Manufacturers
Cherokee Freight Lines	Madera	Trucking-Motor Freight
Chukchansi Gold Resort & Casino	Coarsegold	Resorts
Country Villa Healthcare Ctr	Madera	Senior Citizens Service
EVAPCO Inc	Madera	Evaporative coolers Mfg & Wholesale
Georgia-Pacific Corp	Madera	Sawmills (mfrs)
Home Depot	Madera	Home Centers
JBT Food Tech	Madera	Food Processing Equipment & Supls-Mfrs
Lamanuzzi & Pantaleo Cold Stge	Madera	Fruits & Vegetables – Harvesting
Lion Brothers Farm – Newstone	Madera	Farming Service
Madera City Hall	Madera	Government Offices-City, Village & Twp
Madera Community Hospital	Madera	Hospitals
Madera High School	Madera	Schools
Madera South High School	Madera	School Districts
San Joaquin Wine Co	Madera	Wineries (mfrs)
Sierra Tel	Oakhurst	Telephone Companies
Span Construction Inc	Madera	Contractors-Equip/supls-Dirs/Svd (whls)
Valley Children’s Hospital	Madera	Hospitals
Valley State Prison for Women	Chowchilla	Government Offices – State
Walmart	Madera	Department Stores

Source: State of California Employment Development Department, extracted from The America’s Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition.

Agriculture

The City's diversified economic base includes manufacturing, warehousing, retail, and agriculture. The following table lists the ten leading agricultural crops within Madera County for the past four calendar years.

TEN LEADING CROPS FOR YEARS 2014 TO 2017 COUNTY OF MADERA

	2014 Value	2015 Value	2016 Value	2017 Value
Almonds, Nuts & Hulls	\$771,134,000	\$787,609,000	\$593,487,000	\$723,518,000
Milk	414,678,000	254,996,000	271,816,000	306,228,000
Grapes	317,503,000	298,350,000	270,598,000	291,971,000
Pistachios	291,725,000	174,186,000	233,621,000	194,260,000
Cattle & Calves	61,203,000	72,881,000	62,377,000	63,176,000
Pollination	38,664,000	44,694,000	48,006,000	54,795,000
Replacement Heifers	37,257,000	37,674,000	32,400,000	35,500,000
Poultry	44,140,000	43,466,000	*	24,259,000
Corn, Grain & Silage	28,963,000	*	*	*
Alfalfa, Hay & Silage\$	26,553,000	*	*	*
Nursery Stock	*	26,725,000	29,977,000	29,382,000
Tomatoes, Fresh & Process	*	36,721,000	28,177,000	29,035,000
Oranges	*	*	21,746,000	*

* Not one of the ten leading crops in this year.

Source: Madera County Crop & Livestock Reports, 2014 through 2017

Personal Income

Total personal income is defined by the Bureau of Economic Analysis, an agency of the U.S. Department of Commerce as income received from all sources, including income received from participation in production as well as from government and business transfer payments. It represents the sum of compensation of received by employees , supplements to wages and salaries, proprietors' income with inventory valuation adjustment and capital consumption adjustment (the "CCAdj"), rental income of persons with the CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

Total personal income in the County increased by 21.23% between 2013 and 2017, representing an average annual compound growth rate of 4.93%. The following table summarizes personal income for the County for the period 2013 to 2017.

**COUNTY OF MADERA
PERSONAL INCOME⁽¹⁾
2013 - 2017
(in thousands)**

Year	Madera County	Annual Percent Change
2013	\$5,021,022	--
2014	5,495,393	9.45%
2015	5,601,678	1.93
2016	5,752,450	2.69
2017	6,087,194	5.82

⁽¹⁾ Estimates for 2013-2017 reflect County population estimates available as of March 2018.

⁽²⁾ Latest data available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

The following table summarizes per capita personal income for the County, State of California, and United States for the period 2013 to 2017. Per capita personal income in the County grew by 17.30% during this time, representing an average annual compound growth of 4.07%.

**PER CAPITA PERSONAL INCOME
MADERA COUNTY, STATE OF CALIFORNIA, AND THE UNITED STATES⁽¹⁾
2013 - 2017**

Year	Madera County	California	United States
2013	\$33,078	\$49,173	\$44,826
2014	35,661	52,237	47,025
2015	36,275	55,679	48,940
2016	37,121	57,497	49,831
2017	38,799	59,796	51,640

⁽¹⁾ Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2013-2017 reflect County population estimates available as of March 2018.

⁽²⁾ Latest data available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Construction Activity

A summary of historic residential building permit valuation for the Madera Metropolitan Area during the past five years in which data are available is shown in the following table.

**MADERA METROPOLITAN AREA
Residential Building Permit Valuation
(in thousands)
2013 - 2017**

Year	Units	Valuation
2013	219	\$52,230
2014	214	56,883
2015	211	57,569
2016	300	52,021
2017	415	96,078

Source: U.S. Bureau of the Census

Transportation

Interstate Highway 5, which is 53 miles west of the City via State Route 152, State Route 145, and State Highway 99, which runs through the City, provide highway access to the City. The City is also served by the BNSF and Union Pacific Railroads, Amtrak, and Greyhound Bus Lines. The City is close (within 22 miles) to a regional commercial airport, the Fresno Yosemite International Airport, and is adjacent to the Madera Municipal Airport, a general aviation facility.

Education and Community Services

Primary and secondary education are provided by the Madera Unified School District, which had an enrollment of 20,956 students in fiscal year 2017-18.

The State Center Community College District operates its Madera Community College Center in the City. Located approximately 20 miles southeast of the City are California State University, Fresno; Fresno City College; San Joaquin College of Law; Fresno Pacific University; and California Christian College. Located approximately 35 miles northwest of the City is the University of California, Merced.

Utilities

The City provides water service, sewer service, and solid waste disposal to its residents. Pacific Gas & Electric Company supplies natural gas and electricity service throughout the City.

APPENDIX B

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[\$[PAR AMOUNT]]
MADERA PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2019

CONTINUING DISCLOSURE CERTIFICATE

Dated: [closing date], 2019

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Madera (the “City”) in connection with the issuance of \$[PAR AMOUNT] aggregate principal amount of Madera Public Financing Authority Lease Revenue Bonds, Series 2019 (the “Bonds”), pursuant to a Trust Agreement dated May 1, 2019 (the “Trust Agreement”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. Pursuant to the Facilities Lease dated May 1, 2019 (the “Facilities Lease”), between the Authority and the City, the City has covenanted to comply with its obligations hereunder and to assume all obligations for Continuing Disclosure with respect to the Bonds. The City agrees and covenants as follows:

Section 1. Purpose of the Disclosure Certificate. This Continuing Disclosure Certificate is being executed and delivered by the City for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c-12(b)(5).

Section 2. Definitions. Unless the context otherwise requires, the definitions set forth in the Trust Agreement apply to this Disclosure Certificate. The following additional capitalized terms shall have the following meanings:

Annual Report means any report provided by the City pursuant to, and as described in, Sections 3 (Provision of Annual Reports) and 4 (Content of Annual Reports) of this Disclosure Certificate.

Annual Report Date means March 31 each year.

Beneficial Owner means any person that (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Bondholders means either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

Dissemination Agent means [Fraser & Associates] or any successor Dissemination Agent designated in writing by the City and that has filed with the City a written acceptance of such designation.

EMMA System means the Electronic Municipal Market Access System of the MSRB or such other electronic system designated by the MSRB (as defined below) or the Securities and Exchange Commission (the “S.E.C.”) for compliance with S.E.C. Rule 15c2-12(b).

Financial Obligation means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB.

Listed Events means any of the events listed in subsection (a) or (b) of Section 5 (Reporting of Listed Events) of this Disclosure Certificate.

MSRB means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

Official Statement means the final Official Statement dated May __, 2019, relating to the Bonds.

Opinion of Bond Counsel means a written opinion of a law firm or attorney experienced in matters relating to obligations the interest on which is excludable from gross income for federal income tax purposes.

Participating Underwriter means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

Repositories means MSRB and any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

Rule shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

State shall mean the State of California.

Section 3. Provision of Annual Reports.

a. Delivery of Annual Report to Repositories. The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2020, provide to the MSRB through the EMMA System an Annual Report that is consistent with the requirements of Section 4 (Content of Annual Reports) hereof. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference any other information (as provided in Section 4 (Content of Annual Reports) hereof); provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

b. Change of Fiscal Year. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) (Notice of Listed Events).

c. Delivery of Annual Report to Dissemination Agent. Not later than fifteen (15) Business Days prior to the Annual Report Date, the City shall provide the Annual Disclosure Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the City.

d. Report of Non-Compliance. If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

e. Annual Compliance Certification. The Dissemination Agent shall, if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. Content of Annual Reports. The City’s Annual Report shall contain or include by reference the following:

a. Financial Statements. The audited financial statements of the City for the prior fiscal year, prepared in accordance with the laws of the State and including all statements and information prescribed for inclusion therein by the Controller of the State. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) (Delivery of Annual Report to Repositories), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

b. Annual Financial Information. An annual update of the following tables and information contained in the Official Statement (to the extent not included in the City’s audited financial statements):

- (1) Under the caption “The City; City Finances – General Fund Revenues and Expenditures,” the table entitled “City of Madera Summary of General Fund Revenues, Expenditures and Changes in Fund Balances”;
- (2) Under the caption “The City; City Finances – Principal Sources of General Fund Revenues,” the table entitled “City of Madera General Fund Revenues By Source”;
- (3) Under the caption “The City; City Finances – Property Taxes,” the tables entitled “City of Madera Assessed Valuation” and “City of Madera Secured Tax Charges”; and
- (4) Under the caption “The City; City Finances – Sales and Use Taxes; Transactions and Use Taxes,” the tables entitled “Sales and Use Tax Revenues” and “Transactions and Use Tax Revenues.”

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities that are available to the public on the EMMA System site or filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

a. Listed Events Reportable Without Regard to Materiality. Pursuant to the provisions of this Section, the City shall give, or cause to be given, notice pursuant to Sections 5(d) (Notice to Dissemination Agent) and 5(e) (Notice of Listed Events) of the occurrence of any of the following events with respect to the Bonds not later than ten (10) business days after the occurrence of the event:

- (1) principal and interest payment delinquencies;
- (2) unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) substitution of credit or liquidity providers, or their failure to perform;
- (5) defeasances;
- (6) rating changes;
- (7) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);
- (8) tender offers;
- (9) bankruptcy, insolvency, receivership or similar event of the City;
- (10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

b. Listed Events Reportable if Material. Pursuant to the provisions of this Section, the City shall give, or cause to be given, notice pursuant to Sections 5(d) (Notice to Dissemination Agent) and 5(e) (Notice of Listed Events) of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) business days after the occurrence of the event:

- (1) except as otherwise provided in paragraph 5(a)(7) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax-exempt status of the Bonds;

- (2) non-payment related defaults;
- (3) modifications to rights of Bondholders;
- (4) bond calls;
- (5) release, substitution, or sale of property securing repayment of the Bonds;
- (6) the consummation of a merger, consolidation, or acquisition, or certain asset sales, involving the obligated person, or entry into or termination of a definitive agreement relating to the foregoing;
- (7) appointment of a successor or additional trustee or the change of name of a trustee;
- (8) incurrence of a Financial Obligation of the City or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect holders of the Bonds.

c. Determination of Materiality of Listed Events Reportable if Material. Whenever the City obtains knowledge of the occurrence of an event listed under Section 5(b) (Listed Events Reportable if Material), the City shall immediately determine if such event would be material under applicable federal securities laws.

d. Notice to Dissemination Agent. If the City learns of the occurrence of an event listed under Section 5(a) (Listed Events Reportable Without Regard to Materiality) or determines that an event listed under Section 5(b) (Listed Events Reportable if Material) would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e) (Notice of Listed Events).

e. Notice of Listed Events. The City shall file, or cause the Dissemination Agent to file with the MSRB, a notice of the occurrence of a Listed Event to provide notice of specified events in a timely manner not in excess of ten business days after the event's occurrence. Notwithstanding the foregoing, notice of Listed Events described in subsection (b)(4) (bond calls) need not be given under this subsection any earlier than the notice (if any) given to Bondholders of affected Bonds pursuant to the Trust Agreement.

Section 6. Filings with MSRB. All documents provided to MSRB under this Disclosure Certificate shall be filed in a readable PDF or other electronic format as prescribed by MSRB and shall be accompanied by identifying information as prescribed by MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate with respect to the Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the delivery to the City of an Opinion of Bond Counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) (Notice of Listed Events).

Section 8. Dissemination Agent.

a. Appointment of Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the City, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

b. Compensation of Dissemination Agent. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the City from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent may at any time resign by giving written notice of such resignation to the City.

c. Duties, Immunities and Liabilities of Dissemination Agent. Article IX of the Trust Agreement (The Trustee) is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent and its officers, directors, employees, attorneys, agents and receivers, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's respective negligence or willful misconduct. The obligations of the City under this section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the City as constituting the Annual Report required of the City in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the City in a timely manner in a form suitable for filing with the Repositories. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the Bondholders or Beneficial Owners of the Bonds, the City, the Participating Underwriter or any other party or person. No provision of this Disclosure Certificate shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the City that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

a. Change in Circumstances. If the amendment or waiver relates to the provisions of Sections 3(a) (Delivery of Annual Report to Repositories), 4 (Content of Annual Reports), or subsection (a) or (b) of Section 5 (Listed Events), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted;

b. Compliance as of Issue Date. This Agreement, as amended or taking into account such waiver, would have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and the City obtains an Opinion of Bond Counsel to that effect; and

c. Consent of Holders; Non-impairment Opinion. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not materially impair the interests of the Bondholders and the City obtains an Opinion of Bond Counsel to that effect.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the City shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e) (Notice of Listed Events), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City or the Dissemination Agent fails to comply with any provision of this Disclosure Certificate any Bondholder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate if the City or the

Dissemination Agent fail to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter, and the Bondholders and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF the City of Madera has caused this Continuing Disclosure Certificate to be executed by its authorized officer as of the date first above written.

CITY OF MADERA

By _____
Director of Financial Services

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Madera

Name of Bond Issue: Madera Public Financing Authority (California)
Lease Revenue Bonds, Series 2019

Date of Issuance: May __, 2019

NOTICE IS HEREBY GIVEN that the City of Madera has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed on the date of issuance of the Bonds by the City, and the City anticipates that the Annual Report will be filed by _____.

Dated: [Date of Notice]

[Dissemination Agent]

By _____
Authorized Officer

TRUST AGREEMENT

between the

MADERA PUBLIC FINANCING AUTHORITY

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

Dated May 1, 2019

Madera Public Financing Authority
Lease Revenue Bonds, Series 2019

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TRUST AGREEMENT

THIS TRUST AGREEMENT dated May 1, 2019 (this “Trust Agreement”), by and between the MADERA PUBLIC FINANCING AUTHORITY (the “Authority”), a joint exercise of powers agency, duly organized and existing pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and an agreement entitled “Joint Exercise of Powers Agreement” by and between the City of Madera (the “City”) and the Redevelopment Agency of the City of Madera (the “Joint Powers Agreement”) and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”);

W I T N E S S E T H:

WHEREAS, the City has determined to undertake the construction of a fire station (the “Project”) and may undertake to finance other public improvements from time to time;

WHEREAS, the Act and the Joint Powers Agreement authorize the Authority to lease property and issue bonds for the purpose of financing public improvements for the City;

WHEREAS, in order to finance public improvements, the Authority and the City have entered into a Site Lease dated May 1, 2019 (the “Site Lease”), pursuant to which the City will lease its Police Administration Building and Fire Station No. 7 to the Authority in exchange for advance rental payments; the City and the Authority have entered into a Facilities Lease dated May 1, 2019 (the “Facilities Lease”), pursuant to which the City will make rental payments to the Authority; and the Authority has authorized the issuance of its Lease Revenue Bonds, Series 2019 (the “Bonds”), in an aggregate principal amount of \$[PAR AMOUNT], to finance the Project, payable from such rental payments in order to fund the payment of the advance rentals to the City under the Site Lease;

WHEREAS, the City has approved the Authority’s financing of the construction of the Project and found that the consummation of the transactions contemplated in this Trust Agreement will result in significant public benefits;

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Trust Agreement;

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal obligations of the Authority payable in accordance with their terms, and to constitute this Trust Agreement a valid and binding agreement of the parties hereto for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Trust Agreement have been in all respects duly authorized;

NOW, THEREFORE, THIS TRUST AGREEMENT WITNESSETH that, in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued and outstanding under this Trust Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to

declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective holders from time to time of the Bonds, as follows:

ARTICLE I
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICABILITY

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any Supplemental Trust Agreement and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified:

Act means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto.

Additional Payments means the additional payments payable by the City under and pursuant to Section 4.08 (Additional Payments) of the Facilities Lease.

Annual Debt Service means the total of Debt Service with respect to the Bonds to which reference is made coming due in the specified annual period to which reference is made.

Applicable Environmental Laws means any local, state, and/or federal laws or regulations, whether currently in existence or enacted later, that govern (1) the existence, cleanup, and/or remedy of contamination on property; (2) the protection of the environment from spilled, deposited, or otherwise emplaced contamination; (3) the control of hazardous wastes; or (4) the use, generation, transport, treatment, removal, or recovery of Hazardous Substances, including building materials.

Authority means the Madera Public Financing Authority created pursuant to the Act and its successors and assigns in accordance herewith.

Average Annual Debt Service means the total of Debt Service for each specified annual period during which the Bonds to which reference is made are Outstanding divided by the number of such annual periods that such Bonds are Outstanding.

Bond Insurance Policy means the financial guaranty insurance policy insuring payment of the principal of and interest on the Bonds when due and issued by the Insurer.

Bonds, Serial Bonds, Term Bonds. The term “Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with Article II (Issuance of Bonds). The term “Serial Bonds” means Bonds for which no scheduled mandatory redemptions are provided. The term “Term Bonds” means Bonds, which are subject to scheduled mandatory redemptions on or before their respective maturities calculated to retire such Bonds on or before their specified maturity dates.

Bond Year means the period ending on February 1 of each year with the first Bond Year ending on February 1, 2020, and the last Bond Year ending on the date on which none of the Bonds remain outstanding.

Business Day means any day on which the Trustee is open for business at its Corporate Trust Office.

Certificate, Statement, Request, Requisition, or Order. The terms “Certificate,” “Statement,” “Request,” “Requisition,” or “Order” of the Authority or the City mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the respective entity, in the case of the Authority, by the Chair, Vice-Chair, Treasurer/Auditor, or Secretary of the Authority or by any other officer of the Authority duly authorized by the Chair for that purpose and, in the case of the City, by the Mayor, City Manager, or Finance Director of the City or by any other officer of the City duly authorized by the City Manager for that purpose.

City means the City of Madera, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State.

Closing Date means [CLOSING DATE].

Code means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

Continuing Disclosure Certificate means the City’s continuing disclosure undertaking, dated the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Corporate Trust Office means 100 Pine Street, Suite 3100, San Francisco, CA 94111. Notices sent to said office may be sent via facsimile to (415) 399-1647, and e-mail to: janette.sanluis@bnymellon.com. Additional offices and addresses as may be designated by the Trustee, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

Costs of Issuance means all items of expense directly or indirectly payable by or reimbursable to the Authority or the City and related to the original authorization, issuance, sale, and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, title insurance premiums, rating agency fees, municipal bond insurance premiums, fees and charges for preparation, execution, transportation, and safekeeping of Bonds, and any other cost, charge, or fee in connection with the original delivery of Bonds.

Costs of Issuance Fund means the fund by that name established and held by the Trustee pursuant to Section 3.05 (Establishment and Application of Costs of Issuance Fund).

Debt Service means, with respect to the Bonds, for any specified annual period, the sum of:

(1) the interest accruing during such annual period on all outstanding Bonds, assuming that all outstanding Serial Bonds are retired as scheduled and that all outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any bonds),

(2) that portion of the principal amount of all outstanding Serial Bonds maturing on the next succeeding principal payment date that would have accrued during such annual period if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, and

(3) that portion of the principal amount of all outstanding Term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such annual period if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be.

Defeasance Securities means the following:

(A) United States Treasury Certificates, Notes, and Bonds (including State and Local Government Series -- "SLGS").

(B) Direct obligations of the Treasury that have been stripped by the Treasury itself, CATS, TGRS, and similar securities.

(C) The interest component of Resolution Funding Corp. (REFCORP) strips that have been stripped by request to the Federal Reserve Bank of New York in book-entry form.

(D) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's. If, however, the pre-refunded bonds are rated by Standard & Poor's but are not rated by Moody's, then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or Aaa-rated pre-refunded municipal bonds.

(E) Obligations issued or guaranteed by the following agencies that are backed by the full faith and credit of the U.S.:

- (1) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
- (2) Farmers Home Administration (FmHA)
Certificates of beneficial ownership
- (3) Federal Financing Bank
- (4) General Services Administration
Participation certificates
- (5) U.S. Maritime Administration

Guaranteed Title XI financing

- (6) U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

Event of Default means any of the events described in Section 9.01 (Events of Default) hereof as an “Event of Default.”

Facilities Lease means the Facilities Lease dated May 1, 2019, between the Authority and the City, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions hereof and thereof.

Fiscal Year means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

Hazardous Substance means any substance that shall, at any time, be listed as “hazardous” or “toxic” in any Applicable Environmental Law or that has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under Applicable Environmental Laws; and also means, without limitation, raw materials, building components, the products of any manufacturing, or other activities on the Leased Property, wastes, petroleum, and source, special nuclear, or by-product material as defined by the Atomic Energy Act of 1954, as amended (42 USC Sections 3011 et seq.).

Holder or Owner means any person who shall be the registered owner of any Outstanding Bond.

Independent Certified Public Accountant means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Authority, and who, or each of whom --

- (1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority or the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority or the City; and
- (3) is not connected with the Authority or the City as a director of the Authority, a City Councilmember, or an officer or employee of the Authority or the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority or the City.

Information Service means the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) website, or, in accordance with then-

current guidelines of the Securities and Exchange Commission, such other addresses and or such other services providing information with respect to called bonds, or no such services, as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

Independent Insurance Consultant means a licensed, independent actuary, insurance company or broker acceptable to the Insurer that has actuarial personnel experienced in the area of insurance for which the City is to self-insure, as may be specified by the City from time to time, and who:

- (1) is in fact independent and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) is not connected with the City as a Councilmember, officer, or employee of the City, but may be regularly retained to make reports to the City.

Insurer means _____, a stock insurance company incorporated under the laws of the State of _____, or any successor thereto or assignee thereof, which has issued the Bond Insurance Policy insuring payment of the principal of and interest on the Bonds and the [Reserve Policy].

Interest Payment Date with respect to the Bonds means the date or dates on which installments of interest on the Bonds are due and payable. Interest Payment Date with respect to the Bonds means February 1 and August 1 of each year to which reference is made, commencing on February 1, 2020.

Joint Powers Agreement means the Joint Exercise of Powers Agreement dated as of July 17, 1989, by and between the City and the Redevelopment Agency of the City of Madera, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions hereof and thereof.

Lease Default Event means any of the events described in Section 8.01 (Lease Default Events) of the Facilities Lease as a “Lease Default Event.”

Leased Property means (i) that certain real property situated in the County of Madera, State of California, described in Exhibit A attached to the Facilities Lease, together with the improvements located thereon, (ii) real property substituted for all or a portion of the real property described in clause (i) above in accordance with the terms and conditions of Section 3.04 (Substitution) of the Facilities Lease, and/or (iii) any additional real property that may be leased under the Facilities Lease pursuant to a supplement thereto.

Maximum Annual Debt Service means the greatest amount of Debt Service with respect to the Bonds to which reference is made coming due in any specified annual period including the annual period in which the calculation is made or any subsequent such annual period.

Moody’s means Moody’s Investors Service, Inc., and its successors and assigns, except that if Moody’s no longer maintains a rating on the Bonds, any other nationally recognized bond rating

agency then maintaining a rating on the Bonds, but only so long as a nationally recognized rating agency then maintains a rating on the Bonds.

Net Proceeds means the amount remaining from the gross proceeds of any insurance claim or condemnation award made in connection with the Leased Property, after deducting all expenses (including attorneys' fees) incurred in the collection of such claim or award.

Opinion of Counsel means a written opinion of counsel experienced in the field of law relating to municipal bonds, appointed and paid by the Authority or the City.

Outstanding, when used as of any particular time with reference to Bonds, means all Bonds except

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of Section 6.01(A) (Discharge of Trust Agreement - Payment of Bonds); and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant hereto.

Permitted Investments means any of the following to the extent permitted by the laws of the State (the Trustee is entitled to rely on any Written Request of the Authority directing investments as a certification to the Trustee that such investments are so permitted):

- (1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.
- (2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

U.S. Export-Import Bank (Eximbank)

Direct obligations or fully guaranteed certificates of beneficial ownership

Farmers Home Administration (FmHA)

Certificates of beneficial ownership

Federal Financing Bank

Federal Housing Administration (FHA)

Debentures

General Services Administration
Participation Certificates

Government National Mortgage Association (GNMA or “Ginnie Mae”)
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations (participation certificates)

U.S. Maritime Administration
Guaranteed Title XI financing

U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures – U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds – U.S. government guaranteed
public housing notes and bonds

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

Federal Home Loan Bank System
Senior debt obligations

Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
Participation Certificates
Senior debt obligations

Federal National Mortgage Association (FNMA or “Fannie Mae”)
Mortgage-backed securities and senior debt obligations

Resolution Funding Corp. (REFCORP)
obligations

Farm Credit System
Consolidated systemwide bonds and notes.

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor’s of AAAM-G; AAAM; or AA-m and if rated by Moody’s rated Aaa, Aa1 or Aa2, including funds of the Trustee or any affiliate, or for which the Trustee or any affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

(5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings associations or mutual savings banks. The collateral must be held by a third party and the Trustee, on behalf of Owners, must have a perfected first security interest in the collateral.

(6) Certificates of deposit, savings accounts, bank deposit products, deposit accounts or money market deposits, including deposits in the Trustee or any affiliate, that are fully insured by the Federal Deposit Insurance Corporation, including BIF and SAIF, or secured at all times by collateral described in (1) and/or (2) above.

(7) Investment Agreements, including guaranteed investment contracts, forward purchase agreements, and reserve fund put agreements acceptable to the Credit Providers.

(8) Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A 1” or better by Standard & Poor’s.

(9) Bonds or notes issued by any state or municipality that are rated by Moody’s and Standard & Poor’s in one of the two highest Rating Categories assigned by such agencies.

(10) Federal funds or bankers acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s and “A-1” or “A” or better by Standard & Poor’s.

(11) Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date. Repurchase Agreements (“repos”) with a term that exceeds 30 days must be acceptable to the Credit Providers. Repos with a term of 30 days or less must satisfy the following criteria:

Repos must be between the Trustee and a dealer bank or securities firm

Primary dealers on the Federal Reserve reporting dealer list that are rated A or better by Standard & Poor’s and Moody’s, or

Banks rated “A” or above by Standard & Poor’s and Moody’s.

The written repo contract must include the following:

Securities that are acceptable for transfer are:

Direct U.S. governments

Federal agencies backed by the full faith and credit of the

U.S. government (and FNMA & FHLMC)

The term of the repo may be up to 30 days

The collateral must be delivered to the Trustee (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee before/simultaneous with payment (perfection by possession of certificated securities).

Valuation of Collateral

The securities must be valued weekly, marked-to-market at current market price plus accrued interest. The value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by Trustee, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

Legal opinion that must be delivered to the Authority:

Repo meets guidelines under state law for legal investment of public funds.

(12) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s. If, however, the issue is only rated by Standard & Poor’s (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

(13) The Local Agency Investment Fund referred to in Section 16429.1 of the California Government Code.

(14) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California that invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended (California Asset Management Program).

Principal Payment Date means a date on which the principal of the Bonds is due, being February 1 of each year to which reference is made, commencing February 1, 2020.

Project Fund means the fund by that name established pursuant to Section 3.04 (Establishment and Application of Project Fund).

Rating Agencies means Standard & Poor’s and Moody’s or, in the event that Standard & Poor’s or Moody’s no longer maintains a rating on the Bonds, with Insurer’s consent, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Standard & Poor’s, Moody’s or other nationally recognized rating agency then maintains a rating on the Bonds.

Redemption Fund means the fund by that name established pursuant to Section 7.08 (Application of Redemption Fund) hereof.

Redemption Price means, with respect to any Bond (or portion thereof) the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Trust Agreement.

Regular Record Date for interest payable on any Interest Payment Date on the Bonds means the fifteenth (15th) day of the calendar month immediately preceding the relevant Interest Payment Date

Rental Payments means all the rental payments due and payable under the Facilities Lease.

Representation Letter means the blanket issuer letter of representations dated December 10, 1996, to The Depository Trust Company, New York, New York, from the Authority.

Required Reserve means, as of any date of calculation the least of (i) Maximum Annual Debt Service in any Bond Year on the Bonds Outstanding, (ii) 125% of Average Annual Debt Service in any Bond Year on the Bonds Outstanding, and (iii) 10% of the original principal amount of the Bonds.

Reserve Facility means any letter of credit, insurance policy, surety bond or other credit source deposited with the Trustee pursuant to Section 7.07 (Funding and Application of Reserve Fund).

Reserve Policy means the debt service reserve policy issued by the Insurer in the amount of the Required Reserve.

Reserve Fund means the fund by that name established pursuant to Section 7.07 (Funding and Application of Reserve Fund) hereof.

Responsible Officer of the Trustee means any Vice President, Assistant Vice President or Trust Officer of the Trustee having regular responsibility for corporate trust matters related to this Trust Agreement.

Revenue Fund means the fund by that name established pursuant to Section 7.03 (Receipt and Deposit of Rental Payments in the Revenue Fund) hereof.

Revenues means all Rental Payments paid by the City and received by the Authority and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) pursuant to Section 7.10 (Investment of Moneys in Accounts and Funds) hereof.

Securities Depository means The Depository Trust Company located at 55 Water Street, 50th Floor, New York, NY 10041-0099, or such other addresses and/or such other securities depositories as the Authority may designate.

Site Lease means that certain Site Lease dated May 1, 2019, by and between the City and the Authority.

Special Record Date for the payment of any defaulted interest on the Bonds means a date fixed by the Trustee pursuant to Section 2.06 (Payment of Interest on the Bonds; Interest Rights Preserved).

Standard & Poor's means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, and its successors and assigns, except that if Standard & Poor's no longer

maintains a rating on the Bonds, any other nationally recognized bond rating agency, but only so long as a nationally recognized rating agency then maintains a rating on the Bonds.

State means the State of California.

Supplemental Trust Agreement means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized hereunder.

Tax Certificate means the Tax Certificate delivered by the Authority and the City at the time of the issuance and delivery of the Bonds, as the same may be amended or supplemented in accordance with its terms.

Trust Agreement means this Trust Agreement, dated May 1, 2019, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions hereof.

Trustee means The Bank of New York Mellon Trust Company, N.A., or any other association or corporation that may at any time be substituted in its place as provided in Section 10.09 (Removal and Resignation; Appointment of Successor).

Section 1.02 Equal Security. In consideration of the acceptance of the Bonds by the Holders thereof, the Trust Agreement shall be deemed to be and shall constitute a contract between the Authority, the Insurer, and the Holders from time to time of all Bonds authorized, executed, issued and delivered hereunder and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the Authority shall be for the equal and proportionate benefit, protection and security of the Insurer, all Holders of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

Section 1.03 Acts of Owners. Any request, consent or other instrument required or permitted by this Trust Agreement to be signed and executed by Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Trust Agreement and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent, or other instrument acknowledged to him the execution

thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond delivered in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Section 1.04 Notices, etc., to Authority and Trustee. Any notice to or demand upon the Trustee may be served or presented, and such demand may be made, at the Corporate Trust Office. Any notice to or demand upon the Authority shall be deemed to have been sufficiently given or served for all purposes by being deposited, first-class mail postage prepaid, in a post office letter box, addressed, as the case may be, to the Authority at 205 West 4th Street, Madera, CA 93637, Attention: [Treasurer/Auditor] (or such other address as may have been filed in writing by the Authority with the Trustee).

Section 1.05 Notices to Owners; Waiver. In any case where notice to Owners is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Owners shall affect the sufficiency of such notice with respect to other Owners.

Where this Trust Agreement provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Owners shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1.06 Form and Content of Documents Delivered to Trustee. Every certificate or opinion provided for in this Trust Agreement with respect to compliance by or on behalf of the City or the Authority with any provision hereof shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto, (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the Authority or the City may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel, an accountant, or an independent consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant, or an independent consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority or the City, as the case may be) upon a certificate or opinion of or representation by an officer of the Authority or the City, unless such counsel, accountant, or independent consultant knows, or in the exercise of reasonable care should have

known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority or the City, or the same counsel, or accountant or independent consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Trust Agreement, but different officers, counsel, accountants, or independent consultants may certify to different matters, respectively.

Section 1.07 Effect of Headings and Table of Contents. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, or effect of this Trust Agreement.

Section 1.08 Successors and Assigns. Whenever herein either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 1.09 Benefits of the Trust Agreement. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the City, the Trustee, the Insurer, and the Holders any right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or provision herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the City, the Trustee, and the Owners of the Bonds.

Section 1.10 Payments/Actions Otherwise Scheduled on Non-Business Days. Except as specifically set forth in a Supplemental Trust Agreement, any payments or transfers that would otherwise become due on any day that is not a Business Day shall become due or shall be made on the next succeeding Business Day. When any other action is provided for herein to be done on a day named or within a specified time period and the day named or the last day of the specified period falls on a day other than a Business Day, such action may be performed on the next succeeding Business Day with the same effect as though performed on the appointed day or within the specified period.

Section 1.11 No Personal Liability For Debt Service. No City Council member, governing board member, officer, or employee of the Authority or the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds by reason of their issuance, but nothing herein contained shall relieve any such member, officer or employee from the performance of any official duty provided by the Act or any other applicable provisions of law or hereby.

Section 1.12 Separability Clause. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Holders shall retain all the benefit, protection and security afforded to them under the Act or any

other applicable provisions of law. The Authority and the Trustee hereby declare that they would have executed and delivered the Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 1.13 Governing Law. This Trust Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State.

Section 1.14 Execution in Several Counterparts. This Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

ARTICLE II ISSUANCE OF BONDS

Section 2.01 Title; General Limitations. The general title of the Bonds shall be “Madera Public Financing Authority Lease Revenue Bonds, Series 2019.”

Section 2.02 Forms and Denominations. The form of the Bonds shall be established by the provisions of this Trust Agreement. The Bonds shall be distinguished as may be determined by the officers of the Authority executing particular Bonds, as evidenced by their execution thereof. The Bonds may carry such legends as may be required to indicate restrictions on their transfer, if any.

The Authority may issue the Bonds (i) in such denominations as it specifies at the time of issuance thereof and (ii) in fully registered form without coupons or in fully registered book-entry form.

Section 2.03 Execution, Authentication, Delivery, and Dating. The Bonds shall be executed in the name and on behalf of the Authority by the Chair of the Authority and attested by its Secretary or an Assistant Secretary of the Authority. The signature of any of these officers on the Bonds may be facsimile or manual. Unless otherwise provided in any Supplemental Trust Agreement, the Bonds shall then be delivered to the Trustee for authentication by it.

In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Authority before the Bonds so signed or attested shall have been authenticated, or delivered by the Trustee, or issued by the Authority, such Bonds may nevertheless be authenticated, delivered, and issued and, upon such authentication, delivery, and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority. Any Bond may be signed and attested on behalf of the Authority by such persons as at the actual date of execution such Bond shall be the proper officers of the Authority although at the nominal date of such Bond any such person shall not have been such officer of the Authority.

Except as may be provided in any Supplemental Trust Agreement, no Bond shall be valid or obligatory for any purpose or entitled to the benefits of this Trust Agreement unless there appears on such Bond a certificate of authentication substantially in the form provided for herein, manually executed by the Trustee. Such certificate of authentication when manually executed by the Trustee shall be conclusive evidence, and the only evidence, that such Bond has been duly executed, authenticated, and delivered hereunder.

Section 2.04 Registration, Transfer, and Exchange. The Trustee will keep or cause to be kept a register (herein sometimes referred to as the “Bond Register”) in which, subject to such reasonable regulations as it may prescribe, the Trustee shall provide for the registration and transfer of Bonds. The Bond Register shall at all times be open to inspection during normal business hours by the Authority with reasonable notice.

Upon surrender of a Bond for transfer at the Corporate Trust Office, the Authority shall execute and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same tenor, and maturity and for an equivalent aggregate principal amount.

The Bonds may be exchanged for an equivalent aggregate principal amount of Bonds of other authorized denominations of the same tenor, and maturity, upon surrender of the Bonds for exchange at the Corporate Trust Office. Upon surrender of Bonds for exchange, the Authority shall execute and the Trustee shall authenticate and deliver the Bonds that the Owner making the exchange is entitled to receive.

All Bonds surrendered upon any exchange or transfer provided for in this Trust Agreement shall be promptly cancelled by the Trustee and thereafter disposed of as provided for in Section 2.08 (Cancellation).

All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the Authority, evidencing the same debt, and entitled to the same security and benefits under this Trust Agreement, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall be accompanied by a written instrument of transfer, in a form approved by the Trustee, that is duly executed by the Owner or by his attorney duly authorized in writing.

No service charge shall be made for any transfer or exchange of Bonds, but the Trustee shall require the Owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by the Authority.

The transferor shall also provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045. The Trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

The Trustee shall not be required to transfer or exchange (i) any Bond during the period established by the Trustee for the selection of Bonds for redemption or (ii) any Bond that has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in part.

Section 2.05 Mutilated, Destroyed, Stolen or Lost Bonds. If (i) any mutilated Bond is surrendered to the Trustee, or the Authority and the Trustee receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (ii) there is delivered to the Authority and the Trustee such security or indemnity as may be required by them to save each of them harmless, then the Authority shall execute, and upon its request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding.

Upon the issuance of any new Bond under this Section, the Authority may require payment of a sum sufficient to pay the cost of preparing such Bond, any tax or other governmental charge that may be imposed in relation thereto, and any other expenses connected therewith.

Every new Bond issued pursuant to this Section in lieu of any destroyed, lost, or stolen Bond shall constitute an original additional contractual obligation of the Authority, whether or not the destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the security and benefits of this Trust Agreement equally and ratably with all other Outstanding Bonds secured by this Trust Agreement. Neither the Authority nor the Trustee shall be required to treat both the new Bond and the Bond it replaces as being Outstanding for the purpose of determining the principal amount of Bonds that may be issued hereunder, but both the new Bond and the Bond it replaces shall be treated as one and the same.

Section 2.06 Payment of Interest on the Bonds; Interest Rights Preserved. Interest represented by any Bond that is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Owner thereof as of the close of business on the Regular Record Date for such interest specified in the provisions of this Trust Agreement.

Any interest represented by any Bond that is payable but is not punctually paid or duly provided for on any Interest Payment Date shall forthwith cease to be payable to the Owner on the relevant Regular Record Date. Such defaulted interest shall be paid to the Person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee. In the name of the Authority and at the expense of the City, the Trustee shall cause notice of the payment of such defaulted interest and the Special Record Date to be mailed, first-class postage prepaid, to each Owner of a Bond at his address as it appears in the Bond Register not fewer than ten (10) days prior to such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under this Trust Agreement upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, that were carried by such other Bond. Each such Bond shall bear interest from such date that neither loss nor gain in interest shall result from such transfer, exchange, or substitution.

Section 2.07 Persons Deemed Owners. The Authority and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the owner thereof for all purposes of the Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority. The ownership of Bonds shall be proved by the Bond Register. The Trustee may establish a record date as of which to measure consent of the Owners in order to determine whether the requisite consents are received.

Section 2.08 Cancellation. All Bonds surrendered for payment, redemption, transfer, or exchange, if surrendered to the Trustee, shall be promptly cancelled by the Trustee and, if surrendered to any person other than the Trustee, shall be delivered to the Trustee and, if not already cancelled, shall be promptly cancelled by the Trustee.

The Authority shall deliver to the Trustee for cancellation any Bonds acquired in any manner by the Authority, and the Trustee shall promptly cancel such Bonds.

No Bond shall be executed in lieu of or in exchange for any Bond cancelled as provided in this Section, except as expressly provided by this Trust Agreement. The Trustee shall destroy all cancelled Bonds.

Section 2.09 Book-Entry Provisions. Notwithstanding any provision of this Trust Agreement to the contrary, if the Bonds are issued as book-entry only bonds, then the following provisions shall apply:

(A) **Limitations on Transfer.** Registered ownership of the Bonds, or any portions thereof, may not be transferred except:

(1) To any successor of The Depository Trust Company or its nominee, or to any substitute depository designated pursuant to clause (2) of this subsection (“substitute depository”); provided that any successor of The Depository Trust Company or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) To any substitute depository not objected to by the Trustee, upon (a) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (b) a determination by the Authority that The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) To any person as provided below, upon (a) the resignation of The Depository Trust Company or its successor (or substitute depository or its successor) from its functions as depository if no substitute depository that is not objected to by the Trustee can be obtained, or (b) a determination by the Authority that it is in the best interests of the Authority to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its function as depository.

(B) Execution and Delivery of New Bonds. In the case of any transfer pursuant to clause (1) or clause (2) of subsection 2.09(A) (Book-Entry Provisions -- Limitations on Transfer) hereof, upon receipt of all Outstanding Bonds by the Trustee, together with a Certificate of the Authority to the Trustee, a single new Bond for each maturity of Bonds in the aggregate principal amount of the Bonds of such maturity then Outstanding shall be executed and delivered, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Certificate of the Authority. In the case of any transfer pursuant to clause (3) of subsection 2.09(A) (Book-Entry Provisions -- Limitations on Transfer) hereof, upon receipt of all Outstanding Bonds by the Trustee together with a Certificate of the Authority to the Trustee, new Bonds shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such Certificate of the Authority, subject to the limitations of Section 2.04 (Registration, Transfer, and Exchange) hereof; provided that the Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a Certificate of the Authority.

(C) Notation of Reduction of Principal. In the case of partial redemption, cancellation or a refunding of any Bonds evidencing all or a portion of the principal maturing in a particular year, The Depository Trust Company shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee. No Responsibility to Persons Other Than Owners. The Authority and the Trustee shall be entitled to treat the person in whose name any book-entry only Bond is registered as the Owner thereof for all purposes of the Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of such Bonds. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the Owner of any Bond.

(E) Payments to Depository. So long as all the Outstanding Bonds are registered in the name of "Cede & Co." or its registered assign, the Authority and the Trustee shall cooperate with "Cede & Co.", as sole registered Owner of such Bonds, and its registered assigns in effecting payment of the principal of and redemption premium, if any, and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

(F) In connection with any proposed transfer outside the Book-Entry Only system, the Authority or DTC shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045. The Trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

ARTICLE III THE BONDS

Section 3.01 Terms and Form of Bonds.

(A) Creation of Bonds. The Authority hereby creates the Bonds and additionally designates them “Series 2019” At any time after the execution and delivery of this Trust Agreement, the Authority may execute and the Trustee shall authenticate and deliver the Bonds in the aggregate principal amount of \$[PAR AMOUNT] upon the Order of the Authority.

(B) Form of Bonds. The form of the Bonds shall be substantially as set forth in Exhibit A with such insertions, omissions, substitutions, and variations as may be determined by the officers executing the same, as evidenced by their execution thereof, to reflect the applicable terms of the Bonds established by this Article.

(C) Book-Entry Form; Denominations. The Bonds shall be issued in fully registered form, in Authorized Denominations and shall be initially registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company. The Bonds shall be evidenced by one Bond maturing on each of the maturity dates with respect to the Bonds in a denomination corresponding to the total principal amount represented by the Bonds payable on such date. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.09 (Book-Entry Provisions). The Bonds shall bear such distinguishing numbers and letters as may be specified by the Trustee.

(D) Date; Interest Accrual; Maturity Dates; Interest Rates. The Bonds shall be dated their date of delivery, shall mature in the following amounts on the following dates, and shall bear interest from their date at the following rates per annum:

Maturity Date (February 1)	Principal Amount	Interest Rate
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Interest on the Bonds shall be calculated on the basis of a 360-day year comprising twelve 30-day months.

(E) Principal and Interest Payments. The principal or Redemption Price of the Bonds shall be payable to the Owner thereof upon surrender thereof in lawful money of the United States of America at the Corporate Trust Office or, as provided in Section 2.09(E) (Book-Entry Provisions - Payments to Depository), by wire transfer on each principal and mandatory redemption payment date to “Cede & Co.” or its registered assign, as sole registered Owner. Interest on the Bonds shall be payable on February 1, 2020, and thereafter semiannually on February 1 and August 1 of each

year by check mailed on the Interest Payment Date or, as provided in Section 2.09(E) (Book-Entry Provisions - Payments to Depository) and upon the written request received by the Trustee at least five (5) days before the applicable Record Date of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds who has provided the Trustee with wire transfer instructions, by wire transfer on each Interest Payment Date to the Owner thereof at the close of business on the Regular Record Date. Any such written request shall remain in effect until rescinded in writing by the Owner. Any Owner that requests payment by wire transfer shall pay the associated wire charges. The Regular Record Date for the Bonds shall be the fifteenth (15th) day of the calendar month immediately preceding the relevant Interest Payment Date.

(F) Cessation of Interest Accrual. Interest on any Bond shall cease to accrue (i) on the maturity date thereof, provided that there has been irrevocably deposited with the Trustee an amount sufficient to pay the principal amount thereof, plus interest accrued thereon to such date; or (ii) on the redemption date thereof, provided there has been irrevocably deposited with the Trustee an amount sufficient to pay the principal thereof and premium thereon (if any), plus interest accrued thereon to such date. The Owner of such Bond shall not be entitled to any other payment, and such Bond shall no longer be Outstanding and entitled to the benefits of this Trust Agreement, except for the payment of the principal amount of such Bond and any premium and accrued interest thereon.

Section 3.02 Redemption of the Bonds.

(A) General. The Bonds shall be subject to redemption as provided in Article V (Redemption of Bonds).

(B) Casualty Loss or Governmental Taking. The Bonds shall be subject to redemption prior to maturity as a whole on any date or in part (in such maturities as may be specified by the City and at random within a maturity) on any Interest Payment Date, from prepaid Rental Payments made by the City from funds received by the City due to a casualty loss, material title defect, or governmental taking of the Leased Property or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed herein and in the Facilities Lease, at a redemption price equal to the sum of the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

(C) Optional Redemption. The Bonds are also subject to redemption prior to their respective stated maturities at the option of the Authority at the direction of the City, from any source of available funds, as a whole or in part (in such maturities as may be specified by the City and at random within a maturity) on any date, on or after February 1, 20__, at a redemption price equal to 100% of the principal amount of Bonds called for redemption, together with accrued interest to the date fixed for redemption.

In the event of a redemption pursuant to subsection (B) and (C) of this section, the City shall provide the Trustee with a revised sinking fund schedule giving effect to the redemption so completed.

(D) Mandatory Sinking Account Redemption. The Term Bonds maturing on February 1, 20__, are subject to redemption prior to their stated maturity, in part, at random from amounts deposited into the 20__ Sinking Account in the following amounts and on the following dates, at the

principal amount thereof on the date fixed for redemption, without premium, but which amounts will be proportionately reduced by the principal amount of all Term Bonds optionally redeemed, as set forth in a schedule produced by the City:

Mandatory Redemption Dates
(February 1)

Principal Amount

**Maturity*

Section 3.03 Application of Bond Proceeds. Upon receipt of the purchase price of the Bonds from the purchaser in the amount of \$ _____, the Trustee shall transfer or deposit said proceeds as follows:

(A) transfer to the City for deposit in the Project Fund established pursuant to Section 3.04 (Establishment and Application of Project Fund), the amount of \$ _____;

(B) [deposit into the Reserve Fund established pursuant to Section 7.07 (Funding and Application of Reserve Fund), the amount of \$ _____, which is equal to the initial Required Reserve]; and

(C) deposit into the Costs of Issuance Fund established pursuant to Section 3.05 (Establishment and Application of Costs of Issuance Fund), the amount of \$ _____.

The Trustee may establish a temporary account in its records to facilitate such transfers.

Section 3.04 Establishment and Application of Project Fund. The City shall establish and maintain a separate fund designated as the “Project Fund.” The City shall use the moneys in the Project Fund to pay the costs of acquiring, constructing, furnishing, and equipping the Project (or reimbursing the City for such costs). All earnings from the investment of moneys in the Project Fund shall be deposited therein. Upon completion of the Project, the City shall notify the Trustee in writing of such completion and transfer any amounts remaining in the Project Fund to the Trustee for deposit in the Revenue Fund.

Section 3.05 Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain, and hold a special fund designated as the “Costs of Issuance Fund.” The amounts in the Costs of Issuance Fund shall be held by the Trustee in trust and applied to the payment of the costs of issuance of the Bonds, upon a Requisition filed with the Trustee, in the form attached hereto as Exhibit B. Each such Requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any amounts remaining in the Costs of Issuance Fund three (3) months following the Closing Date shall be deposited into the Revenue Fund.

Section 3.06 Validity of Bonds. The recital contained in the Bonds that the same are issued pursuant to the Act and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all Bonds shall be incontestable from and after their issuance. The Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) shall have been delivered to the purchaser thereof and the proceeds of sale thereof received.

Section 3.07 Continuing Disclosure. The City hereby covenants that it will comply with and carry out all the provisions of the Continuing Disclosure Certificate.

ARTICLE IV NO ISSUANCE AND DELIVERY OF ADDITIONAL SERIES OF BONDS

Section 4.01 No Issuance of Additional Series of Bonds. Notwithstanding anything contained herein, the issuance of an additional series of Bonds under this Trust Agreement is not authorized.

ARTICLE V REDEMPTION OF BONDS

Section 5.01 General Applicability of Article. Bonds that are redeemable before their respective stated maturities shall be redeemable in accordance with their terms and (in accordance with this Article.

Section 5.02 Notice to Trustee. In the case of any redemption at the election of the Authority, the Authority shall, at least forty-five (45) days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Trustee in the sole determination of the Trustee) notify the Trustee of such redemption date and of the principal amount of Bonds to be redeemed.

Section 5.03 Selection by Trustee of Bonds to be Redeemed. If less than all the Outstanding Bonds of a maturity are to be redeemed, not more than sixty (60) days prior to the redemption date the Trustee shall select the particular Bonds of such maturity to be redeemed (in whole or in part) from the Outstanding Bonds that have not previously been called for redemption, in minimum denominations of \$5,000, at random in any manner that the Trustee in its sole discretion shall deem appropriate and fair. For purposes of selection, each \$5,000 portion of a Bond shall be deemed to be a separate Bond.

The Trustee shall promptly notify the Authority in writing of the Bonds so selected for redemption and, in the case of a Bond selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Trust Agreement, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond that has been or is to be redeemed.

Section 5.04 Notice of Redemption.

(A) Mailed Notice. Notice of redemption shall be mailed (first class postage prepaid) by the Trustee, not fewer than thirty (30) nor more than sixty (60) days prior to the redemption date, to (i) the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond Register, (ii) the Securities Depository (if such Bonds are not then in book-entry form), and (iii) the Information Service. Notice of redemption to the Securities Depository shall be given electronically to “redemptionnotification@dtcc.com.”

(B) Content of Notice. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the redemption date, the amount of any redemption premium, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal amount thereof or specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with premium (if any) and interest thereon accrued to the date fixed for redemption, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

(C) Defects in Notice or Procedure. Failure by the Trustee to give notice to the Information Service or the Securities Depository or failure of any Owner to receive notice or any defect in any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice to any one or more of the respective Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owner or Owners to whom such notice was mailed.

(D) Conditional Notice of Redemption; Rescission of Redemption. The Authority, if so directed by the City at its option, shall specify in any notice of optional redemption that redemption is conditional upon the availability of money sufficient to pay the Redemption Price of all the Bonds that are to be redeemed on the date fixed for redemption. The Authority, if so directed by the City at its option, prior to the date fixed for optional redemption in any notice of redemption, rescind and cancel such notice of optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute a default under this Trust Agreement. Neither the Authority, the City, nor the Trustee will have any liability to the Owners or any other party as a result of the Authority’s failure to redeem Bonds as a result of insufficient money.

Section 5.05 Deposit of Redemption Price. Prior to any date for redemption of Bonds, the Authority shall deposit with the Trustee an amount of money sufficient to pay the Redemption Price

of all the Bonds that are to be redeemed on that date. Such money shall be held in trust for the benefit of the persons entitled to such Redemption Price.

Section 5.06 Bonds Payable on Redemption Date. Notice of redemption having been duly given as aforesaid and moneys for payment of the Redemption Price of the Bonds so to be redeemed being held by the Trustee, on the redemption date designated in such notice (i) the Bonds so to be redeemed shall become due and payable at the Redemption Price specified in such notice, (ii) interest on such Bonds shall cease to accrue, (iii) such Bonds shall cease to be entitled to any benefit or security under this Trust Agreement, and (iv) the Owners of such Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by Trustee at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable to the Owners of the Bonds on the relevant Record Dates according to the terms of such Bonds and the provisions of Section 2.06 (Payment of Interest on the Bonds; Interest Rights Preserved).

Section 5.07 Bonds Redeemed in Part. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the City, a new Bond or Bonds of authorized denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

ARTICLE VI DEFEASANCE

Section 6.01 Discharge of Trust Agreement.

(A) Payment of Bonds. Any Bond may be paid in any of the following ways:

(1) by paying or causing to be paid the principal of and interest on the Bond, as and when the same become due and payable;

(2) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 6.03 (Deposit of Money or Securities with Trustee)) to pay or redeem the Bond; or

(3) by delivering the Bond to the Trustee for cancellation.

(B) Consequence of Payment of All Bonds. If all Bonds that are Outstanding have been paid and the Authority also pays or causes to be paid all other sums payable hereunder, and the City has paid or caused to be paid all other sums payable under the Facilities Lease by the City, then and in that case, at the election of the Authority, evidenced by a Statement of the Authority filed with the Trustee signifying the intention of the Authority to discharge all such obligations and this Trust Agreement, and notwithstanding that any Bonds shall not have been surrendered for payment, this Trust Agreement, the pledge of assets made hereunder, all covenants and agreements and other obligations of the Authority under this Trust Agreement, and the rights and interests created hereby (except as to any surviving rights of transfer or exchange of Bonds as provided in Section 2.04 (Registration, Transfer, and Exchange)) and rights to payment from moneys deposited with the Trustee as provided in Section 6.02 (Discharge of Liability on Bonds)) shall cease, terminate, become void, and be completely discharged and satisfied. Notwithstanding the satisfaction and

discharge of this Trust Agreement, the obligations to the Trustee under Section 10.07 (Compensation and Indemnification of Trustee), the provisions of Section 10.09 (Removal and Resignation; Appointment of Successor), and the covenants of the Authority to preserve the exclusion of interest represented by the Bonds from gross income for federal income tax purposes contained in Section 8.07 (Federal Income Tax Covenants) shall survive.

(C) Delivery of Excess Funds. If all Bonds have been paid as provided herein, upon Request of the Authority, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign, or deliver to the Authority all moneys or securities or other property held by it pursuant to this Trust Agreement that, as evidenced by a verification report (upon which the Trustee may conclusively rely) from an Independent Certified Public Accountant, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; subject to the provisions of Section 8.07 (Federal Income Tax Covenants) and the Tax Certificate with respect to moneys in the Rebate Fund.

Section 6.02 Discharge of Liability on Bonds. Upon the deposit with the Trustee, escrow agent, or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 6.03 (Deposit of Money or Securities with Trustee)) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article V (Redemption of Bonds) provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate, and be completely discharged, except that thereafter (i) the Owner thereof shall be entitled to payment of the principal of and interest on such Bond and premium, if any, thereon by the Authority and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 6.04 (Payment of Bonds After Discharge of Trust Agreement) and (ii) the Owner thereof shall retain its rights of transfer or exchange of Bonds as provided in Section 2.04 (Registration, Transfer, and Exchange).

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously executed and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 6.03 Deposit of Money or Securities with Trustee. Whenever in this Trust Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Trust Agreement and shall be:

(A) Cash. Lawful money of the United States of America in an amount equal to all unpaid principal of and interest on such Bonds to maturity, except that, in the case of Bonds that are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article V (Redemption of Bonds) provided or provision satisfactory to the Trustee shall

have been made for the giving of such notice, the amount to be deposited or held shall be all unpaid principal of and interest on the Bonds to the redemption date and any redemption premium thereon; or

(B) Defeasance Securities. Defeasance Securities the principal of and interest on which when due, together with any cash deposited at the same time, will, in the opinion of an Independent Certified Public Accountant delivered to the Trustee (upon which opinion the Trustee may conclusively rely), provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the redemption date, as the case may be, on (and any redemption premium on) the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds that are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article V (Redemption of Bonds) provided or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Trust Agreement or by Request of the Authority) to apply such money to the payment of such principal or Redemption Price of and interest on such Bonds.

Section 6.04 Payment of Bonds After Discharge of Trust Agreement. Any moneys held by the Trustee in trust for the payment of the principal of or interest or redemption premium on any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in this Trust Agreement), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this Trust Agreement, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that, before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (solely at the request and cost of the Authority) first mail to the Owners of any Bonds remaining unpaid at the addresses shown on the Bond Register a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof. All moneys held by or on behalf of the Trustee for the payment of principal of or premium or interest on Bonds, whether at redemption, acceleration, or maturity, shall be held uninvested in trust for the account of the Owners thereof and the Trustee shall not be required to pay Owners any interest on, or be liable to the Owners or any other person for any interest earned on, moneys so held.

Section 6.05 Notice of Defeasance. If moneys or Permitted Investments are deposited as provided above with and held by the Trustee for the payment of any Bonds, and such Bonds are not by their terms subject to redemption within the next sixty-five (65) days, the Trustee shall within ten (10) Business Days after such money or Permitted Investments have been deposited with it mail a notice, first class postage prepaid, to the Owners of such Bonds at the addresses listed on the registration books kept by the Trustee pursuant to Section 2.04 (Registration, Transfer, and Exchange) hereof, (a) setting forth the maturity date or date fixed for redemption, as the case may be, of such Bonds, (b) giving a description of the Permitted Investments, if any, so held by it, and (c) stating that all liability of the Authority in respect of such Bonds has ceased, terminated, and been completely discharged, except that thereafter (i) the Owner of any such Bond is entitled to payment of the principal of and interest on such Bond and premium, if any, thereon by the Authority and that

the Authority remains liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for their payment.

ARTICLE VII REVENUES

Section 7.01 Liability of Authority Limited to Revenues. Notwithstanding anything contained herein, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants herein contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring any indebtedness.

Section 7.02 Pledge of Revenues; Assignment of Leases.

(A) Pledge of Revenues. In order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of this Trust Agreement, and subject only to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, the Authority hereby pledges all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to this Trust Agreement, other than amounts on deposit in the Rebate Fund. This pledge shall constitute a first pledge of and charge and lien upon such assets for the payment of the Bonds in accordance with their terms and shall be valid and binding from and after issuance of the Bonds, without any physical delivery thereof or further act. The pledge herein made shall be irrevocable until all of the Bonds are no longer Outstanding.

(B) Assignment of Leases. The Authority hereby unconditionally transfers, assigns, and sets over to the Trustee for the benefit of the Owners, without recourse, (1) all of the Rental Payments and any and all rights and privileges it has under the Facilities Lease (excepting only the Authority's rights under Section 4.08 (Additional Payments) and Section 6.09 (Authority Not Liable; Indemnification of the Authority) of the Facilities Lease), including, without limitation, the right to collect and receive directly all of such Rental Payments and the right to hold and enforce any security interest created thereunder, and any such Rental Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and shall forthwith be paid by the Authority to the Trustee, and (2) all of its right, title, and interest in the Site Lease.

Section 7.03 Receipt and Deposit of Rental Payments in the Revenue Fund.

(A) Deposit of Rental Payments. The Trustee shall forthwith deposit the Rental Payments into a trust fund, designated as the "Revenue Fund," which fund the Trustee shall establish and maintain, when and as received by the Trustee. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the Owners and shall be disbursed, allocated, and applied solely for the uses and purposes set forth in subsection (B) (Reserve Fund Replenishment) and Section 7.04 (Allocation of Rental Payments).

(B) Reserve Fund Replenishment. If the Reserve Fund has been drawn upon as a result of a delinquency in the payment of Rental Payments, the Trustee shall transfer the delinquent Rental Payments thereafter received to the Reserve Fund to replenish the amount therein to the Required Reserve.

Section 7.04 Allocation of Rental Payments.

(A) Allocations for Debt Service. So long as any Bonds are Outstanding, the Trustee shall set aside the moneys in the Revenue Fund in the following respective funds or accounts (each of which the Trustee shall establish, maintain and hold in trust for the benefit of the Owners of the Bonds) in the following amounts, in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of moneys sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority:

(1) Interest Fund. On each Interest Payment Date, commencing February 1, 2020, the Trustee shall set aside in the Interest Fund an amount equal to the aggregate amount of interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest due and payable on such Interest Payment Date upon all of the Bonds then Outstanding (but excluding any moneys on deposit in the Interest Fund from the proceeds of the Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Date).

(2) Principal Fund; Sinking Accounts. On each Principal Payment Date, commencing February 1, 2020, the Trustee shall deposit in the Principal Fund an amount equal to (a) the aggregate amount of principal becoming due and payable on the Outstanding Serial Bonds and (b) the aggregate principal amount of Bonds to be redeemed on such date from the respective Sinking Accounts for the Term Bonds.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the principal of all Serial Bonds then Outstanding and maturing by their terms on such Principal Payment Date plus (ii) the aggregate principal amount of all Term Bonds required to be redeemed on such Principal Payment Date, but less any amounts deposited into the Principal Fund during the preceding twelve-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such twelve-month period.

(3) Redemption Fund. The Trustee, on the date specified in a Written Request of the City filed with the Trustee, at the time that any prepaid Rental Payment is paid to the Trustee, shall deposit in the Redemption Fund that amount of moneys representing the portion of the Rental Payments designated as prepaid Rental Payments. Except as provided in Section 8.07 (Federal Income Tax Covenants) hereof, moneys in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and the redemption premiums, if any, on and principal of the Bonds to be redeemed.

(B) Surplus Amounts. Any moneys remaining in the Revenue Fund after the foregoing transfers described in (1), (2), and (3) of Subsection (A) above shall be deposited, in order of priority, (i) into the Reserve Fund to the extent that the amount therein is less than the Required Reserve, and (ii) into the Rebate Fund if so directed by the Authority. Amounts not required to be so deposited shall be promptly transferred to the City, except that any amounts representing delinquent Rental Payments and any proceeds of rental abatement insurance shall remain on deposit in the Revenue Fund. The City may use and apply any moneys when received by it for any lawful purpose of the City, including the redemption of Bonds upon the terms and conditions set forth herein and the purchase of Bonds as and when and at such prices as it may determine.

Section 7.05 Application of Interest Fund. All money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Section 7.06 Application of Principal Fund.

(A) Use of Amounts in Principal Fund. All amounts in the Principal Fund shall be used and withdrawn by the Trustee solely for the purposes of paying the principal of the Bonds when due and payable, except that all amounts in the Sinking Account shall be used and withdrawn by the Trustee solely to purchase or redeem or pay Bonds at maturity, as provided herein.

(B) Sinking Accounts. The Trustee shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each maturity, designated as the “Sinking Account,” inserting therein the maturity designation of such Bonds. On any date upon which Term Bonds are subject to mandatory redemption, the Trustee shall transfer the amount of the principal then redeemable from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each mandatory redemption date established for such Sinking Account, the Trustee shall apply the amount required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such maturity for which such Sinking Account was established, upon the notice and in the manner provided herein; provided that, at any time prior to giving such notice of such redemption, the Trustee shall, upon receipt of a Request of the City, apply moneys in such Sinking Account to the purchase (in whole or in part) of Term Bonds of such maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the City, except that the purchase price (excluding accrued interest) shall not exceed the principal amount represented thereby. If, during the twelve-month period immediately preceding said mandatory redemption date, the Trustee has purchased Term Bonds of such maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the City has deposited Term Bonds of such maturity with the Trustee, or Term Bonds of such maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said mandatory redemption, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount represented thereby, to reduce the amount required for deposit on the mandatory redemption date in the Sinking Account.

Any amounts remaining in a Sinking Account when all of the Term Bonds for which such account was established are no longer Outstanding shall be withdrawn by the Trustee and transferred to the City to be used for any lawful purpose.

All Bonds purchased from a Sinking Account or deposited by the City with the Trustee in a twelve-month period ending February 1, shall be allocated first to the next succeeding mandatory redemption for such maturity of Term Bonds, then as a credit against such future mandatory redemptions for such maturity of Term Bonds as may be specified in a Request of the City. All Term Bonds redeemed by the Trustee from the Redemption Fund shall be credited to such future mandatory redemptions for such maturity of Term Bonds as may be specified in a Request of the City.

Section 7.07 Funding and Application of Reserve Fund.

(A) Funding of the Reserve Fund. Trustee shall maintain a Reserve Fund which is hereby established. On the Closing Date there shall be deposited in the Reserve Fund \$_____ [or Reserve Policy] which shall be in the amount of the Required Reserve.

(B) Substitution of Cash. The City may at any time substitute cash for all or part of the amount available to be paid to the Trustee under any Reserve Facility delivered pursuant to this Section to satisfy a Required Reserve.

(C) Replenishment of Reserve Fund. The Trustee shall deposit (from amounts received pursuant to Subsection 4.08(A)(2) (Additional Payments -- Reserve Fund Valuation Deficiencies) Subsection 4.08(A)(3) (Additional Payments -- Reserve Fund Replenishment) of the Facilities Lease) as soon as possible in each month in the Reserve Fund, except as otherwise provided in this Section, upon the occurrence of any deficiency therein, one-twelfth (1/12th) of the aggregate amount of each unreplenished prior withdrawal from the Reserve Fund and one-fourth (1/4) of the aggregate amount of any deficiency due to any required valuations of the investments in the Reserve Fund until the total of the cash balance in the Reserve Fund and the amount available under any Reserve Facility for the Bonds is at least equal to the Required Reserve.

(D) Letter of Credit.

(1) In lieu of making the Required Reserve replenishment deposits in compliance with subsection (C) herein, or in replacement of moneys then on deposit in the Reserve Fund (which shall be transferred by the Trustee to the City), the City may deliver to the Trustee an irrevocable letter of credit issued by a financial institution at the time of issuance having unsecured debt obligations rated in one of the two highest Rating Categories of Moody's and Standard & Poor's, in an amount, together with moneys, Permitted Investments, or Reserve Facilities (as described in subsection (E) of this Section) on deposit in the Reserve Fund, equal to the Required Reserve. Such letter of credit shall have a term no less than three (3) years or, if less, the maturity of the Bonds and shall provide by its terms that it may be drawn upon as provided in this Section. In addition, the letter of credit must be acceptable to the Insurer. If a drawing is made on the letter of credit, the City shall make such payments as may be required by the terms of the letter of credit or any obligations related thereto (but no less than quarterly pro rata payments) so that the letter of credit shall, absent the delivery to

the Trustee of a Reserve Facility satisfying the requirements contained in subsection (E) of this Section or the deposit in the Reserve Fund of an amount sufficient to increase the balance in the Reserve Fund to the Required Reserve, be reinstated in the amount of such drawing within one year of the date of such drawing.

(2) The issuer of the letter of credit shall be required to notify the Authority, the City, and the Trustee, not later than 12 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the City shall deposit in the Reserve Fund an amount sufficient to cause the cash or Investment Securities on deposit in the Reserve Fund together with any other qualifying Reserve Facilities, to equal the Required Reserve, such deposit to be paid in equal installments on at least a quarterly basis over the remaining term of the letter of credit, unless the Reserve Facility is replaced by a Reserve Facility meeting the requirements of this Section. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee shall draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Reserve Fund is fully funded in its required amount.

(E) Other Reserve Facility. In lieu of making the Required Reserve replenishment deposits in compliance with subsection (C) of this Section, or in replacement of moneys then on deposit in the Reserve Fund (which shall be transferred by the Trustee to the City), the City may also deliver to the Trustee an insurance policy, surety bond, or other Reserve Facility securing an amount, together with moneys, Permitted Investments or letters of credit on deposit in the Reserve Fund, no less than the Required Reserve issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies or surety bonds) at the time of issuance are rated in one of the two highest Rating Categories of Moody's and Standard & Poor's. Such Reserve Facility shall have a term of no less than the maturity of the Bonds. In addition, the Reserve Facility must be acceptable to the Insurer. In the event that such Reserve Facility for any reason lapses or expires, the City shall immediately deliver to the Trustee either a letter of credit satisfying the requirements contained in subsection (D) of this Section or a Reserve Facility satisfying the requirements of this subsection (E) or make the required deposits to the Reserve Fund.

(F) Use of Amounts in Reserve Fund.

(1) Payment of Debt Service Deficiencies. All amounts in the Reserve Fund (including all amounts that may be obtained from Reserve Facilities on deposit in the Reserve Fund) shall be used and withdrawn by the Trustee, as hereinafter provided, solely for the purpose of making up any deficiency in the Interest Fund or the Principal Fund, or (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding, or for the payment of the final principal and interest payment with respect to such Bonds, if, following such payment the amounts in the Reserve Fund (including the amounts that may be obtained from Reserve Facilities on deposit therein) will equal the Required Reserve. The Trustee shall first draw on the portion of the Reserve Fund held in cash or Permitted Investments and then, on a pro rata basis with respect to amounts

held in the form of Reserve Facilities (calculated by reference to the maximum amounts of such Reserve Facilities), draw on or collect under each Reserve Facility issued with respect to the Reserve Fund, in a timely manner and pursuant to the terms of such Reserve Facility to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the principal and interest represented by the Bonds when due.

(2) Repayment of Amounts Recovered as Preferences in Bankruptcy. If the Trustee has notice that any payment of principal or interest represented by a Bond has been recovered from an Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to and provided that the terms of the Reserve Facility, if any, securing the Bonds so provide, shall so notify the issuer thereof and draw on or collect under such Reserve Facility to the lesser of the extent required or the maximum amount of such Reserve Facility in order to pay to such Owners the principal and interest so recovered. If and to the extent that the Required Reserve is satisfied by a deposit of cash or Permitted Investments and one or more Reserve Facilities (or any combination thereof), the Trustee shall first draw on the portion of the Reserve Fund held in cash or Permitted Investments and then make drawings on or collect under such Reserve Facilities on a pro rata basis (calculated by reference to the maximum amounts of such Reserve Facilities).

(3) Reimbursement to Reserve Facility Providers. If the Trustee draws on or collects under a Reserve Facility, the Trustee shall use amounts deposited in the Reserve Fund by the City following such draw or collection first to make the payments required by the terms of the Reserve Facility or related reimbursement or loan agreement so that the Reserve Facility shall, absent the delivery to the Trustee of a substitute Reserve Facility acceptable to the Insurer that satisfies the requirements of this Section or the deposit in the Reserve Fund of an amount sufficient to increase the balance in the Reserve Fund to the Required Reserve, be reinstated in the amount of such draw or collection within one year of the date of the draw or collection. After such reinstatement, the Trustee shall use amounts deposited in the Reserve Fund by the City for the replenishment of the portion of the Reserve Fund held in cash or Permitted Investments.

(G) Transfer of Excess Amounts. Any amounts in the Reserve Fund in excess of the Required Reserve (as calculated by the City) shall be transferred by the Trustee to the City on the last Business Day of February and August of each year; provided that such amounts shall be transferred only from the portion of the Reserve Fund held in the form of cash or Permitted Investments and further provided that the City is not then in default under the Facilities Lease.

Section 7.08 Application of Redemption Fund. The Trustee shall establish, maintain and hold in trust a special fund designated as the “Redemption Fund.” All moneys deposited by the City with the Trustee for the purpose of redeeming Bonds shall, unless otherwise directed by the City, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner, at the times and upon the terms and conditions specified herein; provided that, at any time prior to giving such notice of redemption, the Trustee shall, upon receipt of a Request of the City, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is

directed by the City, except that the purchase price (exclusive of such accrued interest) may not exceed the Redemption Price then applicable to such Bonds. All Term Bonds purchased or redeemed from the Redemption Fund shall be allocated to Mandatory Sinking Account Payments applicable to such maturity of Term Bonds as may be specified in a Request of the City.

Section 7.09 Rebate Fund. If the City so directs, the Trustee shall establish and maintain a fund designated as the “Rebate Fund” separate from any other fund held by the Trustee. The Trustee shall deposit moneys into and disburse moneys from the Rebate Fund pursuant to written instructions from the City. The Trustee shall be deemed conclusively to have complied with the provisions of this Section and the Tax Certificate if it follows the instructions of the City, including to supply all necessary information in the manner specified in the Tax Certificate. In the absence of written instructions from the City, the Trustee shall not be required to take any action with respect to the Rebate Fund or the Tax Certificate and shall have no liability or responsibility to enforce compliance by the City with the terms of the Tax Certificate.

Section 7.10 Investments of Moneys in Accounts and Funds.

(A) **Investment in Permitted Investments.** All moneys in any of the funds and accounts held by the Trustee and established pursuant to this Trust Agreement shall be invested solely as directed by the City, solely in Permitted Investments. All Permitted Investments shall, as directed by the City in writing, be acquired subject to the limitations set forth in Section 8.07 (Federal Income Tax Covenants), the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the City and not inconsistent with the duties of the Trustee under this Trust Agreement. If and to the extent the Trustee does not receive investment instructions from the City with respect to the moneys in the funds and accounts held by the Trustee pursuant to this Trust Agreement, such moneys shall be invested in Permitted Investments described in clause (7) (Money Market Funds) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the City specifying a specific money market fund and, if no such written direction from the City is so received, the Trustee shall hold such moneys uninvested. The Trustee may rely conclusively upon the investment direction of the City as to the suitability and legality of the directed investments.

(B) **Maturity of Investments.** Moneys in the Reserve Fund shall be invested in Permitted Investments maturing within five years of the date of such investment, but in no event later than the final maturity of the Bonds, or, in the case of Investment Agreements, available by the terms thereof for withdrawal at the times and for the purposes required for the application of funds in the Reserve Fund. Moneys in the remaining funds and accounts shall be invested in Permitted Investments maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Trustee.

(C) **Deposit of Earnings.** All interest, profits, and other income received from the investment of moneys in any fund or account held by the Trustee hereunder, other than the Rebate Fund, shall be transferred to the Revenue Fund when received. All interest, profits, and other income received from the investment of moneys in the Rebate Fund shall be deposited therein, except as otherwise directed by the City. Notwithstanding anything to the contrary contained in this

paragraph, an amount of interest received with respect to any Permitted Investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investment shall be credited to the fund or account from which such accrued interest was paid.

(D) Valuation. All Permitted Investments credited to the Reserve Fund shall be valued as of each Interest Payment Date at their fair market value determined to the extent practical by reference to any financial publication or quotation service selected by the Trustee in its discretion, including such pricing services as may be available to the Trustee within the Trustee's regular accounting system.

(E) Accounting; Acquisition and Disposition. The Trustee may commingle any of the funds or accounts established pursuant to this Trust Agreement into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by this Trust Agreement. The Trustee and its affiliates may act as sponsor, advisor, depository, principal, or agent in the making or disposing of any investment and, with the prior written consent of the City, may impose its customary charge therefor. The City acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the City the right to receive brokerage confirmations or security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The City further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee shall furnish the City periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the City. Upon the City's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The Trustee may sell or present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal, or disbursement from the fund or account to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

Section 7.11 Funds and Accounts. Any fund required by this Trust Agreement to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

Section 7.12 Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal, or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held uninvested in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 6.04 (Payment of Bonds After Discharge of Trust Agreement).

**ARTICLE VIII
COVENANTS OF THE AUTHORITY**

Section 8.01 Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to enter into the Trust Agreement, authorize the issuance of the Bonds, and pledge the Rental Payments and assign the Facilities Lease and the Site Lease and its rights thereunder purported to be pledged and assigned, respectively, under this Trust Agreement, and in the manner and to the extent provided in this Trust Agreement. The Bonds and the provisions of this Trust Agreement are and will be the valid and binding limited obligations of the Authority in accordance with their terms.

Section 8.02 Punctual Payment and Performance. The Authority will punctually pay out of the Revenues the interest on and the principal of and redemption premiums, if any, to become due on every Bond issued hereunder in strict conformity with the terms hereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the Authority contained herein and in the Bonds.

Section 8.03 Against Encumbrances. The Authority will not make any pledge of or place any charge or lien upon the Revenues except as provided herein, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds.

Section 8.04 Amendments to Facilities Lease or Site Lease. The Authority shall not supplement, amend, modify or terminate any of the terms of the Facilities Lease or the Site Lease, or consent to any such supplement, amendment, modification or termination, without the written consent of the Insurer and the acknowledgment of the Trustee. The Trustee shall give such written acknowledgment and the Insurer shall give such written consent only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Holders or result in any material impairment of the security hereby given for the payment of the Bonds, (b) such supplement, amendment, or modification is made pursuant to the terms of Section 3.04 (Substitution) of the Facilities Lease or is made to modify the legal description of the Leased Property to conform to the requirements of title insurance or otherwise to reflect accurately the description of the parcels intended to be included in the Site Lease and Facilities Lease, or (c) the Trustee first obtains the written consents of the Holders of a majority in principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination and; provided, that no such supplement, amendment, modification or termination shall reduce the amount of Rental Payments to be made to the Authority or the Trustee by the City pursuant to the Facilities Lease or extend the time for making such payments without the written consents of all of the Holders of the Bonds then Outstanding.

Section 8.05 Extension of Time for Payment of Bonds. The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement. If the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Trust Agreement, unless the principal represented by all of the Bonds and of all claims for interest represented thereby that shall not have

been so extended have been paid in full. Nothing in this Section shall be deemed to limit the right of the Authority to cause the delivery of Bonds for the purpose of refunding any Outstanding Bonds, and such delivery shall not be deemed to constitute an extension of maturity of Bonds.

Section 8.06 Preservation of Rights of Owners. The Authority shall at all times, to the extent permitted by law, defend, preserve, and protect the pledge and assignment of Rental Payments and other assets and all the rights of the Owners under this Trust Agreement against all claims and demands of all persons whomsoever.

Section 8.07 Federal Income Tax Covenants. The Authority shall at all times do and perform all acts and things permitted by law and this Trust Agreement that are necessary and desirable in order to assure that interest paid on the Bonds will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Authority agrees to comply with the provisions of the Tax Certificate. This covenant shall survive the defeasance or payment in full of the Bonds.

Section 8.08 Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee, the Insurer, or any Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Holders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

ARTICLE IX EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 9.01 Events of Default. The following events shall be Events of Default:

(i) Payment Default. Default in the due and punctual payment of the interest on any Bond or the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption when and as the same shall become due and payable;

(ii) Breach of Covenant. Default by the Authority in the observance or performance of any covenant, condition, agreement, or provision in this Trust Agreement on its part to be observed or performed, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Authority by the Trustee or the Insurer;

(iii) Facilities Lease Default. A Lease Default Event as defined under the Section 8.01 (Lease Default Events) of the Facilities Lease;

(iv) Bankruptcy. A declaration of bankruptcy by the Authority.

(v) Site Lease Default. A default as defined under Section 9 of the Site Lease.

Section 9.02 Application of Funds for Default. [to come]

Section 9.03 Institution of Legal Proceedings by Trustee. If one or more of the events of default shall happen and be continuing, the Trustee (a) may, with the consent of the Insurer, and (b) shall, at the direction of the Insurer or upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding with the consent of the Insurer, and upon being indemnified to its satisfaction therefor, proceed to protect or enforce its rights or the rights of the Holders of Bonds under this Trust Agreement and under the Facilities Lease by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein or therein, or in aid of the execution of any power herein or therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties hereunder or thereunder. The Trustee may exercise its rights under this Trust Agreement to collect its fees and expenses without the consent of the Holders of any Bonds so long as such exercise does not result in the acceleration of any Bonds.

Section 9.04 Application of Money Collected. If an Event of Default shall occur and be continuing, the Trustee shall apply all funds then held or thereafter received by the Trustee under any of the provisions of this Trust Agreement (except as otherwise provided in this Trust Agreement) as follows and in the following order:

(A) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds, including the costs and expenses of the Trustee in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under this Trust Agreement, and then the costs and expenses of the Owners in declaring such Event of Default;

(B) To the payment of the whole amount of principal then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Trust Agreement (including Section 8.05 (Extension of Time for Payment of Bonds)), with interest on such principal, at the rate or rates of interest with respect to the respective Bonds as follows:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds, including the costs and expenses of the Trustee and the Owners in declaring such Event of Default, and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its powers and duties under this Trust Agreement;

(i) Unless the principal represented by all of the Bonds shall have become due and payable,

First: to the payment to the persons entitled thereto of all installments of interest then due in the order of their due dates, and, if the amount available shall not be sufficient to pay in full any installment or installments due on the same date, then to the payment thereof ratably, according to the amounts of principal or interest due on such

date, to the persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the persons entitled thereto of all unpaid principal represented by or Redemption Price of any Bonds that shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the principal represented by the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or interest due on such date, to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal represented by all of the Bonds shall have become due and payable, to the payment of the principal and interest then due and unpaid with respect to the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

(C) Subject to Section 9.04(A), any discretion of the Trustee to apply moneys following an Event of Default shall not permit the Trustee to fail to liquidate investment obligations in the Revenue Fund and Reserve Fund and apply amounts credited to such funds to the payment of debt service on any Principal Payment Date.

Section 9.05 Non-Waiver. Nothing in this Article or in any other provision hereof or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon prior redemption as provided herein from the Revenues as provided herein pledged for such payment, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein and in the Bonds.

A waiver of any default or breach of duty or contract by any Holder or the Insurer shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by any Holder or the Insurer to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Holders or the Insurer by the Act or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Holders and the Insurer.

Section 9.06 Restoration of Positions. If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Authority and any Holder and the Insurer shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 9.07 Actions by Trustee as Attorney-in-Fact. Any action, proceeding or suit which any Holder shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Holders, whether or not the Trustee is a Holder, and the Trustee is hereby appointed (and the successive Holders, by taking and holding the Bonds issued hereunder, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Holders for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Holders as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

Section 9.08 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders or the Insurer is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Section 9.09 Insurer's Direction of Proceedings. The Insurer shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall be otherwise in accordance with law and the provisions of this Trust Agreement.

Section 9.10 Limitation on Holders' Right to Sue. No Holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon this Trust Agreement, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an event of default as defined in Section 9.01 (Events of Default) hereunder; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Holders shall have tendered to the Trustee the consent of the Insurer and reasonable security or indemnity, against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Holders of the Outstanding Bonds.

**ARTICLE X
THE TRUSTEE**

Section 10.01 Appointment of the Trustee. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as Trustee under this Trust Agreement and hereby accepts the trust imposed upon it as Trustee hereunder and to perform all the functions and duties of the Trustee hereunder, subject to the terms and conditions set forth in this Trust Agreement.

Section 10.02 Certain Duties and Responsibilities.

(A) When No Default is Continuing. Prior to an Event of Default, and after the curing or waiver of all Events of Default that may have occurred, . the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement and no implied covenants shall be read into this Trust Agreement against the Trustee.

(B) During Continuance of Default. During the existence of any Event of Default (that has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise, as a reasonable person would exercise or use under the circumstances in the conduct of such person's own affairs.

(C) Effect of Bond Insurance Policy. In determining whether any amendment, consent or other action to be taken, or any failure to act, under the Trust Agreement would adversely affect the security for the Bonds or the rights of the Holders, the Trustee shall consider the effect of any such amendment, consent or inaction as if there were no Bond Insurance Policy.

(D) Immunities of Trustee. No provision of this Trust Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection A of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Insurer or the Owners of not less than a majority (or any lesser amount that may direct the Trustee under this Trust Agreement) in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Trust Agreement; and

(4) no provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers, if it shall have

reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(E) Immunities Applicable to All Provisions of Trust Agreement. Whether or not therein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article X (The Trustee).

Section 10.03 Notice of Defaults. Within forty-five (45) days after the occurrence of any default of which the Trustee has actual knowledge of or is deemed to have knowledge per Section 10.04(H) (Knowledge of Event of Default) hereunder, the Trustee shall transmit by mail to all Owners of Bonds as their names and addresses appear on the Bond Register notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of or premium, if any, or interest on any Bond or in the payment of any sinking fund installment, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Owners; and provided further that in the case of any default of the character specified in Section 9.01(ii) (Events of Default -- Breach of Covenant) no such notice to Owners shall be given until at least thirty (30) days after the occurrence thereof. For purposes of this Section, the term “default” means any event that is, or after notice or lapse of time or both would become, an Event of Default.

Section 10.04 Certain Rights of Trustee; Liability of Trustee. Except as otherwise provided in Section 10.02 (Certain Duties and Responsibilities):

(A) Reliance on Documents Believed Genuine. The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, requisition, consent, order, bond, note, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(B) Documentation of Authority’s or City’s Directions. Any request or direction of the Authority or the City mentioned herein shall be sufficiently evidenced by a Certificate, Statement, Request, Requisition, or Order of the Authority or the City, as the case may be;

(C) Reliance on Authority Statement. Whenever in the administration of the trusts imposed upon it by this Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action hereunder, the Trustee (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a Statement of the Authority, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable;

(D) Reliance on Advice of Counsel. The Trustee may consult with counsel, including, without limitation, counsel of or to the Authority or the City, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Trustee hereunder in good faith and in reliance thereon;

(E) Security for Costs. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request, order or direction of any of the Owners pursuant to the provisions of this Trust Agreement, including, without limitation, the provisions of Article IX (Events of Default and Remedies of Owners) hereof, unless such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities that may be incurred therein or thereby.

(F) Investigation of Factual Matters. The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority or the City, personally or by agent or attorney.

(G) Performance of Duties by Agents. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, but the Trustee shall be answerable for the negligence or misconduct of any such attorney-in-fact, agent, or receiver selected by it; provided that the Trustee shall not be answerable for the negligence or misconduct of any attorney-in-law or certified public accountant selected by it with due care.

(H) Knowledge of Event of Default. The Trustee shall not be deemed to have knowledge of, and shall not be required to take any action with respect to, any Event of Default other than an Event of Default described in 9.01(A) (Events of Default – Payment Default) unless a Responsible Officer of the Trustee shall have actual knowledge of such event.

(I) No Responsibility for Disclosure Material. The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(J) Extension of Immunities. The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(K) No Duty. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(L) Reliance on Documents. in the absence of bad faith on its part the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Trust Agreement; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Trust Agreement.

(M) Electronic Communication. The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Indenture

and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(N) Force Majeure. The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term “force majeure” means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include but not be limited to acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(O) Standard of Care. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

Section 10.05 Trustee Not Responsible for Recitals, Validity of Bonds, or Application of Proceeds.

(A) Trustee Makes No Representations. The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Trust Agreement or of the Bonds, as to the sufficiency of the Rental Payments or the priority of

the lien of this Trust Agreement thereon, or as to the financial or technical feasibility of any project and shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly herein or in the Bonds assigned to or imposed upon it.

(B) Trustee Not Responsible for City's Use of Certain Moneys and Other Actions. The Trustee shall not be responsible for:

(1) the application or handling by the City of any moneys transferred to or pursuant to any Requisition or Request of the City in accordance with the terms and conditions hereof;

(2) the application and handling by the City of any fund or account designated to be held by the City hereunder or under the Facilities Lease;

(3) any error or omission by the City in making any computation or giving any instruction pursuant to the Tax Certificate and the Trustee may rely conclusively on any computations or instructions furnished to it by the City in connection with the requirements of the Tax Certificate;

(4) the construction, operation, or maintenance of any project or facilities by the City.

Section 10.06 Trustee May Hold Bonds. The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner of a Bond may be entitled to take, with like effect as if the Trustee was not the Trustee under this Trust Agreement. The Trustee may in good faith hold any other form of indebtedness of the Authority or the City, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the Authority or the City and make disbursements for the Authority or the City and enter into any commercial or business arrangement therewith, without limitation.

Section 10.07 Compensation and Indemnification of Trustee. The Authority agrees, but solely from Additional Payments received from the City and subject to the provisions of Section 7.01 (Liability of Authority Limited to Revenues):

(A) Compensation. to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder;

(B) Reimbursement. except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Trustee in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel (including internal counsel)), except any such expense, disbursement, or advance as be attributable to the Trustee's negligence or willful misconduct; and

(C) Indemnification. to indemnify the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the trusts created hereby, including the costs and expenses (including attorneys' fees) of defending itself against any claim or liability in

connection with the exercise or performance of any of its powers or duties hereunder or with respect to the Facilities Lease.

The rights of the Trustee and the obligations of the Authority under this Section shall survive resignation and removal of the Trustee and the discharge of the Bonds and this Trust Agreement.

Section 10.08 Corporate Trustee Required; Eligibility. There shall at all times be a Trustee hereunder, which shall be a federally chartered savings association or institution, a national banking association, trust company, or bank having the powers of a trust company authorized to do business in the State, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such federally chartered savings association or institution, national banking association, bank, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purpose of this Section the combined capital and surplus of such federally chartered savings association or institution, national banking association, bank, or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in this Article.

Section 10.09 Removal and Resignation; Appointment of Successor.

(A) Effectiveness of Resignation or Removal. No removal or resignation of the Trustee and appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 10.10 (Acceptance of Appointment by Successor).

(B) Trustee's Right to Resign. The Trustee may resign at any time by giving written notice of such resignation to the Authority and the City and by giving the Owners notice of such resignation by mail at the addresses shown on the Bond Register. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

(C) Authority's Right to Remove Trustee. The Authority may, and upon Request of the City shall, upon thirty (30) days' prior written notice, remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, by giving written notice of such removal to the Trustee.

(D) Mandatory Removal of Trustee. The Authority shall remove the Trustee if at any time,

(1) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing)

(2) the Trustee shall cease to be eligible in accordance with Section 10.08 (Corporate Trustee Required; Eligibility) and shall fail to resign after written request therefor by the Authority, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation,

in each case by giving written notice of such removal to the Trustee.

(E) Appointment of Successor. If the Trustee shall resign, be removed, or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Authority shall promptly appoint a successor Trustee by an instrument in writing. If no successor Trustee shall have been so appointed by the Authority and accepted appointment in the manner hereinafter provided within 30 days after such resignation, removal, or incapability or the occurrence of such vacancy, the Owners may, by an instrument or instruments signed by the Holders of a majority in principal amount of the Bonds, appoint a successor Trustee, or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

(F) Performance of Duties by Treasurer. If, by reason of the judgment of any court, the Trustee or any successor Trustee is rendered unable to perform its duties hereunder, and if no successor Trustee be then appointed, all such duties and all of the rights and powers of the Trustee hereunder shall be assumed by and vest in the Treasurer, or designee, of the Authority in trust for the benefit of the Owners.

(G) Notice of Removal or Resignation. The Authority, at the expense of the City, shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first-class mail, postage prepaid, to the Owners as their names and addresses appear in the Bond Register. Each notice shall include the name of the successor Trustee and the address of its corporate trust office. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

Section 10.10 Acceptance of Appointment by Successor. Any successor Trustee appointed under this Trust Agreement shall execute and deliver to the Authority, to the City and to its predecessor Trustee an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed, or conveyance, shall become vested with all the moneys, rights, powers, trusts, and duties of the predecessor Trustee; but, at the Request of the Authority or the request of the successor Trustee, the predecessor Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to the successor Trustee all the right, title, and interest of such predecessor Trustee in and to any property held by it under this Trust Agreement and shall duly assign, transfer, and deliver to the successor Trustee all property and money held by the predecessor Trustee hereunder. Upon request of any successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more

fully and certainly vesting in and confirming to such successor Trustee all such moneys, properties, rights, powers, trusts, and duties.

Section 10.11 Merger or Consolidation. Any company or entity into which the Trustee may be merged or converted or with which it may be consolidated or any company or entity resulting from any merger, conversion, or consolidation to which it shall be a party or any company or entity to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company or entity shall be eligible under Section 10.08 (Corporate Trustee Required; Eligibility), shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. In case any Bonds shall have been executed, but not delivered, by the Trustee then in office, any successor by merger, conversion, or consolidation to such executing Trustee may adopt such execution and deliver the Bonds so executed with the same effect as if such successor Trustee had itself executed such Bonds.

Section 10.12 Preservation and Inspection of Documents. So long as any of the Bonds are Outstanding, all documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the City and any Owner, and their agents and representatives duly authorized in writing, at reasonable times and under reasonable conditions.

Section 10.13 Accounting Records and Reports. The Trustee will keep or cause to be kept proper books of record and accounts prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Authority and the City at reasonable hours and under reasonable conditions.

ARTICLE XI AMENDMENT OF THE TRUST AGREEMENT

Section 11.01 Supplemental Trust Agreements without Consent of Owners. This Trust Agreement and the rights and obligations of the Authority, of the Trustee, and of the Owners of the Bonds may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Authority and the Trustee may enter into without the consent of any Owners but only with the consent of the City and the Insurer (except for (C), (D), (F), and (G), for which no Insurer consent shall be required) and only to the extent permitted by law and only for any one or more of the following purposes:

(A) Additional Security: to add to the covenants and agreements of the Authority contained in this Trust Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(B) Curative Provisions: to make such provisions for the purpose of curing any ambiguity, inconsistency, or omission, or of curing or correcting any defective provision, contained in this Trust Agreement, or in regard to matters or questions arising under this Trust Agreement, or to make any other revisions or additions to this Trust Agreement as the Authority may deem

necessary or desirable, and that shall not materially and adversely affect the interests of the Owners of the Bonds;

(C) Trust Indenture Act Qualification: to modify, amend, or supplement this Trust Agreement in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions, and provisions as may be permitted by said act or similar federal statute, and that shall not materially and adversely affect the interests of the Owners of the Bonds;

(D) Redemption Notification: to modify or supplement the procedures for giving notice of redemption of Bonds in order to comply with regulations promulgated by the United States Securities and Exchange Commission;

(E) Credit Enhancement: to make modifications or adjustments necessary, appropriate, or desirable to accommodate credit enhancements including Reserve Facilities;

(F) Book-Entry Modifications: to amend, modify, or eliminate the book-entry registration system for the Bonds;

(G) Preservation of Tax-Exemption: to make such provisions as are necessary or appropriate to ensure the exclusion of interest on the Bonds from gross income for purposes of federal income taxation; and

(H) No Material Effect: for any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

Section 11.02 Agreements with Consent of Owners or Credit Enhancers.

(A) Consent of Owners. This Trust Agreement and the rights and obligations of the Authority, the Owners of the Bonds, and the Trustee may be modified or amended from time to time and at any time by a Supplemental Trust Agreement, which the Authority and the Trustee may enter into when the written consent of the City, the Insurer, and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee; provided that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this Section.

(B) Consent of Credit Enhancers. This Trust Agreement and the rights and obligations of the City and of the Owners of the Bonds and of the Trustee may also be modified or amended at any time by a Supplemental Trust Agreement entered into by the Authority and the Trustee, which shall become binding when the written consents of the City and each provider of a letter of credit or a policy of bond insurance for the Bonds shall have been filed with the Trustee, provided that at such time the payment of all the principal of and interest on all Outstanding Bonds shall be insured by a policy or policies of municipal bond insurance or payable under a letter of credit the provider of which be a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such insurance or letters of credit, in one of the two highest Rating Categories of Moody's and Standard & Poor's.

(C) Limitations on Amendments. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the principal amount thereof, or extend the time of payment or reduce the amount of any mandatory redemption payment provided for any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of principal of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Trust Agreement prior to or on a parity with the lien created by this Trust Agreement, or deprive the Owners of the Bonds of the lien created by this Trust Agreement on such assets (in each case, except as expressly provided in this Trust Agreement), without the consent of the Owners of all of the Bonds then Outstanding and the Insurer.

(D) Form of Consent. It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Trust Agreement, but it shall be sufficient if such consent shall approve the substance thereof.

(E) Notice of Amendment. Promptly after the execution and delivery by the Trustee and the Authority of any Supplemental Trust Agreement pursuant to this Section, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Trust Agreement to the Owners of the Bonds at the addresses shown on the Bond Register. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

Section 11.03 Execution of Supplemental Trust Agreements. In executing, or accepting the additional trusts created by, any Supplemental Trust Agreement permitted by this Article or the modification thereby of the trusts created by this Trust Agreement, the Trustee shall be entitled to receive, and, subject to Section 10.02 (Certain Duties and Responsibilities), shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Trust Agreement is authorized or permitted by this Trust Agreement. The Trustee may, but shall not be obligated to, enter into any such Supplemental Trust Agreement that affects the Trustee's own rights, duties, or immunities under this Trust Agreement or otherwise.

Section 11.04 Effect of Supplemental Trust Agreements. From and after the time any Supplemental Trust Agreement becomes effective pursuant to this Article, this Trust Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under this Trust Agreement of the Authority, the Trustee, and all Owners of Bonds Outstanding shall thereafter be determined, exercised, and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Trust Agreement shall be deemed to be part of the terms and conditions of this Trust Agreement for any and all purposes.

Section 11.05 Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after any Supplemental Trust Agreement becomes effective pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Trust Agreement, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such execution and presentation of his Bond for such purpose at the Corporate Trust Office or at

such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Trust Agreement shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Trust Agreement, shall be prepared by the Authority and executed by the Trustee and, upon demand of the Owners of any Bonds then Outstanding and upon surrender for cancellation of such Bonds, shall be exchanged at the Corporate Trust Office, without cost to any Owner, for Bonds then Outstanding in equal aggregate principal amounts of the same tenor and maturity.

Section 11.06 Amendment of Particular Bonds. The provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE XII BOND INSURANCE

[TO BE INSERTED]

[signature page follows]

IN WITNESS WHEREOF, the MADERA PUBLIC FINANCING AUTHORITY has caused this Trust Agreement to be signed in its name by its duly authorized officer and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., in token of its acceptance of the trusts created hereunder, has caused this Trust Agreement to be signed by one of the officers thereunder duly authorized, all as of the day and year first above written.

MADERA PUBLIC FINANCING AUTHORITY

By: _____
Authorized Officer

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee**

By: _____
Authorized Officer

**EXHIBIT A
FORM OF BOND**

**[\$[PAR AMOUNT]]
MADERA PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2019**

No. R- _____

\$ _____

MATURITY DATE	INTEREST RATE PER ANNUM	ORIGINAL ISSUE DATE	CUSIP:
February 1, 20__.	%	[CLOSING DATE]	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ DOLLARS

The MADERA PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency duly organized and validly existing under and pursuant to the laws of the State of California (the "Authority"), for value received hereby, promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal sum specified above, together with interest on such principal sum from their original issue date specified above until the principal hereof shall have been paid at the interest rate per annum specified above, payable on February 1, 2020, and semiannually thereafter on each February 1 and August 1. Interest due on or before the maturity or prior redemption of this Bond shall be payable by check mailed by first class mail to the registered owner hereof or, upon the written request of any owner of \$1,000,000 or more in aggregate principal amount of bonds (in accordance with the terms of the Trust Agreement described below), by wire transfer. The principal hereof is payable in lawful money of the United States of America at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

This Bond is one of a duly authorized issue of bonds of the Authority designated as its "Lease Revenue Bonds, Series 2019" (the "Bonds") in the aggregate principal amount of \$[PAR AMOUNT], all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a trust agreement dated May 1, 2019 (the "Trust Agreement"), between the Authority and the Trustee (copies of which are on file at the corporate trust office of the Trustee).

The Bonds are issued to provide funds to finance the cost of construction of a fire station for the City. The Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain proceeds of the Bonds held in certain funds and accounts

pursuant to the Trust Agreement and the revenues (the “Revenues”) derived from Rental Payments and other payments made by the City of Madera (the “City”) pursuant to a facilities lease dated May 1, 2019 (the “Facilities Lease”), by and between the Authority and the City. The Authority is not obligated to pay interest on and principal of the Bonds except from the Revenues. All Bonds are equally and ratably secured in accordance with the terms and conditions of the Trust Agreement by a pledge of and charge and lien upon the Revenues. The Revenues constitute a trust fund for the security and payment of the interest on and principal of the Bonds as provided in the Trust Agreement.

The full faith and credit of the Authority and the City of Madera are not pledged for the payment of the interest on or principal of the Bonds. No tax shall ever be levied or collected to pay the interest on or principal of the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge or lien upon any property of the Authority or any of its income or receipts except the Revenues. Neither the payment of the interest on nor principal of the Bonds is a debt, liability or general obligation of the Authority.

Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, the rights of the registered owners of the Bonds, security for payment of the Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds). All the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the Authority and the registered owner of this Bond. The registered owner of this Bond, by acceptance hereof, agrees and consents to all the provisions of the Trust Agreement.

[insert final redemption provisions after Bond sale]

Notice of redemption of this Bond shall be given by first class mail not less than thirty (30) days nor more than sixty (60) days before the redemption date to the registered owner hereof, subject to and in accordance with provisions of the Trust Agreement with respect thereto. If notice of redemption has been duly given as aforesaid and money for the payment of the above-described redemption price is held by the Trustee, then this Bond shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated, interest on this Bond shall cease to accrue and the registered owner of this Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof.

If an event of default, as defined in the Trust Agreement, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement; except that the Trust Agreement provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

This Bond is transferable by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount in authorized denominations will be issued to the

transferee in exchange therefor. The Authority and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication attached hereto shall have been executed and dated by the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

The rights and obligations of the Authority and of the registered owners of the Bonds may be modified amended at any time in the manner, to the extent, and upon terms provided in the Trust Agreement, which provide, in certain circumstances, for modifications and amendments without the consent of or notice to the registered owners of Bonds.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or laws of the State of California and is not in excess of the amount of Bonds permitted to be issued under the Trust Agreement.

IN WITNESS WHEREOF, the Madera Public Financing Authority has caused this Bond to be executed in its name and on its behalf by the Chair of the Authority and countersigned by the Secretary of the Authority, and has caused this Bond to be dated as of the original issue date specified above.

MADERA PUBLIC FINANCING AUTHORITY

By: _____
Chair of the Board

Countersigned:

Secretary of the Board

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within mentioned Trust Agreement which has been authenticated on [CLOSING DATE].

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By: _____
Authorized Officer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within Bond and do(es) hereby irrevocably constitute and appoint _____ attorney, to transfer the same on the bond register of the Trustee, with full power of substitution in the premises.

Dated: _____

NOTE: The signature(s) to this Assignment must correspond with the name(s) on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature(s) Guaranteed by:

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution (being banks, stock brokers, savings and loan associations, and credit unions with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17A(d)15.

Social Security Number, Tax Identification Number, or other identifying number of Assignee: _____

LEGAL OPINION

The following is a true copy of the opinion rendered by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds described therein. A signed copy is on file in my office.

Secretary of the Board

Members of the Board
Madera Public Financing Authority
205 West 4th Street
Madera, California 93637

Re: \$[PAR AMOUNT]
 Madera Public Financing Authority
 Lease Revenue Bonds, Series 2019
 (Final Opinion of Bond Counsel)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Madera Public Financing Authority (the “Authority”) of \$[PAR AMOUNT] aggregate principal amount of its Lease Revenue Bonds, Series 2019 (the “Bonds”). The Bonds are authorized to be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 (the “Act”) (Article 4, Chapter 5, Division 7, Title 1 of the California Government Code) and all laws of the State of California supplemental thereto and pursuant to the provisions of a trust agreement (the “Trust Agreement”) dated May 1, 2019, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the Authority and the City contained in the Trust Agreement, the Facilities Lease, and the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Authority has been duly created and is validly existing as a public agency of the State of California with full power and authority to enter into the Site Lease, the Facilities Lease, and the Trust Agreement; to perform the other agreements on its part contained in the Trust Agreement; and to issue the Bonds.

2. The Trust Agreement has been duly executed and delivered by the Authority and is a valid and binding obligation of the Authority.

3. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues, as such term is defined in the Trust Agreement, and all other amounts held in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement, to the extent set forth in the Trust Agreement and subject to the provisions of the Trust Agreement that permit the Authority to apply the Revenues and other amounts for the purposes and on the terms and conditions set forth in the Trust Agreement. The Trust Agreement also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Authority in the Facilities Lease, to the extent more particularly described in the Trust Agreement.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Trust Agreement.

5. The Site Lease and the Facilities Lease have been duly executed and delivered by, and constitute the valid and binding obligations of, the Authority and the City.

6. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge and assignment. Neither the faith and credit nor the taxing power of the City, the State of California, or any subordinate entity or political subdivision of either is pledged to the payment of the principal of or interest on the Bonds. The Authority has no taxing power. The Bonds are not a debt of the City, the State of California, or any other political subdivision of the State of California, none of which is liable for the payment thereof.

7. The obligation of the City to make Rental Payments pursuant to the Facilities Lease does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

8. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the City have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences, arising with respect to the accrual or receipt of interest on, or the ownership or disposition of the Bonds.

9. Interest on the Bonds is exempt from State of California personal income taxes.

The opinions set forth above are further qualified as follows:

a. The rights of the holders of the Bonds and the enforceability of the Bonds, the Site Lease, the Facilities Lease, and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws affecting creditors' rights generally, the application of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith, and fair dealing, the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and the limitations on legal remedies imposed on actions against public agencies in the State of California.

b. We express no opinion as to the enforceability under certain circumstances of contractual provisions respecting various summary remedies without notice or opportunity for hearing or correction, especially if their operation would work a substantial forfeiture or impose a substantial penalty upon the burdened party.

c. We express no opinion as to the effect or availability of any specific remedy provided for in the Trust Agreement or the Facilities Lease under particular circumstances, except that we believe such remedies are, in general, sufficient for the practical realization of the rights intended thereby.

d. We express no opinion as to the enforceability of any indemnification, contribution, choice of law, choice of forum, or waiver provisions contained in the Trust Agreement or the Facilities Lease.

e. We express no opinion as to the state or quality of title to any or the real or personal property described in the Site Lease or the Facilities Lease, nor do we express any opinion as to the accuracy or sufficiency of the description of any such property contained therein;

f. We express no opinion as to the enforceability of any remedies under the Facilities Lease with respect to environmental matters to the extent that the exercise or application of such remedies is inconsistent with or in violation of California Code of Civil Procedure section 726.5 or 736 or of California Civil Code section 2929.5;

g. We undertake no responsibility for the accuracy, completeness, or fairness of the Official Statement or any other offering materials relating to the Bonds and express no opinion herein with respect thereto;

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person whether any such actions are taken or omitted or events do occur. We disclaim any obligation to update this opinion for events occurring after the date hereof.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD
A Professional Corporation

[FORM OF STATEMENT OF INSURANCE]

EXHIBIT B

FORM OF COSTS OF ISSUANCE FUND REQUISITION

**MADERA PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2019**

To: The Bank of New York Mellon Trust Company, N.A., Trustee:
100 Pine Street, Suite 3100
San Francisco, CA 94111

The undersigned is authorized to submit this requisition pursuant to the terms of the Trust Agreement dated May 1, 2019, between the Madera Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trust Agreement"). Terms used herein have the meaning set forth in the Trust Agreement. The City of Madera hereby requests payment of the amounts to the parties as set forth on the attached Schedule I.

Obligations in the stated amounts have been incurred by the City and are presently due and payable. Each item is a proper charge against the Costs of Issuance Fund and has not been previously paid from the fund.

Attached hereto are invoices for each payment requested in Schedule I.

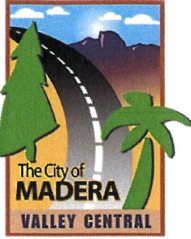
CITY OF MADERA

By: _____
[name]
[title]

SCHEDULE I

[Please see attached invoices for delivery and/or wire instructions]

Item	Payee	Amount	Purpose
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
	Total		

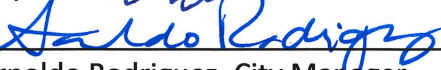


REPORT TO CITY COUNCIL

Approved by:



Department Director



Arnaldo Rodriguez, City Manager

Council Meeting of: April 17, 2019

Agenda Number: C-2

SUBJECT: Consideration of a Resolution Authorizing the Reallocation of a Housing Related Parks Program Grant in the Amount of \$134,571 and Submittal of Grant Amendment to State

RECOMMENDATION: Staff recommends that Council approve the resolution authorizing the reallocation of Housing Related Parks Program (HRPP) grant funds for new playground equipment at Pan-American Park in the amount of \$134,571.

SUMMARY:

City of Madera (City) approved a Resolution authorizing submittal of a HRPP grant March 15, 2017. The plan at that time was to use HRPP funding to implement the acquisition and development of a passive recreation park project in northeast Madera. Grant funds would be used for the costs of park facility acquisition, creation and development. The project would enhance the City's recreational facility inventory with a new asset of physical property with an expected useful life of 15 years or more.

DISCUSSION:

A suitable site has not been located for the project and grant funds must be requested as a reimbursement or cash advance no later than April 30, 2019 and expended by June 30, 2019. In an effort to preserve the funding, Staff met to discuss alternatives. The following list of potential projects has been identified:

1. Purchase a lawnmower to increase productivity, efficiency and reduce maintenance.
2. Consider purchasing a parcel within the Airport's Industrial Park.
3. Request an extension from the State.
4. Use the funds to further develop parking facilities at the Sunrise Rotary Sports Complex.

5. Consider purchasing a County parcel adjacent to the Vernon McCullough Fresno River Trail.
6. Use the funds in a part that qualifies for HRPP Park Deficient and Disadvantaged Community bonus points.
7. Purchase playground equipment for the Pan-American Park.

Staff determined alternative No. 6 is the preferred strategy. Reallocating the HRPP grant expedites the drawdown of grant funds. Staff has discussed the proposed reallocation with the State and has direction for how to submit the amendment. This change allows us to maintain Park Deficient and Disadvantage Community HRPP bonus points.

Shifting the funds allows for the purchase of new playground equipment for the Pan-American Park. Existing equipment is worn from many years of use. New equipment enhances the Pan-American Park's playground for its many users. Staff received a quote from North State Playgrounds (NSP³) for \$133,554.01. Please see the attached quote dated April 10, 2019.

FINANCIAL IMPACT: The proposed action will not impact the General Fund.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN:

Strategy 113: Promote greater accessibility to City facilities and services to meet the needs of various cultural, socio-economic and disabled groups.

Strategy 404: Community Wellness: Promote increased community wellness.

Strategy 411: Recreational Opportunities: Enhance and expand recreational activities available to Maderans.

Strategy 414: Neighborhood Parks: Ensure recreational availability by providing a park near every neighborhood.

ALTERNATIVES: Not approving staff's recommendation may result in the following:

1. Return \$134,571 to the State.
2. No improvements to Pan-American Park.

ATTACHMENTS:

1. Resolution
2. April 10, 2019 Quote from NSP³

RESOLUTION NO. 19-____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MADERA, CALIFORNIA
AUTHORIZING REALLOCATION OF A HOUSING RELATED PARKS PROGRAM GRANT IN THE
AMOUNT OF \$134,571 AND SUBMITTAL OF GRANT AMENDMENT TO THE STATE**

WHEREAS: City Council approved a Resolution authorizing amendments to the Fiscal Year 2018/2019 Capital Projects Budget appropriating funds to specified accounts for work related to the acceptance of a donation of land for a future municipal park; and

WHEREAS: Plans were to use HRPP funding to implement the acquisition and development of a passive recreation park project in northeast Madera; and

WHEREAS: Grant funds would be used for the costs of park facility acquisition, creation and development; and

WHEREAS: A suitable site has not been located for the project and grant funds must be requested as a reimbursement or cash advance no later than April 30, 2019 and expended by June 30, 2019

WHEREAS: Staff met to discuss the ability to use the HRPP grant and determined alternatives to purchasing land; and

WHEREAS: Staff determined purchasing playground equipment for the Pan-American Park is the preferred strategy; and

WHEREAS: Reallocating the HRPP grant expedites the drawdown of grant funds; and

WHEREAS Staff has discussed the proposed reallocation with the State and has direction for how to submit the amendment.

NOW, THEREFORE, THE CITY COUNCIL, OF THE CITY OF MADERA, CALIFORNIA, hereby finds, orders, and resolves as follows:

1. The above recitals are true and correct.
2. The City Council hereby approves the Reallocation of the HRPP Grant and submittal of requisite amendment to the State.
3. The City Clerk and the Grant Administrator are authorized to effectuate the Resolution and reallocation.
4. This resolution is effective immediately upon adoption.

QUOTE



Corporate Office
 1555 Tahoe Court
 Redding, CA 96003
 Tax ID#: 72-1545106
 Main#: (877) 473-7619
 Fax#: (530) 246-0518

QUOTE TO:
City of Madera
John Scarborough
1030 S. Gateway
Madera, CA 93637

SITE ADDRESS:

DATE: 4/10/2019
 QUOTE #: Q19-1781

Main #: 559-661-5494
 Email: jscarborough@cityofmadera.com

REP: Kasanna@nsp3.com
 PROJECT: Pan Am Park
 TERMS: Net 30dys / Install

QTY	VENDOR	MODEL#	DESCRIPTION	RATE	TOTAL
			Omnia Partners: National IPA Contract #R170304 City of Madera Member #1023316		
			Issue Purchase Order to: Playcraft Systems 123 North Valley Drive Grants Pass, CA 97526		
1	Playcraft	PR-R35	Custom Round 3.5 Steel Play System SN: R3595C27A Age Group: 2-5 Use Zone: 35' x 27'	27,972.00	27,972.00T
1	Playcraft	PR-R5	Custom Round 5 Steel Play System SN: R50BCAC0A Age Group: 5-12 Use Zone: 32' x 40'	40,098.00	40,098.00T
1	Playcraft	A2-2123-2HB	8ft Arch Swing (2 Half Buckets) - 3.5" Dia. Posts	2,160.00	2,160.00T
1	Playcraft	A2-1302	2-5 Age Appropriate Sign (HDPE)	717.00	717.00T
1	Playcraft	A2-1303	5-12 Age Appropriate Sign (HDPE)	717.00	717.00T
2	Anova	PBM6B	Recycled Plastic 6' Contour Bench, Black Frame	865.00	1,730.00T
		PCF	PlayCraft Freight w/ Liftgate & Pallet Jack	2,300.00	2,300.00
			**PlayCraft shipping pallet dimensions can reach upwards of 4'W x 8'H x 18'L. Offloading is the CUSTOMERS responsibility and is NOT included in shipping costs. Please discuss offloading options with an NSP3 representative PRIOR to placing an order.		
		AFF	Anova Furnishings Freight	420.00	420.00

QUOTE GOOD FOR 30 DAYS	SUBTOTAL
	SALES TAX (8.25%)
	TOTAL

Representative Authorized to Order: _____ Date: _____
SIGNED QUOTE REQUIRED TO ORDER

ORDER/DELIVERY INFORMATION: (Unless otherwise specified)
 Offloading and installation are customer's responsibility. Please consult your sales representative for shipping and delivery time line. Time line will depend on equipment ordered. Please schedule delivery time with your commercial freight company. NSP3 will provide name and phone number of freight company.

QUOTE



Corporate Office
 1555 Tahoe Court
 Redding, CA 96003
 Tax ID#: 72-1545106
 Main#: (877) 473-7619
 Fax#: (530) 246-0518

QUOTE TO:
 City of Madera
 John Scarborough
 1030 S. Gateway
 Madera, CA 93637

SITE ADDRESS:

DATE: 4/10/2019
 QUOTE #: Q19-1781

Main #: 559-661-5494
 Email: jscarborough@cityofmadera.com

REP: Kasanna@nsp3.com
 PROJECT: Pan Am Park
 TERMS: Net 30dys / Install

QTY	VENDOR	MODEL#	DESCRIPTION	RATE	TOTAL
		Install PA	Installation by Park Associates Inc. CA - Lic# 959805 DIR# 1000003741 BID AT PREVAILING WAGE Installation assumes normal digging conditions with standard bobcat & auger.		
		Install ADD	Furnish Temporary Fencing Demo Existing Play Equipment Pull back existing rubber mulch to reuse Install additional rubber mulch Install 2 – 5 Years old playground Install 5 – 12 years old playground Install single bay swing Offload, store, and transport equipment	65,250.00	65,250.00
		Discount	Omnia Partners: National IPA Contract #R170304 City of Madera Member #1023316	-13,865.00	-13,865.00

QUOTE GOOD FOR 30 DAYS	SUBTOTAL
	SALES TAX (8.25%)
	TOTAL

Representative Authorized to Order: _____ Date: _____
 SIGNED QUOTE REQUIRED TO ORDER

ORDER/DELIVERY INFORMATION: (Unless otherwise specified)
 Offloading and installation are customer's responsibility. Please consult your sales representative for shipping and delivery time line. Time line will depend on equipment ordered. Please schedule delivery time with a commercial freight company. NSP3 will provide name and phone number of freight company.

QUOTE



Corporate Office
1555 Tahoe Court
Redding, CA 96003
Tax ID#: 72-1545106

Main#: (877) 473-7619
Fax#: (530) 246-0518

QUOTE TO:

City of Madera
John Scarborough
1030 S. Gateway
Madera, CA 93637

SITE ADDRESS:

DATE: 4/10/2019

QUOTE #: Q19-1781

REP: Kasanna@nsp3.com

Main #: 559-661-5494

PROJECT: Pan Am Park

Email: jscarborough@cityofmadera.com

TERMS: Net 30dys / Install

QTY	VENDOR	MODEL#	DESCRIPTION	RATE	TOTAL
			<p>Exclusions: Site preparation including containment border. Marking of any underground utilities and/or obstructions Inspections or applicable permits and fees Removal of obstacles to reach construction site.</p> <p>Bobcat & concrete truck access required.</p> <p>*Additional fees may apply if Bonding or Special Insurance required* **Location and Marking of utility, plumbing and irrigation lines is the responsibility of the customer. NSP3 is not responsible for repairing unmarked underground utilities and pipes.**</p> <p>By signing below you acknowledge and agree to our Contract; Exclusions, Conditions & Payment Terms, which are to be included in, and supersede any additional contracts or sub-contract agreements made separately based on this "Estimate". Unless otherwise specified above we Exclude Responsibility for: material delivery &/or offloading equipment, storing of equipment, removal of packaging accumulated by equipment supplied by others, project security, landscape & hardscape repair based on access route to site, delays or returns due to layout conflicts, missing or damaged components & hardware, locating underground utilities; utilities, pipes, obstructions in work area, conditions unforeseen and/or not disclosed at time of estimate, permits, engineering, material testing, soil samples. Conditions: Grades; stable, compacted, & workable (rough grade to be taken + or - one tenth of one inch), adequate access to work site provided for workmen, materials, tools & equipment. Quote assumes all labor to be completed without interruption.</p>		
QUOTE GOOD FOR 30 DAYS				SUBTOTAL	\$127,499.00
				SALES TAX (8.25%)	\$6,055.01
				TOTAL	\$133,554.01

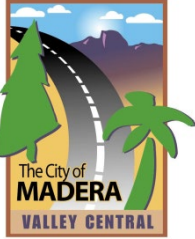
Representative Authorized to Order: _____

Date: _____

SIGNED QUOTE REQUIRED TO ORDER

ORDER/DELIVERY INFORMATION: (Unless otherwise specified)

Offloading and installation are customer's responsibility. Please consult your sales representative for shipping and delivery time line. Time line will depend on equipment ordered. Please schedule delivery time with your commercial freight company. NSP3 will provide name and phone number of freight company.



REPORT TO CITY COUNCIL

Approved by:

Wendy Silva
Wendy Silva, Director of Human Resources

Arnoldo Rodriguez
Arnoldo Rodriguez, City Manager

Council Meeting of: April 17, 2019

Agenda Number: E-1

SUBJECT:

Status Report on City Clerk Recruitment and Request to Set Dates for Both Applicant Selection and Interviews

RECOMMENDATION:

It is requested that the City Council (Council) set dates for application review and candidate interviews for the City Clerk recruitment.

SUMMARY:

The purpose of this report is to provide the Council an informational update on the status of the City Clerk recruitment, as well as set dates for applicant selection and interviews with the Council.

DISCUSSION:

The Council appointed an Ad Hoc Committee consisting of Mayor Pro Tem Montes and Councilwoman Gallegos to oversee and direct staff on a recruitment for City Clerk. The Ad Hoc Committee has met with staff and completed the following to date:

- Reviewed the current job description for City Clerk and recommended updates
- Reviewed the advertising plan
- Reviewed the first draft advertising brochures
- Provided direction to staff on the application review process to be utilized

The advertising plan for City Clerk, as well as City Attorney contained in a subsequent report on this agenda, includes a published ad in the League of California Cities' *Western City* magazine. This ad will publish in the May issue, which generally reaches mailboxes the first week of the month. Publishing in the League's magazine will provide a State-wide recruitment, as well as regionally on the West Coast of the United States. The proposed timeline for the recruitment uses this ad as the kick-off for the application filing period. The City will also use direct mailings and advertisements through professional organizations to attract qualified applicants. Staff

anticipates the recruitment timeline will look as follows and is seeking Council feedback specifically on scheduling a meeting for selection of which applicants to interview and a meeting to interview selected applicants. The interview date will be included in the advertisement so that applicants who are interested in the position know when they will need to be available for interviews and can plan accordingly.

Application Filing Period Opens:	Wednesday, May 1, 2019
Application Filing Period Closes:	Friday, May 24, 2019
Applications Available for Council Review:	Beginning Tuesday, May 28, 2019

The intent of the final item in the above timeline is to allow Council an opportunity to review the applications received at their convenience, and then schedule a closed session item for Council to collectively discuss the applicants and determine which applicants will be invited to interview. Council has the following scheduled meetings in June and staff is seeking direction on which meeting to schedule the discussion of which applicants to interview.

1. Wednesday, June 5: Regular meeting
2. Wednesday, June 12: Special meeting – Budget Workshop
 - a. Could agendaize to occur at 5pm before the Budget Workshop
 - b. Could agendaize to occur at the end of the Budget Workshop
3. Wednesday, June 19: Regular meeting
4. Wednesday, June 26: Special meeting – Final Budget Presentation
 - a. Could agendaize to occur at 5pm before the Budget Presentation
 - b. Could agendaize to occur at the end of the Budget Presentation

Staff is further requesting Council provide direction on the date to schedule applicant interviews. These can be scheduled for a Saturday, or alternatively on a weekday or weekday evening depending on Council's availability. A June calendar showing existing meeting dates is provided as Exhibit 1 to assist Council in visualizing the schedule.

FINANCIAL IMPACT:

Scheduling for the City Clerk recruitment timeline will have no financial impact.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN:

The information contained herein is not addressed by the Vision Madera 2025 plan, nor is the information in conflict with that plan.

ALTERNATIVES:

This report is for informational purposes and is seeking Council direction on the recruitment schedule.

ATTACHMENTS:

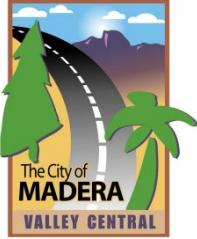
Exhibit 1: June calendar

June

2019

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
May 26	27 Memorial Day Holiday	28 Applications Available for Review	29 Special Meeting: Preliminary Budget	30	31	1
2	3	4	5 Regular Meeting	6	7	8
9	10	11 Planning Commission	12 Special Meeting: Budget Workshop	13	14	15
16	17	18	19 Regular Meeting	20	21	22
23	24	25	26 Special Meeting: Final Budget	27	28	29
30	July 1	2	3 Regular Meeting	4 4 th of July Holiday	5	6

- Task 1: Select Date for Review of City Clerk Applicants (Closed Session)
- Task 2: Select Date for City Clerk Applicant Interviews



REPORT TO CITY COUNCIL

Approved by:



Wendy Silva, Director of Human Resources



Arnaldo Rodriguez, City Manager

Council Meeting of: April 17, 2019

Agenda Number: E-2

SUBJECT:

Status Report on City Attorney Recruitment and Request for Proposals to Provide Legal Services, and Request to Set Dates for Candidate Selection and Interviews

RECOMMENDATION:

It is requested that the City Council (Council) set dates for application/proposal reviews and candidate interviews for the City Attorney position.

SUMMARY:

The purpose of this report is to provide the Council an informational update on the status of the City Attorney selection process, as well as set dates for candidate selection and interviews with the Council.

DISCUSSION:

The Council appointed an Ad Hoc Committee consisting of Councilmembers Garcia and Rodriguez to oversee and direct staff on both a recruitment for City Attorney and a Request for Proposals (RFP) to explore provision of City Attorney services through contract counsel.

Briefly, the City Attorney selection process is being approached in three parts to ensure compliance with the City's purchasing policy:

1. Procurement of immediate services under a Purchase Order (PO) – **complete**
2. Expedited RFP for Interim Legal Services – **anticipated publication date 4/12/19**
3. Recruitment and standard RFP for Legal Services to be run concurrently

The Ad Hoc Committee has met with staff and completed the following to date:

- Reviewed the current job description
- Reviewed the advertising plan

- Reviewed the first draft advertising brochures
- Provided direction to staff on the RFP scope of work; requested staff have scope reviewed by outside legal counsel prior to publication
- Provided direction to staff on RFP proposal requirements

Interim Legal Services

When direction was first sought from Council on next steps in securing legal services, Council directed the City Manager to secure immediate services under a PO. The Ad Hoc Committee was appointed to oversee and direct the process of the recruitment and RFP for long term legal services. Due to the City’s purchasing policy, a middle-step is required that will involve an expedited RFP for Interim Legal Services. This will bridge the gap between the PO issuance and the formal recruitment/RFP process conclusion, and ensure compliance with the City’s purchasing policy. Staff is seeking direction from Council on review and selection of services to be provided under the Interim Legal Services RFP.

Specifically, who will have the authority to review the Interim Legal Services proposals and recommend award of an interim services agreement:

- City Manager
- Council Ad Hoc Committee
- Full City Council
 - If the process will involve the Council as a whole, staff requests that two dates be set:
 - Date for review of proposals and selection of firms to interview
 - Date for interviews of firms

Any agreement recommended for award under the Interim Legal Services RFP will be presented to the Council in open session at a scheduled meeting for consideration of approval. Staff currently anticipates the following timeline:

Proposal Filing Period Opens:	Friday, April 12, 2019
Proposal Filing Period Closes:	Thursday, May 2, 2019
<i>Review of Proposals and Interviews with Candidates</i>	<i>May 3-13, 2019</i>
Potential Award of Agreement:	Council Meeting of May 15, 2019

Long Term Legal Services

Council has requested that staff conduct both a recruitment for an in-house City Attorney as well as an RFP to potentially contract out City Attorney services going forward so that candidates for both options can be interviewed prior to making a determination on how the services will be provided going forward. The two processes will be timed so that selection and interviewing of candidates will occur simultaneously for both options.

The advertising plan for the City Attorney Recruitment includes a published ad in the League of California Cities’ *Western City* magazine. This ad will publish in the May issue, which generally

reaches mailboxes the first week of the month. Publishing in the League’s magazine will provide a State-wide recruitment, as well as regionally on the West Coast of the United States. The proposed timeline for the recruitment uses this ad as the kick-off for the application filing period. The City will also use direct mailings and advertisements through professional organizations and publications to attract qualified applicants. Staff anticipates the recruitment timeline will look as follows and is seeking Council feedback specifically on scheduling a meeting for selection of which applicants to interview and a meeting to interview selected applicants. The interview date will be included in the advertisement so that applicants who are interested in the position know when they will need to be available for interviews and can plan accordingly. The RFP for Legal Services will be published with the same period of time for advertising and submittal of proposals.

Application/Proposal Filing Period Opens:	Wednesday, May 1, 2019
Application/Proposal Filing Period Closes:	Friday, May 24, 2019
Applications/Proposals Available for Council Review:	Beginning Tuesday, May 28, 2019

The intent of the final item in the above timeline is to allow Council an opportunity to review the applications and proposals received at their convenience, and then schedule an agendized item for Council to collectively discuss the applicants/firms and determine which applicants/firms will be invited to interview. Council has the following scheduled meetings in June and staff is seeking direction on which meeting to schedule the discussion of which applicants/firms to interview.

1. Wednesday, June 5: Regular meeting
2. Wednesday, June 12: Special meeting – Budget Workshop
 - a. Could agendize to occur at 5pm before the Budget Workshop
 - b. Could agendize to occur at the end of the Budget Workshop
3. Wednesday, June 19: Regular meeting
4. Wednesday, June 26: Special meeting – Final Budget Presentation
 - a. Could agendize to occur at 5pm before the Budget Presentation
 - b. Could agendize to occur at the end of the Budget Presentation

Staff is further requesting Council provide direction on the date to schedule applicant/firm interviews. These can be scheduled for a Saturday, or alternatively on a weekday or weekday evening depending on Council’s availability. A June calendar showing existing meeting dates is provided as Exhibit 1 to assist Council in visualizing the schedule.

FINANCIAL IMPACT:

Scheduling for the City Attorney recruitment and RFP timelines will have no financial impact.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN:

The information contained herein is not addressed by the Vision Madera 2025 plan, nor is the information in conflict with that plan.

ALTERNATIVES:

This report is for informational purposes and is seeking Council direction on the recruitment/RFP schedule.

ATTACHMENTS:

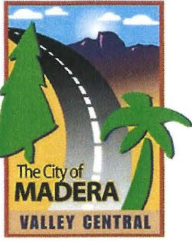
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- Task 1: Select Date for Review of City Attorney Applicants/Proposals (Closed Session)
- Task 2: Select Date(s) for City Attorney Applicant Interviews and Firm Interviews



REPORT TO CITY COUNCIL

Approved by:

John Scarborough, Interim Public Works Director

Arnaldo Rodriguez, City Manager

Council Meeting of: April 17, 2019

Agenda Number: E-3

SUBJECT:

Request for City Council Direction Regarding Operation and Management Lease Agreement with SGM Inc. dba Sierra Golf Management Inc. Regarding Renewal Options for the Madera Municipal Golf Course Operations.

RECOMMENDATION:

Staff recommends that the City Council (Council) provide direction to staff regarding renewal options for the Operation and Management Lease Agreement with SGM Inc. dba Sierra Golf Management Inc. (Sierra).

SUMMARY:

On October 7, 2009, the City entered into a 10-year agreement with Sierra for the management of the Madera Municipal Golf Course (Golf Course). The Operation and Management Lease Agreement is a full-service contract that includes the maintenance and management of all Golf Course activities, such as pro shop sales, rental of golf carts, collection of fees for services, and food, beverage, and banquet services. The Operation and Management Lease Agreement is set to terminate on October 31, 2019 but may be extended an additional five years by mutual agreement of both parties. Should Council wish to renew this existing agreement with Sierra, a notice of intent to extend must be submitted to them 180 days in advance of expiration, or by May 3, 2019, to allow for negotiations prior to the expiration date.

DISCUSSION:

Staff has identified the following options for navigating through the possible expiration of the Golf Course Operation and Management Lease Agreement:

Submit 180 Day Notice of Intent to Extend:

Staff would prepare and submit to Sierra a notice of intent to extend. This would allow 180 days to negotiate the terms of a 5-year extension per the existing agreement. By choosing to move forward with this option, Council does not bind themselves to extending the agreement. Staff will bargain in good faith until an amendment has been agreed upon to bring back to Council for a final vote. If an agreement is not reached through the negotiation process, the Agreement automatically expires on October 31, 2019.

If Council directs staff to issue the notice and begin negotiations, City workshops on this topic and negotiations with Sierra must be completed in time to allow for a Request for Proposals (RFP) to be generated and awarded in the event that negotiations are unsuccessful. The typical timeline for development and award of an RFP is approximately 120 days, which allows approximately 60 days for staff and Council to finish the negotiation process.

Do Not Submit Notice of Intent to Extend:

This option assumes the current vendor will formally terminate its activities with the City as of October 31, 2019. The period prior to the termination date will be used primarily to generate and advertise an RFP to secure a new vendor. Council may, however, consider other options during this process. It is important to note that if this option is chosen, the current vendor may choose to bid on the new contract, but no guarantee exists that they would be chosen. Additionally, the cost of the contract may fluctuate significantly, even under the same vendor.

ALTERNATIVES:

1. Direct staff to issue a notice of intent to extend the agreement.
This option will allow Council to negotiate with the current vendor to determine if mutually agreeable terms are attainable. If after negotiations, Council believes contract negotiations are not being productive, Council may direct staff to not exercise the remaining five-year extension contained in the agreement and enter the competitive bid process to secure a new vendor.
2. Direct staff not to issue a notice of intent to extend the agreement.
With this option, the City would allow the current agreement with Sierra to expire in October 2019. Staff would immediately begin preparation of an RFP for advertisement for a new Operation and Management Lease Agreement at the Golf Course.

FINANCIAL IMPACT:

There is no financial impact at this time, although additional expense or savings could be realized through the negotiation or RFP process.

CONSISTENCY WITH THE VISION MADERA 2025 PLAN:

Strategy 202: Develop/expand and promote community gathering places that reflect the multicultural community in Madera.

Strategy 333: Ensure affordable, high-quality sports programs for participants of all ages.

Strategy 411: Enhance and expand recreational activities available to Maderans.

ATTACHMENTS:

1. Operation and Management Lease Agreement and Amendments

**MADERA MUNICIPAL GOLF COURSE
OPERATION AND MANAGEMENT LEASE AGREEMENT**

This Operation and Management Lease Agreement ("Lease Agreement") is made and entered into this 7th day of October 2009 by and between the **City of Madera**, a municipal corporation of the State of California, hereinafter called "City" and SGM Inc. dba Sierra Golf Management Inc., Post Office Box 788 Chowchilla, California 93610, hereinafter referred to as "Sierra" both hereinafter collectively referred to as "the parties."

RECITALS

WHEREAS, the City owns and operates the Madera Municipal Golf Course, hereinafter called "Golf Course," for the use and benefit of the public; and;

WHEREAS, the City desires to provide the highest level of service to the community of Madera by providing an improved golf course facility and related operations: and:

WHEREAS, the City has determined to privatize the management and operation of the Madera Municipal Golf Course by leasing the entire facility, including the clubhouse, to Sierra; and;

WHEREAS, The City desires to provide pro shop sales and rental of golf equipment and supplies, conduct driving range, rental of carts, provide golf lessons and instruction, collect fees for services, perform course and facility related maintenance provide food, beverages service, provide banquet and other concession services for the convenience and enjoyment of the public at Golf Course; and Sierra is engaged in the such business, and is prepared, equipped and qualified to undertake such operations and provide all services required herein, at Golf Course; and

WHEREAS, Sierra has submitted a proposal to operate golf course operations dated September 10, 2009, attached hereto as Exhibit "A". Sierra has responded to a Request for Qualifications and has experience in golf course operations and related concessions. City and Sierra wish to enter into a contract for such services; and

NOW, THEREFORE, in mutual consideration of the terms, covenants, and conditions set forth herein, the parties agree as follows:

TERMS

1. Leased Premises. City hereby leases to Sierra and Sierra hereby leases from City the real property, and all the facilities and improvements situated thereon, located in the City of Madera, California, commonly known as Madera Municipal Golf Course located on Avenue 17 near the Airport in the City of Madera (the "Leased Premises") which Leased Premises consist of an eighteen-hole golf course, an adjacent parking area, a

driving range, a clubhouse, a banquet facility as well as other structures, buildings, facilities, equipment, and shop equipment (Exhibit B).

2. Term. This Lease Agreement shall commence on November 1, 2009 (the "Effective Date") and shall continue in full force and effect for a period of five (5) years ("Initial Term"), thereafter terminating on October 31, 2014 ("Termination Date"), unless extended sooner or otherwise terminated sooner as provided herein, save and except, Sierra's lease of the clubhouse and banquet facilities and food and beverage operation shall not commence until March 15, 2010, unless the current tenant agrees to terminate its tenancy and vacate earlier than March 15, 2010, and which shall terminate on October 31, 2014.

The City may, in its sole discretion, grant one (1) option to Sierra to extend this Lease Agreement ("Renewal Option"), for an additional five (5) year period ("Renewal Term"), which Renewal Option will only take effect upon the mutual written consent of the parties. The City shall give Sierra no less than 180 days written notice of its intent to extend the Lease for an additional five (5) year period, at which point the City shall enter into negotiations with Sierra to extend this Lease Agreement beyond the Renewal Term. The parties agree to negotiate in good faith. In the event City and Sierra are unable during such 180-day period to reach agreement on the lease terms, this Lease Agreement shall terminate and shall be of no further force and effect and except as may specifically be provided for elsewhere in this Lease Agreement, neither City nor Sierra shall have any further obligations hereunder.

3. Holding Over. In the event Sierra shall holdover or remain in possession of the Leased Premises with the express or the implied consent of the City after expiration of the Initial Term or any Renewal Term(s) thereof, such holding over or continued possession shall create a tenancy for month-to-month only, upon the same terms and conditions as are herein set forth and in effect the last month prior to the expiration of the then current term of this Lease Agreement. Rent during any such hold over period shall be calculated as set forth in Section 5.10 of this Lease Agreement.

4. Use of the Leased Premises.

4.1. Condition of the Leased Premises. Sierra acknowledges personal inspection of the Leased Premises and the surrounding areas and evaluation of the extent to which the physical condition of the Leased Premises and of the surrounding areas will or may effect the operation of the Leased Premises. Except as otherwise provided herein, Sierra expressly acknowledges its acceptance of the Leased Premises in its "As-Is, Where-Is" condition and acknowledges existing easements for roadways, sewer, and water lines, and further acknowledges the City has made no representations or warranties as to the condition of the Leased Premises or its fitness for the use intended hereunder. Sierra shall make no demands upon the City for any improvements or alterations of the Leased premises, except as provided herein.

4.2. Warranty of Title. The City warrants and represents that it has sole and exclusive rights and title to the Leased Premises, subject only to the rights of the United States of America, as more specifically set forth herein, and debt service on bond

obligations for the purchase of the real property, such that it may enter into this Lease Agreement. The City further warrants and represents that the execution, delivery or performance of this Lease Agreement will not conflict with or violate any other agreement by which the City is bound, or any law, rule, regulation or ordinance by which the City is bound.

4.3. Zoning Classification. Sierra understands and acknowledges the Leased Premises are located within a Public/Semi-Public Zoning District and that Sierra's management and operation of the Leased Premises shall be subject to those regulations applicable to that zoning district, in addition to all other applicable standards or provisions of federal, state or local law. The City represents that the operation of a municipal golf course is consistent with this zoning classification and the permissible uses within this zoning classification.

4.4. Permitted Use. The Leased Premises shall be used only and exclusively for a golf facility and such other purposes including, but not limited to, operation of an eighteen-hole golf course and practice facility; fee-based use by the general public of the golf course and the practice facilities; golf instruction; pro-shop sales and activities; fee-based business sponsored golf outings, including leagues and tournaments; and operation of a restaurant and banquet facility and associated food and beverage services. Any other uses shall require the express prior written consent of the City. Sierra shall work cooperatively with the City with regard to the use of the Leased Premises for City recreational programs and activities. All revenue generated by Sierra shall be the property of Sierra including one hundred (100) percent of all gross receipts from the sale of green fees, green fees packages, golf equipment, soft goods, supplies, lessons, driving range, cart fees, and food, beverage and banquet operations

4.5. Prohibited Uses. Except for those articles or commodities commonly used in the operation and maintenance of a municipal golf course and restaurant and banquet facility, Sierra agrees not to keep or use upon the Leased Premises, nor permit to be kept thereon, any article or commodity which would operate to increase the rate of insurance upon the Leased Premises because of its hazardous nature unless Sierra agrees to pay any increase in any insurance premiums payable to City as a result of the placement of any article or commodity on the Leased Premises within twenty (20) days after receipt of notice of such increase.

4.6. Price Control. All rates and fees charged by Sierra, including green fees, cart fees, memberships, merchandise, and food and beverage shall be sold at prices comparable to those prevailing for similar public golf course facilities in the San Joaquin Valley, taking into account the size, age, demographic characteristics, rent structure, and location of the Leased Premises in relation to other public golf facilities located in San Joaquin Valley.

4.7. Federal Aviation Regulations. Sierra understands and acknowledges that the Leased Premises are located on land adjacent to and owned by the Madera Municipal Airport. Sierra further understands and acknowledges that the Leased Premises and all activities conducted and services performed on the Leased Premises are subject to federal oversight and control including, but not limited to, the airspace

directly above the Leased Premises. Sierra further understands and acknowledges that portions of the Leased Premises are or may be subject to runway and airspace protection zones governed by federal and state authorities. Sierra will maintain the Leased Premises, operate its equipment, and direct its personnel in airspace sensitive areas consistent with federal and state requirements.

Other than with respect to the Leased Premises, Sierra, its employees and agents are expressly prohibited from accessing or gaining entry to any facilities owned or operated by either the Madera Municipal Airport or the Federal Aviation Administration located on or near the Leased Premises without prior consent of the Airport Manager. Sierra shall also employ all reasonable efforts to prevent its invitees and guests from accessing or gaining entry to such facilities. Sierra shall fully comply and cooperate with all security alerts and emergency activities related to airport operations.

5. Rent.

5.1. Base Rent. Commencing on the Effective Date, Sierra shall pay to City monthly Base Rent for the use and occupancy of the Leased Premises, on the tenth day of each calendar month throughout the Initial Term and the Renewal Term, without deduction, offset, prior notice or demand, except as otherwise specifically set forth in this Lease Agreement. Base rent through the entire Initial Term and through the Renewal Term shall be as follows:

Year 1:	\$24,000 per year
Year 2:	\$30,000 per year
Year 3:	\$36,000 per year
Year 4:	\$36,000 per year
Year 5:	\$36,000 per year
Renewal Year 6:	\$40,000 per year
Renewal Year 7:	\$40,000 per year
Renewal Year 8:	\$40,000 per year
Renewal Year 9:	\$40,000 per year
Renewal Year 10:	\$40,000 per year

5.2. Per Round Rate. In addition to Base Rent, Sierra agrees to pay to the City a "per round" rate that establishes an initial rate of \$1.00 per round but increases in later years as set forth below. The rate per round will be paid on the tenth day of each calendar month throughout the Initial Term and the Renewal Term, without deduction, offset, prior notice or demand, except as otherwise specifically set forth in this Lease Agreement.

Year 1:	\$1.00 per round
Year 2:	\$1.00 per round
Year 3:	\$1.50 per round
Year 4:	\$2.00 per round
Year 5:	\$2.00 per round
Renewal Year 6:	\$2.00 per round
Renewal Year 7:	\$2.00 per round

Renewal Year 8: \$2.00 per round
Renewal Year 9: \$2.00 per round
Renewal Year 10: \$2.00 per round

5.3. "Per Round Rate". For purposes of this Lease Agreement the "per round rate" shall be applied to all golf course rounds played in which Sierra actually received revenue or compensation from golfers as a result of Sierra's operation and maintenance of the Leased Premises.

5.4. Reporting for Per Round Rate. Beginning as of the Effective Date of this Lease Agreement, no later than ten (10) days following the end of each month Sierra shall submit to City monthly financial reports in a form and manner satisfactory to the City showing the total gross revenues associated with Rounds of Golf played and or credited and received by Sierra during such month.

5.5. Capital Improvement Account. Commencing on the Effective Date and continuing through the Initial Term and Renewal Term, the City shall hold in reserves \$90,000 in the Golf Course Capital Improvement Account and shall make such funds available exclusively for capital improvement projects at the Leased Premises as an emergency action in case of catastrophic failure of systems at the golf course not within the maintenance and improvement responsibilities of Sierra as set forth in this Lease Agreement, including such items as well and pump stations. The distribution of funds from this Capital Improvement Account shall be at the sole discretion of the City, in consultation with Sierra, and any repairs, improvements, modifications or additions to be made using the funds maintained in this Capital Improvement Account shall have the prior written approval of the City

5.6. Capital Improvements. Commencing on the Effective Date, Sierra shall make Capital Improvements to the Leased Premises in order to improve the current condition of the golf course and clubhouse facilities, consistent with the Capital Improvement Plan identified in Exhibit A. The Capital Improvement Plan will serve as a guide for improvements; however for the purposes of this agreement, Sierra shall make an annual expenditure of not less than \$50,000 per calendar year for Capital Improvements to the Leased Premises throughout the Initial Term and the Renewal Term, without deduction, offset, prior notice or demand, except as otherwise specifically set forth in this Lease Agreement.

Year 1: \$50,000 per year
Year 2: \$50,000 per year
Year 3: \$50,000 per year
Year 4: \$50,000 per year
Year 5: \$50,000 per year
Renewal Year 6: \$50,000 per year
Renewal Year 7: \$50,000 per year
Renewal Year 8: \$50,000 per year
Renewal Year 9: \$50,000 per year
Renewal Year 10: \$50,000 per year

5.7. Late Charge. Base Rent and Per Round payments are due on the tenth day of each month. In the event any payment of Base Rent is not received by the City by the twentieth calendar day of the month, Sierra shall pay to City in addition to the Base Rent and Per Round Payments a late charge of ten percent (10%) of the amount then owing for each thirty day period that such Base Rent or Per Round payments remains outstanding, to which Sierra acknowledges is a fair and reasonable estimate of the cost of the late payment to the City.

5.8. Rent Payment and Per Round Payment. Delay by the parties in computing or collecting the Base Rent and Per Round Payments or the acceptance by City of the incorrect amount of Base Rent or Per Round payments shall not relieve Sierra of its obligations to pay such rent to the City. Sierra waives any applicable statute of limitations which could defeat the City's right to collect the Base Rent. All rental payments due under this Section 6 shall be made payable to the City of Madera and shall be delivered to the City of Madera Finance Department at 205 W. Fourth Street Madera, California 93637. Any failure to make Base Rent Payments and/or Per Round Payments that is more than sixty (60) days delinquent shall constitute substantial breach of this Lease Agreement.

5.9. Security Deposit. There shall be no security deposit; however, at the expiration of this Lease Agreement, or any earlier termination thereof, Sierra shall return the Leased Premises to City in a comparable or better condition and repair as it existed as of the Effective Date, normal wear and tear, damage from casualty, and condemnation excepted.

5.10. Hold Over Rent. In the event Sierra fails to surrender the Leased Premises upon the termination date of the Initial Term or the Renewal Term as described in Section 3 of this Lease Agreement, the rent during such hold over term shall be equal to one hundred twenty-five percent (125%) of the last Base Rent amount payable prior to expiration of the then current term plus the Per Round Payments at the rate in effect on the termination date. Payment of this hold over rent by Sierra shall not otherwise limit the City's rights and remedies available under the law.

6. Termination.

6.1. Termination for Cause. In addition to all other remedies available to the City under the law or in equity, this Agreement may be terminated by the City as provided herein below:

6.1.1. Impairment or Prejudice of City's Interests. The City reasonably determines that the conduct or performance of Sierra in performing the duties and obligations imposed upon it under this Lease Agreement is such that the interests of the City may be impaired or prejudiced and Sierra has not remedied such conduct within thirty (30) days after written notice thereof as directed by City; or

6.1.2. Sierra's Failure to Perform. The City reasonably determines that Sierra has failed in the performance or compliance with any of the covenants, agreements, terms or conditions contained in this Agreement and such failure continues

for a period of thirty (30) days after written notice thereof or, in the case such failure cannot with due diligence be cured within such period of thirty (30) days or such reasonable time as may be required to cure such default, but in no event to exceed sixty (60) days. Non-payment of Base Rent and/or Per Round Payments shall constitute failure to perform.

6.2. Effect of Termination. In the event that this Agreement is terminated by City, Sierra shall:

6.2.1. Cessation of Services. Upon receipt of written notice of such termination promptly cease all services performed under this Lease Agreement, unless otherwise directed by City; and

6.2.2. Delivery of Documents and Reports. Deliver to City all documents, data, reports, summaries, correspondence, photographs, computer software output, video and audiotapes, and any other materials provided to Sierra or prepared by or for Sierra or the City in connection with this Lease Agreement. Such material is to be delivered to City in completed form.

6.3. City's Assumption of Obligations. In the event that this Agreement is terminated, City is hereby expressly permitted but not required to assume the obligations required under this Lease Agreement and complete them by any means, including but not limited to, an agreement with another party. City is further hereby expressly permitted but not required to take possession of the Leased Premises, including all improvements, equipment, and inventory located thereon, and use the same for the purpose of satisfying or mitigating any damage arising from Sierra's breach or default of this Lease Agreement.

6.4. City's Failure to Perform. This Agreement may be terminated by Sierra, upon no less than one hundred-eighty (180) days prior written notice, upon the failure of City to perform any of the obligations imposed upon it under this Lease Agreement, and for no other reason.

6.5. Rights and Remedies Not Exclusive. The rights and remedies of the City and Sierra provided under this Section are not exclusive and are in addition to any other rights and remedies provided by law or appearing in any other section of this Agreement

7. Responsibilities of Sierra. In addition to those duties and obligations otherwise provided for herein, throughout the entire Initial Term and any Renewal Term(s) of this Agreement, Sierra shall be responsible for the following duties and obligations:

7.1. Facility and Equipment Maintenance Services. Sierra shall, at its sole cost and expense, maintain the Leased Premises and all buildings, structures, improvements, fixtures, equipment, shop equipment, trade fixtures, banquet facilities and utility systems in good, safe, operable, useable and sanitary condition throughout the Initial Term and any Renewal Term(s) thereof, providing for such repairs, replacements, rebuilding or restoration as may be required to comply with the requirements of this Lease Agreement. Sierra understands and acknowledges that,

except as set forth at section 5.5 above, or as otherwise specifically set forth herein, the City does not have any duty nor shall the City be called upon to make any improvements, replacements or repairs whatsoever to the Leased Premises or to any structures, improvements, fixtures, equipment, shop equipment, trade fixtures, banquet facilities, equipment or utilities located thereon during the Initial Term or any Renewal Term(s) hereof.

Sierra, at its sole cost and expense, shall furnish and shall maintain all equipment, supplies, and material of good quality and of sufficient number to fulfill the requirements of this Lease Agreement. Any equipment listed on Exhibit "B" shall be returned to the City, and may be declared surplus under the guidelines and accounting standards established by the City, at such time as Sierra no longer requires the use of equipment for the following reasons:

- Unusable in present condition, no longer useful
- Having value but requiring repairs to make useable and repair cost is 50% of replacement value or more
- Having no future value as a useable commodity in its present condition
- Broken or worn-out to the point of having no saleable scrap value

7.2. Grounds, Golf Course and Custodial Maintenance. Sierra shall be solely responsible for all grounds maintenance services including, but not limited to, the obligation to mow, edge, trim, reseed, fertilize, aerate, irrigate, maintain landscaped areas, provide annual color and renovate turf areas located on the Leased Premises, as well as provide weed, disease, and pest control, turf maintenance, tree trimming, lake maintenance and maintenance of irrigation and pumping systems. Sierra shall provide the necessary maintenance of any structures and equipment associated with the Leased Premises including landscaping adjacent as part of the parking lot and clubhouse facilities, road parking lot and cart path maintenance, course cleaning and repairing. Sierra to provide all golf course facility related custodial/janitorial maintenance, including but not limited to restrooms pro shop, restaurant and banquet facility, so as to maintain and operate all concessions and golf course premises in a clean, safe, wholesome and sanitary condition free of trash, garbage or obstructions of any kind and in compliance with any and all applicable present and future laws, general rules and regulations of any governmental authority in force now or at anytime during the term of the Agreement relating to sanitation, public health, safety and welfare.

All maintenance work shall be performed at least in a manner and of a quality and in accordance with the standards of other local public golf facilities so as to maintain the aesthetic level and proper playing conditions.

Sierra at its sole expense shall coordinate an annual USGA (United States Golf Association) annual turf advisory service. The annual turf advisory service shall serve as a baseline for course conditions and will provide Sierra and the City another tool for determining and prioritizing capital improvements and maintenance delivery plans.

7.3. Scheduling and Use of the Leased Premises. Sierra shall provide full organization, administration, and supervision of a golf facility and golf course operations

as well as restaurant and banquet operations on the Leased Premises including, but not limited to, opening and closing the Leased Premises, setting and collecting fees and charges, taking of reservations and scheduling of tee times, monitoring play on the golf course, rental of equipment, sale of merchandise and equipment, instructional and professional golf services, and facilitation and organization of instructional programs, clinics, leagues, and tournament play.

Sierra shall insure that controls are in play to monitor, enforce rules and regulate pace of play and safe conditions. Sierra at its sole expense shall provide marshals and starters sufficient to cover the daily rounds played and shall regulate play and conduct of all persons on the golf course and related facilities. Sierra shall provide, maintain and make available a sufficient number golf carts available for rent at the Golf Course. Golf cart must be kept in good condition and must be replaced and maintained on a regularly scheduled program.

Sierra shall have the exclusive rights, license, duty and privilege to utilize the food and beverage concession facilities within the restaurant and banquet building and patio at the Golf Course. Sierra recognizes that Sierra shall, at its sole cost and expense, be required to furnish all equipment, appliances, supplies, and the items necessary or convenient to Sierra's operation hereunder. Services provided by Sierra hereunder shall conform at least to the services, standards, and practices of the industry in the surrounding area.

7.4. Public Use and Access. Sierra shall ensure access to the Leased Facility and its programs and services to all members of the public, including those residing and/or visiting within the City of Madera and within Madera County, without regard to race, religion, color, national origin, sex or ability. Sierra shall allow access and use of by City for its Annual July 4th Celebration, including the closure of the golf course for Firework display setup. City is responsible for cleanup and security related to this event. Sierra agrees to cooperate with the City in the scheduling of air shows, public meetings, agricultural activities, tournaments and City activities that may occur on or near the Leased Facility premises.

7.5. Cooperation With City Parks and Community Services Department Sierra shall work cooperatively with the City in the promotion and support of golfing opportunities and programs through the City's Parks and Community Services Department.

7.6. Hours of Operation. Sierra shall operate and maintain the Leased Premises open from dawn to dusk every day of the year, with the exception of closures required by weather conditions and Christmas Day. Sierra shall be required to provide a minimum level of operation in compliance with standards contained herein.

7.7. Irrigation. Sierra shall be responsible for irrigating the necessary parts of the Leased Premises in a manner required to maintain the playability and usability of the Leased Premises and so as not to cause damage or destruction to any portion of the Leased Premises. Sierra shall monitor the quality of the irrigation water to ensure it

is acceptable to use for irrigation at the Leased Premises. Any deficiencies shall be immediately reported to City's representative in writing.

7.8. Quality Assurance. By executing this Lease Agreement, Sierra agrees that its management and operation of the Leased Premises pursuant to this Lease Agreement shall be performed in a fully competent manner. By executing this Lease Agreement, Sierra further agrees and represents to City that the Sierra possesses, or shall arrange to secure from others, all of the necessary professional capabilities, experience, resources, and facilities necessary to provide the City the services contemplated under this Lease Agreement and that City relies upon the professional skills of Sierra to do and perform Sierra's work. Sierra further agrees and represents that Sierra shall follow the current, generally accepted practices in this area to perform the services required under this Agreement.

7.9. Representative. Sierra shall assign a single representative to have overall responsibility for the execution of this Lease Agreement for Sierra. An **Operations Director** will be designated as the representative for Sierra. Sierra shall provide the City with written notice of any changes in the designated representative.

7.10. Repair and Maintenance. Except as otherwise specifically provided in this Lease Agreement, Sierra shall be solely responsible for keeping the Leased Premises clean and in good condition and repair and for all repairs and maintenance necessary to keep the Leased Premises in good condition and repair. Sierra shall be responsible for all damage or destruction to the Leased Premises caused by any act(s) of Sierra or by Sierra's employees, agents, licensees or contractors, in addition to any invitees while such invitees are on the Leased Premises.

7.11. Utilities and Services. Sierra shall arrange to have furnished all utilities including electrical, power, gas, water, sewer, cable or satellite television, as well as janitorial services, and trash removal and shall pay to such person or entity providing such utilities and services during the term of this Lease Agreement. The City shall not be liable in any manner for any failure or interruption of any utility service furnished to the Leased Premises, and no such failure or interruption shall entitle Sierra to terminate this Lease Agreement.

7.12. Failure to Maintain or To Repair. If at any time during the Initial Term or any Renewal Term Sierra fails to maintain or to repair the Leased Premises as required under this Lease Agreement, City, upon at least ten (10) days' prior written notice (except in the case of an emergency when no such notice shall be required) may, but is not required to, perform the maintenance or make the repairs or replacements on behalf of Sierra. Any sums expended by the City in doing so shall be deemed immediately due from Sierra on demand of the City.

7.13. Restaurant and Banquet Operations. Sierra shall have the exclusive right to provide food and beverages at the Leased Facility throughout the term of this Lease Agreement. All revenue generated by the food, beverage and banquet operations Sierra shall be the property of Sierra. Sierra shall be authorized to sell food, beverages, and food products, including alcoholic beverages, or to subcontract for such

services, provided such services are provided in accordance with all applicable health and sanitation regulations and that all necessary permits and approvals are obtained in advance, including the necessary permits and approvals from the California Department of Alcohol and Beverage Control and Madera County. Sierra shall maintain a liquor license in accordance with applicable laws and regulations throughout the entire term of this Lease Agreement

Sierra shall provide a full level of service to the banquet facility which will include, without limitation, banquet booking, setup, food service, collection of fees and all services typical to the operation of a banquet facility. Unless agreed upon in writing, Sierra agrees to limit its services under this agreement to the facilities at the Golf Course and will not under the auspices of this agreement provide catering services off of the Golf Course facility.

Sierra shall at its sole cost and expense perform all maintenance and repairs to kitchen and related facilities including but not limited to that necessary for proper functioning of stoves and refrigeration equipment as well as any/all septic tanks, grease fuels and traps, drains sinks and rodent and pest control.

Sierra shall remedy within forty-eight (48) hours any defective, dangerous or unsanitary conditions for which it has notice. City may, at any time at its option, do so at Sierra's sole cost and expense, for which City shall be reimbursed. Defective, dangerous or unsanitary conditions may include but need not be limited to kitchen maintenance, water leakage or other health and safety items upon demand.

7.14. Collection of Fees and Revenues; Accounting. Sierra shall have the sole authority and shall be solely responsible for collecting all fees and revenues generated by its operation and management of the Leased Premises during the term of this Lease Agreement. Sierra shall be solely responsible for the accounting for such revenues in accordance with accepted accounting methods and for the reporting of revenues to the City as more specifically provided herein.

7.15. Accident Reports. Sierra shall immediately report to the City, in writing, any accident causing more than ten thousand dollars (\$10,000) worth of property damage or any serious injury to person or property that occurs on or in connection with the Leased Premises. This written report shall contain the names and addresses of the parties involved, a statement of the circumstances, the date and hour, the names and addresses of any witnesses, and any other pertinent information available to Sierra.

7.16. Americans With Disabilities Act (ADA) and Title 24 Compliance. With respect to any capital improvements made by Sierra during the term of this Lease Agreement including, but not limited to, those capital improvements made through the use of Capital Improvement funds established pursuant to Section 5.7 of this Lease Agreement, Sierra shall ensure that all buildings, structures, and other facilities constructed or improved by it are constructed or improved in such a manner as to be in compliance with the Americans With Disabilities Act (ADA) and Title 24. With respect to all other ADA or Title 24 required improvements, City shall be responsible for making

any repairs or improvements necessary to bring the buildings, structures, and other facilities into compliance with the ADA and with Title 24.

7.17. Staffing. Sierra shall provide competent personnel necessary for such operations and shall supervise them in their work. Staff at a minimum must include a Class "A" Head Professional, Class "A" Golf Course Superintendent and assistant professionals and superintendents necessary for the operations and maintenance of the golf course. Head Professional and Golf Course Superintendent must be easily accessible by the golfing public and organized groups. Professional certifications must be current at all times through the contract term. Sierra shall provide a Food and Beverage Manager who will have day to day responsibility for the operation of food, beverage and banquet concessions covered by this agreement.

8. Responsibility of City. To the extent appropriate to the projects to be completed by Sierra pursuant to this Agreement, City shall:

8.1. Disclosure of Information. Assist Sierra by placing at its disposal all available information pertinent to the Leased Premises, including but not limited to, previous reports and any other data relative to the Leased Premises. Nothing contained herein shall obligate City to incur any expense in connection with completion of studies or acquisition of information not otherwise in the possession of City.

8.2. Entry Upon Property. Make provisions for Sierra to enter upon public and private property as required by Sierra to perform its services.

8.3. Examination of Records. Examine all studies, reports, sketches, drawings, specifications, proposals, and other documents presented by Sierra, and render verbally or in writing as may be appropriate, decisions pertaining thereto within a reasonable time so as not to delay the services of Sierra.

8.3. Project Director. The **Director of Administrative Services** shall act as City's representative with respect to the work to be performed under this Lease Agreement. Such person shall have the complete authority to transmit instructions, receive information, interpret and define City's policies and decisions with respect to materials, equipment, elements, and systems pertinent to Sierra's services. City may unilaterally change its representative upon notice to the Sierra.

8.4. Notice of Defects. Give prompt written notice to Sierra whenever City observes or otherwise becomes aware of any defect or shortcoming in the performance of any duty or obligation of Sierra under this Agreement.

9. Signs. Sierra shall not erect any permanent signs upon the Leased Premises unless the City has first given its prior written approval.

10. Advertising and Promotional Materials. Sierra shall ensure that all brochures, scorecards, and other printed advertising and marketing materials always bear the name "Madera Municipal Golf Course" with the accompanying logos of the City and the City Parks and Community Services department as provided by the City.

11. Name Change. Sierra understands and acknowledges the name of the Leased Premises is "Madera Municipal Golf Course" and Sierra shall not change, alter or otherwise misrepresent the name of the Leased Premises in any advertisement, brochure or other notice.

12. Gift Certificates or Credits. Sierra understands and acknowledges that as of the Effective Date of this Lease Agreement gift certificates or credits, including those for greens fees, merchandise, and other items of interest, have been issued by the City and remain outstanding. Sierra agrees to acknowledge and to honor and receive such gift certificates and credits at the value issued for a period of twelve (12) months following the Effective Date; however, such gift certificates and credits shall not be considered gross revenues or as rounds played as that term is defined in Section 5.4 of this Lease Agreement for purposes of calculating Sierra's rent payment obligations and the City will reimburse Sierra for all such gift certificates and credits accepted and honored by Sierra, within 30 days after presentation of a statement of the amount of such items.

13. Complaint Resolution. The representative of Sierra designated herein shall serve as the contact person for the City in the event complaints are received from the community or from members of the public. Sierra shall investigate all complaints received from the City and shall make a good faith effort to resolve such complaints. Within thirty (30) days of Sierra's receipt of such complaint, Sierra shall provide the City with a written summary of the disposition and resolution of the complaint.

14. Employees. Sierra shall maintain an adequate number of qualified staff and/or volunteers to provide the services required under this Lease Agreement and shall ensure that a manager is present at the Leased Premises during all times the Leased Premises are open to the public for business. Sierra understands and acknowledges that all its employees must act in a courteous, professional manner at all times. The City shall promptly notify Sierra of any employee who the City has determined to be incompetent, disorderly, intemperate or otherwise objectionable. Sierra shall take whatever disciplinary action is deemed appropriate with regard to such employee including termination and replacement with a satisfactory employee.

It is understood and agreed that the City shall have no authority to discipline any of Sierra's employees and any decision to terminate or otherwise discipline any employee shall be solely that of Sierra. In the event that any action is brought against the City or the City is named in any action brought against Sierra for failure to hire or terminate an employee, Sierra will indemnify, defend, and hold harmless the City for any costs, expenses, damages or liabilities incurred or alleged as a result of such action.

15. Sierra's Labor and Wage Rate. There shall be paid to each person employed by Sierra or sub-contractor in the work under this Agreement, not less than the minimum legal wage rate required by law. Sierra will comply with all applicable wage and hour laws and shall indemnify, defend, and hold the City harmless from any and all claims, demands, losses or damages made as a result, whether direct or indirect, of Sierra's employment of personnel pursuant to this Agreement.

16. Equipment and Materials. Sierra shall, at its own cost and expense, furnish, maintain, and repair all necessary equipment, supplies, and materials of good quality and in the amounts necessary to comply with this Agreement. These equipment, supplies, and materials shall include, but not be limited to:

16.1. All equipment necessary or appropriate for the performance of services under this Agreement, together with all necessary gas, oil, and spare parts for all equipment used and maintained by Sierra;

16.2. All necessary top dressing, seed, fertilizers, fungicides, insecticides, irrigation materials and supplies and herbicides;

16.3. Bunker rakes, trash receptacles, and other similar golf course equipment, which shall be maintained and/or replaced as needed, as set for the in the Technical Maintenance Specifications; and

16.4. Sand for bunkers to maintain an appropriate sand depth.

City agrees to make available for purchase by Sierra equipment owned and used by the City to maintain the Golf Course and, in the event Sierra chooses to purchase such equipment from City, agrees to enter into a separate agreement for the purchase of such equipment. In the event Sierra purchases such equipment from City, such equipment shall become the property of Sierra and Sierra shall be fully responsible for the maintenance, care, and repair of such equipment.

17. Materials Storage. Sierra shall not store or maintain any dead, felled or trimmed plant or other vegetative waste on the Golf Course and shall remove such waste from the Golf Course in such manner and at such times as to prevent the same from becoming a fire hazard. Sierra shall be liable in all respects for any damage, liability, loss, injury or expense incurred as a result of any fire damage proximately caused by Sierra's storage of any such waste on the Golf Course and shall indemnify, defend, and hold the City harmless from any and all such damage, liability, loss, injury or expense.

18. Liens and Encumbrances. Sierra shall keep the Leased Premises free and clear of any liens or encumbrances of any kind whatsoever created by Sierra's acts or omissions.

19. Taxes. Throughout the Initial Term and any Renewal Term of this Lease Agreement, Sierra shall pay before they become delinquent all real property tax obligations of any kind assessed against the Leased Premises in addition to all taxes and assessments imposed on any personal property, equipment or trade fixtures belonging to Sierra and located on the Leased Premises. Beginning on the Effective Date and for each year thereafter, Sierra shall also be responsible for any applicable possessory interest tax assessed or levied against the Leased Premises and shall make timely payment thereof.

20. Improvements and Alterations.

20.1. Prior Consent Required. With respect to alterations or improvements proposed by Sierra, City shall allow Sierra to complete such alterations or improvements only upon prior review and written approval of the City.

20.2. Ownership of Tenant Improvement and Alterations. All structural alterations or improvements made or installed on the Leased Premises by Sierra, or any other person or entity, shall be considered part of the Leased Premises and, on expiration of this Lease Agreement or sooner termination thereof, shall remain on the Leased Premises and shall become the property of the City unless City provides written notice to Sierra at the time City gives its consent to the alterations or improvements that such alterations or improvements be removed in which case Sierra shall remove the same prior to expiration or within thirty (30) days after early termination of this Lease Agreement. Notwithstanding the above, all items of equipment, machinery, furniture, furnishings, fixtures, and other personal property placed in or installed on the Leased Premises by Sierra shall remain the personal property of Sierra regardless of the manner or mode of attachment and may be removed by Sierra at any time throughout and including expiration of the then current lease term, provided that Sierra shall repair any damage caused by said removal, reasonable wear and tear excepted. Such personal property remaining after expiration of thirty (30) days after early termination of this Lease Agreement shall be deemed abandoned by Sierra and shall become the property of the City.

20.3. Compliance with Laws. All improvements and alterations to the Leased Premises, including those with regard to landscaping and installation of additional parking, shall be done in accordance with all applicable laws, regulations, and standards including, but not limited to, the Madera Zoning Code and all applicable development standards.

20.4. Construction Management Fees. There shall be no construction management fees charged by the City to Sierra for any improvements or alterations made to the Leased Premises.

21. Liability for Damages. Sierra shall be fully responsible for any and all damage done to the Golf Course property or equipment, damage to the personal property of private individuals or other property of the public, and for any injury to any individual, including any guest, employee, agent, licensee, invitee or member of City that results from the affirmative act and/or negligence of Sierra or Sierra's agents, employees, invitees or licenses. Except as otherwise required by local ordinances or this Agreement, lost shrubs and trees shall be replaced with shrubs and trees of appropriate same size, species and horticultural variety.

22. Damage or Destruction of Leased Premises. If the Leased Premises are totally or partially damaged or destroyed by fire, earthquake or other casualty not caused by the acts or omissions of Sierra, the City shall have the right, but not the obligation, to restore the Leased premises by repair or rebuilding. In the event the Leased Premises are so damaged as to materially and adversely affect Sierra's ability to conduct its

normal business operations from the Leased Premises, as reasonably determined by the City and by Sierra, Sierra shall have the right, at its option, to terminate this Lease Agreement upon written notice to City given within sixty (60) days following the date of such damage. The City shall provide to Sierra a written notice within thirty (30) days following the date of such damage stating whether the City has elected to terminate this Lease Agreement, or to repair the Leased Premises. If the City fails to provide such timely notice, Sierra may, upon ten (10) days' prior written notice, terminate this Lease. If the City provides such timely notice and therein elects to repair or rebuild, and thereafter is able to complete such restoration within ninety (90) days from the date of such damage, subject to the terms of this paragraph, this Lease Agreement shall remain in full force and effect. If the City is unable to restore the Leased Premises within this time, or if City elects not to restore, then Sierra may terminate this Lease Agreement by giving the City written notice. Upon such election to terminate, the rent due under this Lease Agreement shall be due and payable only up until the date of damage. If this Lease Agreement is not terminated, the Base Rent or per Round Rates due and payable under this Lease Agreement shall be reduced based on the extent to which the damage interferes with Sierra's reasonable use of the Leased Premises until such portion of the Leased Premises is restored.

If the City elects to repair and to restore, City shall restore the Leased Premises to substantially its condition to that prior to the occurrence or damage provided the City shall not be obligated to repair or to restore any alterations, additions, fixtures or equipment or improvements which have been installed by Sierra, whether or not Sierra has the right or obligation to remove the same or is required to leave the same on the Leased Premises as of the expiration or earlier termination of this Lease Agreement, unless Sierra, in a manner satisfactory to the city, assures payment in full of all costs as may be incurred by City in connection therewith. If there be any such alterations, fixtures, additions, equipment or improvements installed by Sierra and Sierra does not assure or agree to assure the payment of all costs of restoration or repair as aforesaid, City shall have the right to determine the manner in which the Leased Premise shall be restored so as to be substantially as the Leased Premises existed prior to the damage occurring of this Lease Agreement, as if such alterations, fixtures, equipment or improvements installed by Sierra had not then been made or installed.

In no event shall the City be responsible for any loss or interruption of Sierra's business caused by damage or destruction of the Leased Premises or during the repair or reconstruction thereof regardless of the cause of the damage or destruction or the extent of insurance coverage. The parties agree that the rights and obligations of the parties in the event of damage or destruction of the Leased Premises shall be governed by this Lease Agreement. Sierra waives the provisions of California Civil Code sections 1932 and 1933(4).

23. Assignment and Subletting. Except as otherwise specifically set forth herein, Sierra shall not have the right to assign, sublet, hypothecate or mortgage the Leased Premises, or any portion thereof, or to lease, license or otherwise enter into management agreements with any other individual or entity for any portion of the Leased Premises. Any attempted assignment, hypothecation, mortgage, lease, license or management without the express written consent of the City shall constitute a

material breach of this Lease Agreement and shall render this Lease Agreement void and of no longer any force and effect. Notwithstanding the foregoing, Sierra shall be permitted to sublease the restaurant and banquet facilities to an operator in accordance with the specific terms of this Lease Agreement.

23.1. Merger or Consolidation. It is recognized by the parties hereto that a substantial inducement to City for entering into this Lease Agreement was, and is, the professional reputation and competence of Sierra. This Lease Agreement is personal to Sierra and shall not be assigned and no part of the Leased Premises shall be sublet by Sierra without the prior express written approval of the City, which approval and consent shall not be unreasonably withheld, conditioned or delayed. For purposes of this Lease Agreement, the term "assignment" shall include a transfer by Sierra to any related or successor entity, whether by merger, consolidation or otherwise, or to any entity or individual that purchases all or substantially all of Sierra's assets.

23.2. Recapture. City shall have the right to recapture the Leased Premises in the event of any sublease or assignment and no sublease or assignment shall constitute a release of Sierra from the obligations of performance or the terms and provisions of this Lease Agreement.

24. Insurance.

24.1. Commercial General Liability, Property Insurance and Miscellaneous Coverage. Sierra shall, throughout the duration of this Lease Agreement, maintain commercial general liability, property, and miscellaneous other insurance covering all operations of Sierra, its agents and employees, performed in connection with this Lease Agreement including but not limited to premises and automobile. The cost of such insurance shall be solely born by Sierra.

24.2. Minimum Coverage Limits. Sierra shall maintain the following limits:

General Liability

Combined Single Limit Per Occurrence.....\$2 million
General Aggregate.....\$5 million
(The policy shall cover on an occurrence or an accident basis, and not on a claims made basis. The coverage shall be at least as broad as Insurance Services Office Form CG 00 01)

Automobile Liability

Combined Single Limit Per Occurrence.....\$1 million
(The policy shall cover on an occurrence or an accident basis, and not on a claims made basis. The coverage shall be at least as broad as Insurance Services Office Form Number CA 00 01 using Code 1, Any Auto.)

Worker's Compensation.....Statutory Limits

Employer's Liability Insurance:.....\$1
million per employee and per accident for bodily injury or disease.

All Risk Property Insurance (Covering all real and personal property of the City and occupied or used by Sierra, and all real and personal property of Sierra utilized or stored on Leased Premises. Full replacement cost with no coinsurance penalty provision.)

Greens Protection.....\$300,000

Facility Replacement Coverage (Covering the golf course and all buildings, equipment, and structures located thereon and all furnishings or equipment owned by the City and also located thereon, in no event less than the full replacement value, against the perils of fire and extended coverage, including demolition.)

24.3. Additional Insured By Endorsement. All insurance companies with the exception of "Worker's Compensation" affording coverage to Sierra shall be required to add the City of Madera, its officers, employees, volunteers, and agents as additional "insured" by endorsement under the insurance policy and shall stipulate that this insurance policy will operate as primary insurance for the work performed under this Agreement and that no other insurance affected by the City or other named insured will be called upon to contribute to a loss covered thereunder. The policy shall contain no special limitations on the scope of protection afforded to City, its officers, employees, volunteers or agents

24.4. Authorization to Conduct Business. All insurance companies affording coverage to Sierra shall be insurance organizations authorized by the Insurance Commissioner to transact the business of insurance in the State of California and shall have an A.M. Best Rating of no less than A-VII.

24.5. Cancellation or Reduction in Coverage. Sierra shall provide no less than thirty (30) days written notice to the City should the policy be canceled or reduced in coverage before the expiration date. For the purpose of this notice requirement, any material change prior to expiration shall be considered cancellation.

24.6. Certificate of Insurance. Sierra shall furnish the City with copies of the original certificates and endorsements, including amendatory endorsements effecting coverage required by this clause. The endorsements should be on forms that conform to stated requirements. All certificates and endorsements are to be received and approved by the City before work commences; however, failure to do so shall not operate as a waiver of these insurance requirements. The City reserves the right to require complete, certified copies of all required insurance policies, including

endorsements effecting the coverage required by these specifications at any time. Each insurance policy required herein shall be endorsed to state that coverage shall not be cancelled, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.. A statement on the insurance certificate which states that the insurance company "will endeavor" to notify the certificate holder, "but failure to mail such notice shall impose no obligation or liability of any kind upon the Sierra, its agents or representatives" does not satisfy the requirements of this subsection. The Sierra shall ensure that the authorized representative of the insurance company strikes the above quoted language from the certificate.

24.7. Substitution of Insurance. Sierra shall provide a substitute certificate of insurance no later than ten (10) days prior to the policy expiration date. In the event Sierra is unable to provide a substitute certificate of insurance within the time prescribed in this subsection, Sierra shall provide written confirmation of renewal, in a form satisfactory to the City, to act as proof of insurance only until such time as a certificate of insurance has been received by the City.

24.8. Additional Insurance Coverage. Sierra shall include all subcontractors as insured's under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverage's for subcontractors shall be subject to all of the requirements stated herein. Maintenance of insurance by the Sierra as specified in this Agreement shall in no way be interpreted as relieving the Sierra of any responsibility whatever and the Sierra may carry, at its own expense, such additional insurance as it deems necessary.

24.9. Applicability of Insurance. When the term "Sierra" is used, it shall be deemed to include the parent and any other subsidiaries involved in any way with this Agreement.

24.10. Deductible and Self-Insurance Limitations. Any self-insured retentions must be declared and approved by the City. Any policy of insurance provided to meet the requirements of this section which has a deductible over \$25,000 shall not meet the requirements of this section unless it has first been approved by the City. Self-funding, policy fronting or other mechanisms to avoid risk transfer are not acceptable.

24.11. Periodic Review of Insurance Coverage. All insurance coverage and limits required under this section shall be subject to periodic review on every fifth anniversary of the Effective Date at which time the City may require additional or different coverage types and limits as set forth herein in order to meet changed circumstances or conditions that exist at the time of such periodic review.

24.12. Waiver of Subrogation. Sierra, to the extent and limits of insurance coverage applicable under any policy of insurance procured as required under this Lease Agreement, releases the City, its officers, employees, and agents from any claims for damage to any person or to the Leased Premises, or any part thereof including the buildings, fixtures, personal property, and other improvements or alterations located thereon, of either the City or Sierra, including loss of income, that are

caused by or result from risks insured against under any insurance policies required by this Lease Agreement and in force at the time of any such damage.

Sierra shall cause each such insurance policy obtained by it to provide that the insurance company waives all rights of recovery by way of subrogation against the City in connection with any damage covered by such policy. The City shall not be liable to Sierra or to any other party for any damage caused by fire or any other risk insured against under any property insurance policy carried under the terms of this Lease Agreement, to the extent and limits of coverage applicable under any policy of insurance procured as required under this Lease Agreement.

25. Hazardous Substances. Sierra represents and warrants that the services it will provide, the methods of application it will use, and the products it will use will not violate any federal, state or local environmental laws, statutes, ordinances, codes, rules, regulations, orders, decrees or similar authoritative pronouncements. Sierra understands and acknowledges the City is subject to a National Pollution Discharge Elimination System (NPDES) Permit. Sierra agrees to cooperate with the City in implementing best management practices and other strategies and techniques necessary to protect the quality of water runoff from the Madera Municipal Golf Course and to meet the requirements of the City's NPDES Permit including, but not limited to Integrated Pest Management (IPM) strategies.

For purposes of this Agreement "Hazardous Substances" shall have the meaning ascribed in and shall include those substances listed in the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §6901 et seq., as amended from time to time, and shall include any other elements or compounds which are contained in the list of hazardous substances adopted by the United States Environmental Protection Agency ("EPA") and the list of toxic pollutants designated by Congress or the EPA or defined by any other federal, state, local or quasi-governmental statute, ordinance, law, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, now existing or at any time hereafter in effect.

Sierra shall make and maintain any and all such records or reports as may be required under any federal, state or local law or regulation, in the proper form and for the proper time periods, regarding the handling, maintenance, storage or application of any pesticides or other hazardous materials whether or not specifically described in this section.

26. Storage of Personal Property. Sierra may store on the Leased Premises only personal property that Sierra owns, leases or rents, and shall not improperly store any flammable materials, explosives or other dangerous or hazardous materials. Notwithstanding the foregoing, Sierra shall not be in breach of this provision as a result of the presence on the Leased Premises of minor amounts of hazardous or toxic materials which are in compliance with all applicable laws, ordinances and regulations, including all applicable material data safety sheets, and which are customarily used in Sierra's normal business operations conducted from the Leased Premises.

27. Right of Entry. The City and its authorized officers, employees, and representatives shall have the right to enter the Leased Premises, or any part thereof, at all reasonable times, upon reasonable prior notice (except in the case of an emergency, when no such notice shall be required) for the purpose of inspecting the same and to take all such action thereon as may be necessary or appropriate for any such purpose provided for under this Lease Agreement or any other lawful purpose to include protecting the Leased Premises. No such entry shall constitute an eviction of Sierra or a disturbance of its quiet enjoyment to use and to occupy the Leased Premises. When entering upon the Leased Premises for any reason, the City and its authorized officers, employees and representatives shall use all commercially reasonable efforts to protect Sierra's property and personnel from loss and injury and to avoid interfering with the conduct of Sierra's business.

28. Default by Sierra. Sierra shall be in default of this Lease Agreement for any of the acts or omissions specifically set forth in this section.

28.1. Abandonment. Sierra's abandonment of the Leased Premises for more than thirty (30) days.

28.2. Failure to Pay Rent. Sierra's failure to pay rent when due.

28.3. Failure to Operate. Sierra's failure to perform or observe any of the other agreements, covenants or conditions of this Lease Agreement on the part of Sierra to be performed and observed and such failure shall continue for a period of thirty (30) days after written notice thereof to Sierra, or, in the case of a failure which cannot be cured by the payment of money and cannot reasonably be cured within thirty (30) days, Sierra shall fail to commence the curing thereof within said thirty (30) day period and thereafter shall fail diligently to prosecute such cure to completion.

28.4. Failure to Maintain. Sierra's failure to maintain the Leased Premises in accordance with the standards of this Lease Agreement, including the buildings, structures, and improvements located thereon, in a clean, sanitary, safe, and satisfactory condition, where such failure continues for a period of thirty (30) days after written notice from the City for corrections, or in the case of a failure which cannot be cured by the payment of money and cannot reasonably be cured within thirty (30) days, Sierra shall commence the curing thereof within said thirty (30) days, Sierra shall fail to commence the curing within said thirty (30) day period and thereafter shall fail diligently to prosecute such cure to completion.

28.5. Insolvency. Sierra shall become unable to pay its debts generally as they become due, voluntarily file a petition or other proceeding in or for dissolution or liquidation under any law or statute of any federal, state or local government, or any subdivision of either, now or hereafter in effect, make an assignment for the benefit of its creditors or consent to or acquiescence in the appointment of a receiver of itself.

28.6. Receivership. A court of competent jurisdiction shall enter an order, judgment or decree appointing a receiver over Sierra over the whole or any substantial part of the Leased Premises occupied by Sierra, and such order, judgment or decree

shall not be vacated, set aside or stayed within ninety (90) days from the date of entry of such order, judgment or decree, or a stay thereof be thereafter set aside.

28.7. Bankruptcy. A court of competent jurisdiction shall enter an order, judgment or decree approving a petition filed against Sierra under any bankruptcy, insolvency, reorganization, readjustment of debt, dissolution or liquidation law or statute of any federal, state or local government, or any subdivision of either, now or hereafter in effect, and such order, judgment or decree shall not be vacated, set aside or stayed within ninety (90) days from the date of entry of such order, judgment or decree, or any stay thereof be thereafter set aside, then any such events shall constitute an event of default by Sierra.

29. City's Remedies Upon Sierra's Default. Upon the occurrence of any such event of default by Sierra and so long as the same shall not have been remedied or cured by Sierra pursuant to the provisions of this Lease Agreement, the City shall have the following rights and remedies, in addition to all other rights and remedies of City provided hereunder or by law or in equity:

29.1. Termination. The right to terminate this Lease Agreement, in which event Sierra shall immediately surrender possession of the Leased Premises and pay to City all Base Rent, Rate per Rounds and all other amounts payable to the City hereunder to the date of such termination.

29.2. Loss Recovery. The right to bring suit or action against Sierra to recover as an award in such suit the worth at the time of award of the unpaid minimum Base Rent or Rate per Round and all other sums due hereunder which had been earned at the time of termination, or such amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law.

29.3. Right of Reentry. If an event of default occurs, City shall also have the right, with or without terminating this Lease Agreement, to reenter the Leased Premises and to remove all persons and property from the Leased Premises. Such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Sierra.

29.4. Reletting of Leased Premises. If an event of default occurs, City shall also have the right, with or without terminating this Lease Agreement, to relet the Leased Premises. If the City so elects to exercise its rights to relet the Leased Premises without terminating this Lease Agreement, then rentals received by the City from such reletting shall be applied as follows:

29.4.1. first to the payment of any indebtedness other than rent due hereunder from Sierra to City;

29.4.2. second to the payment of any cost of such reletting;

29.4.3. third to the payment of the cost of any alterations or repairs to the Leased Premises;

29.4.4. fourth to the payment of Base Rent or Rate per Round due and unpaid hereunder; and

29.4.5. fifth the residue, if any, shall be held by the City and applied in payment of future rent as the same may become due and payable hereunder.

Should the amount of rental received from such reletting during any month which is applied to the payment of rent hereunder be less than that agreed to be paid during that month by Sierra hereunder then Sierra shall pay such deficiency to City immediately upon the demand therefor by City. Such deficiency shall be calculated and paid monthly. Sierra shall also pay to City, as soon as ascertained, any costs and expenses incurred by the City in such reletting and not covered by the rentals received from such reletting. Such reletting costs shall not include decorations or alterations.

29.5. Election to Terminate. No reentry or taking possession of the Leased Premises by City pursuant to this Lease Agreement shall be construed as an election to terminate this Lease Agreement unless a written notice of such intention is given to Sierra or unless the termination thereof is decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by Sierra because of any default by Sierra, City may at any time after such reletting elect to terminate this Lease Agreement for any such default.

29.6. Waiver. Any waiver by the City of any breach of any one or more of the covenants, condition, terms or agreement of this Lease Agreement shall not be construed to be a waiver of any subsequent or other breach of the same or of any other covenant, condition, term or agreement herein contained, nor shall failure on the part of the City to require exact, full, and complete compliance with any of the covenants, terms, conditions or agreements herein contained be construed as in any manner changing the terms of this Lease Agreement or stopping the City from enforcing the provisions. No delay, failure or omission of the City to re-enter the Leased Premises or to exercise any right, power, privilege or option, arising from any default, nor any subsequent acceptance of payments then or thereafter shall impair any such right, power, privilege or option, or be construed as a waiver of or acquiescence in such default or as a relinquishment of any right.

29.7. No Limitation on Indemnification. Notwithstanding the foregoing, nothing contained in this section shall be construed to limit the City's right to indemnification as otherwise provided in this Lease Agreement.

29.8. City's Right to Cure. Notwithstanding anything in this Lease Agreement to the contrary, the City may at any time after Sierra's uncured default under this Lease Agreement, cure the act of default for the account of and at the expense of Sierra. If City elects to pay any sum of money or to do any act that requires the payment of sum of money, or elects to incur any expenses, the sum or sums paid by the City shall be deemed to be an additional rent under this Lease Agreement and shall be due from Sierra to the City immediately upon receipt of written demand.

30. Default by City. If the City shall fail to fulfill any covenant or provision of this Lease Agreement on its part to be performed and fail to remedy such failure within thirty (30) days after Sierra shall have given the City written notice of such failure, then the same shall be an event of default and Sierra shall have all rights, powers, and remedies available at law or equity. Without limiting the rights described above, in the event that (i) City for any reason, other than by reason of any default by Sierra, fails to fulfill any covenant or provision of this Lease Agreement on its part to be performed, and (ii) such failure materially and adversely interferes with the conduct of Sierra's business conducted from the Leased Premises, as reasonably determined by Sierra; and (iii) such failure is not remedied within five (5) business days after the City receives actual notice of such failure, then Sierra shall have the right, but not the obligation, to remedy the City's failure and to charge the City for the reasonable cost of such remedy, which charges shall be payable by the City within ten (10) days of Sierra's demand therefor, and upon the City's failure to pay the same, Sierra shall have the right to credit against any future installments of rent until such cost is fully recouped by Sierra. In addition, if such failure is not remedied within thirty (30) days after Sierra shall have given City written notice of such failure, then Sierra shall have the right to terminate this Lease Agreement by giving the City written notice.

31. Advisory Committee. Sierra understands and acknowledges that an advisory committee (the "Madera Municipal Golf Course Advisory Committee") shall be formed to review services provided by Sierra pursuant to this Lease Agreement including, but not limited to, fees and rates charged by Sierra for the public's use of the Leased Premises, capital improvement projects, and other management and operations obligations performed by Sierra pursuant to this Lease Agreement. The powers and authority of the Madera Municipal Golf Course Advisory Committee shall solely advisory to the City and to Sierra and ultimate authority regarding the management and operation of the Leased Premises shall be with the Madera City Council and shall be as otherwise specifically set forth in this Lease Agreement. The City and Sierra shall work collaboratively to form and to manage the Madera Municipal Golf Course Advisory Committee.

32. Indemnification.

32.1 Indemnification of City. Sierra shall hold harmless, indemnify, and defend the City and its officers, employees, and agents from and against any and all liability, claims, suits, actions, damages, and causes of action arising out of any personal injury, bodily injury, loss of life or damage to any property, or violation of any relevant federal, state or local law or ordinance, or other cause occurring on the Leased Premises or in connection with Sierra's specific use of the Leased Premises or in connection with any negligent or intentional acts or omissions of Sierra, its officers, employees, agents, contractors, subcontractors, and invitees, while such invitees are on the Leased Premises, including Sierra's default under this Lease Agreement. It is understood that the duty of Sierra to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code and that Sierra shall at its own expense, upon written request by the City, defend any such suit or action brought against the City, its officers, agents or employees. Acceptance of insurance certificates and endorsements required under this Lease Agreement does not relieve

Sierra from liability under this indemnification and hold harmless clause. This indemnification and hold harmless clause shall apply whether or not such insurance policies shall have been determined applicable to any of such damages or claims for damages. Sierra's obligations with respect to indemnification hereunder shall remain effective, notwithstanding the expiration or termination of this Lease Agreement, as to claims arising or accruing prior to the expiration or termination of this Lease Agreement. Sierra's duty to indemnify the City shall survive the expiration or other termination of this Lease Agreement.

32.2 Indemnification of Sierra. The City shall hold harmless, indemnify, and defend Sierra and its officers, employees, and agents from and against any and all liability, claims, suits, actions, damages, and causes of action arising out of any personal injury, bodily injury, loss of life or damage to any property, or violation of any relevant federal, state or local law or ordinance, or other cause occurring on the Leased Premises prior to Sierra's specific use and occupancy of the Leased Premises under this Lease Agreement. It is understood that the duty of the City to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code and that City shall at its own expense, upon written request by Sierra, defend any such suit or action brought against the Sierra, its officers, agents or employees.

33. Sub-Contractors. Sierra shall be entitled, to the extent determined appropriate by Sierra, to subcontract any portion of the work to be performed under this Agreement. Sierra shall be responsible to the City for the actions of persons and firms performing subcontract work. The subcontracting of work by Sierra shall not relieve Sierra, in any manner, of the obligations and requirements imposed upon Sierra by this Agreement.

34. Audit and Examination of Accounts.

34.1. Use Reports. Sierra shall keep and shall maintain and shall provide to City on no less than a monthly basis, monthly activity reports showing the utilization of the Golf Course. The reports shall at a minimum include the number of rounds of golf played at the Leased Premises in detail satisfactory to the City Finance Director. Concurrent with submittal of payment of the monthly rent and rate per round, Sierra shall submit to the Finance Director a written report detailing the gross receipts related to rounds played during the preceding calendar month.

34.2. Subcontractors. Sierra shall keep and will cause any assignee or subcontractor this Agreement to keep accurate records and reports, as provided above.

34.3. Accounting and Reporting Standards. Any audit conducted of books and records and accounts shall be in accordance with generally accepted professional standards and guidelines for auditing. Sierra agrees to make its books, records of account and supporting document available to City, its agents, or auditors, for inspection, audit, copying, during usual business hours, as may be requested by the City from time to time throughout the term hereof, solely for the purpose of verifying information submitted by Sierra in any report or financial statement required pursuant to this agreement, and for City's purposes in verifying Sierra's compliance with the terms of this agreement.

34.4. Availability of Records. Sierra hereby agrees to disclose and make available any and all information, reports or books of records or accounts pertaining to this Agreement to City or state or federal government which provides support funding for the services rendered under this Agreement.

34.5. Agreements With Assignees and Subcontractors. Sierra hereby agrees to include the requirements of this section in any and all contracts with assignees or subcontractors under this Agreement.

34.6. Maintenance of Records. All records provided for in this section are to be maintained and made available throughout the performance of this Agreement and for a period of not less than five (5) years, additionally any and all such records which pertain to actual disputes, litigation, appeals or claims shall be maintained and made available for a period of not less than five (5) years after final resolution of such disputes, litigation, appeals or claims.

35. Records and Reporting. In addition to any reporting or recordkeeping that may be required under this Lease Agreement, Sierra shall be responsible for making any regulatory reporting that may be required for any activities performed by it under this Lease Agreement and for performing all testing or monitoring that may be required for the proper performance of its obligations under this Lease Agreement. Sierra shall retain all records including, but not limited to, records and reports pertaining to the application and storage of pesticides, for the applicable time periods established under federal, state, and local law and regulations.

36. Access to Records. Sierra shall maintain all preparatory books, records, documents, accounting ledgers, and similar materials including but not limited to calculation and survey notes relating to work performed for the City under this Lease Agreement on file for at least five (5) years. Any duly authorized representative(s) of City shall have access to such records for the purpose of inspection, audit, and copying at reasonable times during Sierra's usual and customary business hours. Sierra shall provide proper facilities to City's representative(s) for such access and inspection.

37. Ownership of Documents. Title to all final documents, including drawings, specifications, data, reports, summaries, correspondence, photographs, computer software (if purchased on the City's behalf), video and audio tapes, software output, and any other materials with respect to work performed under this Lease Agreement shall vest with City at such time as City has compensated Sierra, as provided herein, for the services rendered by Sierra in connection with which they were prepared. Sierra acknowledges that any and all documents provided to City may become public records pursuant to California law. City agrees to hold harmless and indemnify Sierra against all damages, claims, lawsuits, and losses of any kind including defense costs arising out of any use of said documents, drawings, and/or specifications by City on any other project without written authorization of Sierra.

38. Sierra's Assumption and Waiver. Provided it is not caused by the City, its agents, employees or contractors, this Lease Agreement is made upon the express

condition that, and in consideration of City's leasing the Leased Premises as herein provided, Sierra voluntarily assumes all risk of loss, damage or injury to the person or property of Sierra, including the leasehold interest of Sierra herein, and of its officers, agents, employees, and invitees while such persons are on the Leased Premises, which during the term of this Lease Agreement may be caused by or arise in any manner from:

38.1. Aircraft Flights. flight of any aircraft of any and all kinds now or hereafter known in, through, across or about any portion of the airspace over the Leased Premises; or

38.2. Proximity to Airport. noise, vibration, currents or other effects of air, illumination or fuel consumption or fear thereof, arising or occurring from or during such flight, or from or during the use by such aircraft of Madera Municipal Airport facilities including, but not limited to, landing, storage, repair, maintenance, operation, warm-up, take-off of such aircraft, and the approach and departure of aircraft to or from said Airport; or

38.3. Proximity to Agricultural Operations. dust, fumes, agricultural spraying, or exposure to agricultural equipment and/or products and activities.

Sierra hereby waives and releases the City, its officers, employees, agents, and contractors from any and all claims or causes of action which it may now or hereafter have against the City, its officers, employees, agents or contractors, for any loss, damage or injury as outlined in this section.

39. Lease Agreement Subordinate to Agreements with the U.S.A. This Lease Agreement shall be subordinate to the provisions and requirements of any existing or future agreement between the City and the United States of American relative to the development, operation or maintenance of the Madera Municipal Airport. The City covenants that Sierra's proposed use of the Leased Premises is not in violation of any existing agreement between the City and the United States if America and that if Sierra's use and/or access to the Leased Premises is at any time materially and adversely affected by any agreement between the City and the United States of American, Sierra has the right to terminate this Lease Agreement upon prior written notice to the City.

40. War or National Emergency. This Lease Agreement and all the provisions hereof shall be subject to whatever right the United States Government has affecting the control, operation, regulation, and taking over of the Madera Municipal Airport or the exclusive and non-exclusive use of the Madera Municipal Airport by the United States during the time of war or national emergency only. If Sierra's use of and/or access to the Leased Premises is at any time materially and adversely affected by such rights and activities of the United States Government, Sierra has the right to terminate this Lease Agreement upon prior written notice to the City.

41. Use to Conform with Federal Aviation Regulations. Sierra agrees that Sierra's use of the Leased Premises, including improvements, modifications or alterations

thereon, shall comply with applicable Federal Aviation Regulations now in force or those that may hereafter be adopted by Federal authority. City covenants that Sierra's intended use of the Leased Premises is not in violation of the Madera Municipal Airport regulations and if Sierra's use permitted under this Lease Agreement is ever prohibited by the Madera Municipal Airport regulations or Federal Aviation Regulations, Sierra shall have the right to terminate this Lease Agreement upon prior written notice to City.

41.1. Protection of Aerial Approaches. City reserves the right to take any action it considers necessary to protect the aerial approaches of the Madera Municipal Airport against obstruction, together with the right to prevent Sierra from erecting, or permitting to erect, any building or other structures on the Madera Municipal Airport which, in the opinion of City, would limit the usefulness of the Madera Municipal Airport or constitute a hazard to aircraft.

41.2. Affect on Sierra. If City's actions in response to the foregoing materially and adversely affect Sierra's use and access of the Leased Premises, Sierra shall have the right to terminate this Lease Agreement upon prior written notice to City.

42. Waiver. No waivers, alterations or modifications of this Lease Agreement or any agreements in connection therewith shall be valid unless in writing duly executed by both City and Sierra.

43. Joint and Several Liability. If Sierra consists of more than one person or entity, then all members of Sierra shall be jointly and severally liable hereunder.

44. Compliance with Laws, Rules, and Regulations. Sierra's use and occupancy of the Leased Premises pursuant to this Lease Agreement shall be performed in accordance and full compliance with all applicable federal, state, and City laws and any rules or regulations promulgated thereunder.

45. Exhibits Incorporated. All exhibits referred to in this Lease Agreement and attached to it are hereby incorporated in it by this reference. In the event there is a conflict between any of the terms of this Lease Agreement and any of the terms of any exhibit to the Lease Agreement, the terms of the Lease Agreement shall control the respective duties and liabilities of the parties.

46. Independent Contractor. It is expressly understood and agreed by both parties that Sierra, while using and occupying the Leased Premises and complying with any of the terms and conditions of this Lease Agreement, is a tenant of the City and is not an employee or agent of the City and this Lease Agreement is not intended, and shall not be construed, to create the relationship of agent, contractor, servant, employee, partnership, joint venture or association. Sierra expressly warrants not to represent, at any time or in any manner, that Sierra is an employee or agent of the City.

47. Integration and Agreement. This Lease Agreement represents the entire understanding of City and Sierra as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters contained herein. No prior oral or written understanding shall be of any force and effect

with respect to those matters covered in it. This Lease Agreement may not be modified or altered except by amendment in writing signed by both parties.

48. Jurisdiction. This Lease Agreement shall be administered and interpreted under the laws of the State of California. Jurisdiction of litigation arising from this Lease Agreement shall be in the State of California, in the County of Madera, or, if in the United States District Court, within the Eastern District of California.

49. Severability. If any part of this Lease Agreement is found to be in conflict with applicable laws, such part shall be inoperative, null and void insofar as it is in conflict with said laws, but the remainder of the Lease Agreement shall continue to be in full force and effect.

50. Notices.

50.1. Notices to City. Written notices to the City hereunder shall, until further notice by City, be addressed to:

City Administrator
City of Madera
205 W Fourth Street
Madera, California 93637

With a copy to:

City Attorney
City of Madera
205 W Fourth Street
Madera, California 93637

50.2. Notices to Sierra. Written notices to Sierra shall, until further notice by Sierra, be addressed to:

Sierra Golf Management
P.O. Box 788
Chowchilla, California 93610

50.3. Authority of City Administrator. The execution of any such notices by the City Manager of City shall be effective as to Sierra as if it were by resolution or order of the City Council, and Sierra shall not question the authority of the City Administrator to execute any such notice.

50.4. Form and Manner of Notice. All such notices shall either be delivered personally to the other party's designee named above, or shall be deposited in the United States Mail, properly addressed as aforesaid, postage fully prepaid, and shall be effective the day following such deposit in the mail.

51. Force Majeure. Neither City nor Sierra shall be deemed in breach of this Lease Agreement for failure to perform any of the obligations or duties imposed upon it under this Lease Agreement as the direct result of any reason beyond its reasonable control including, without limitation, acts of God, terrorist attacks, riots, strikes, fires, storms or any regulation of any federal, state or local government or agency thereof; however, such excuse shall continue only during the pendency of the particular occurrence or force majeure.

52. Nondiscrimination. For purposes of this Lease Agreement and for purposes of Sierra's use and occupancy of the Leased Premises, Sierra shall not discriminate against any employee or applicant for employment because of race, color, religion, ancestry, creed, sex, national origin, familial status, sexual orientation, age or disability. Sierra shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, ancestry, creed, sex, national origin, familial status, sexual orientation, age or disability.

53. Non-Discrimination in Employment and Hiring. During the performance of this Agreement, Sierra shall not discriminate against any employee or applicant for employment or subconsultant, including in the procurement of materials and leases of equipment, because of race, color, religion, ancestry, creed, sex, national origin, familial status, sexual orientation, age (over 40 years) or disability. Sierra shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, ancestry, creed, sex, national origin, familial status, sexual orientation, age (over 40 years) or disability.

54. Headings. The section headings appearing herein shall not be deemed to govern, limit, modify, or in any manner affect the scope, meaning or intent of the provisions of this Lease Agreement.

55. Multiple Copies of Lease Agreement. Multiple copies of this Lease Agreement may be executed, but the parties agree that the Lease Agreement on file in the office of the City Clerk is the version of the Lease Agreement that shall take precedence should any difference exist among counterparts of the document provided that the City provides to Sierra within ten (10) days of the filing thereof, a certified copy of the form of the Lease Agreement which was filed with the City Clerk.

56. Attorney's Fees. In case suit shall be brought to interpret or to enforce this Lease Agreement, or because of the breach of any other covenant or provision herein contained, the prevailing party in such action shall be entitled to recover its reasonable attorneys' fees in addition to such costs as may be allowed by the Court. City's attorneys' fees, if awarded, shall be calculated at the market rate.

57. Rights and Obligations Under Lease Agreement. By entering into this Lease Agreement, the parties do not intend to create any obligations express or implied other than those set out herein; further, this Lease Agreement shall not create any rights in any party not a signatory hereto.

58. Licenses. If a license or permit of any kind, which term is intended to include evidence of registration, is required of Sierra, its representatives, agents or subcontractors by federal, state or local law, Sierra warrants that such licenses or permits have or will be obtained, are valid and in good standing, and that any applicable bond posted in accordance with applicable laws and regulations.

59. Counterparts. This Lease Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute a single agreement.

60. Environmental Representations. City represents that the Leased Premises, the surrounding real property, and the existing use of the Leased Premises, and to the best of the City's knowledge, its prior uses, comply with, and the City is not in violation of, and has not violated, in connection with the ownership, use, maintenance or operation of the Leased Premises and the conduct of the business related thereto, any applicable federal, state, county, regional or local statutes, laws, regulations, rules, ordinances, codes, standards, orders, licenses and permits of any governmental authorities relating to environmental, health or safety matters (collectively, "Environmental Laws"). City shall, at its own expense, promptly observe and comply with all present and future Environmental Law, and all regulations or standards as are or may be promulgated thereunder. City represents that there is no fact pertaining to the physical condition of the Property or the area surrounding the Property which (i) materially and adversely affects or materially and adversely will affect the Property, or the use, enjoyment or value thereof, or Landlord's ability to perform the obligations contained in this Lease, and (ii) which Landlord has not disclosed to Tenant in writing prior to the date of this Lease. City represents that it has received no notices of any violation or claimed violation of any of the matters referred to above, or of any pending or contemplated investigation, lawsuit or other action relating thereto. The representations contained in this section shall survive the expiration or earlier termination of this Lease Agreement.

61. Warranty of Authority. Each party represents and warrants that it has the right, power, and authority to enter into this Lease Agreement. Each party further represents and warrants that it has given any and all notices, and obtained any and all consents, powers, and authorities, necessary to permit it, and the persons entering into this Lease Agreement for it, to enter into this Lease Agreement.

62. Legal Representation. Each party affirms that it has been represented by legal counsel of its own choosing regarding the preparation and the negotiation of this Lease Agreement and the matters and claims set forth herein, and that each of them has read this Lease Agreement and is fully aware of its contents and its legal effect. Neither party is relying on any statement of the other party outside the terms set forth in this Lease Agreement as an inducement to enter into this Lease Agreement.

63. Joint Representation. The language of all parts of this Lease Agreement shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against any party. No presumptions or rules of interpretation based upon the identity of the party preparing or drafting the Lease Agreement, or any part thereof, shall be applicable or invoked.

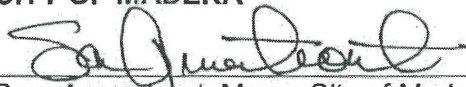
64. Right to Reopen. This Lease Agreement shall be subject to the right of either Party to reopen the terms and conditions of the Lease Agreement by written notice to the other Party within 180 days of the happening of one or more of the following events:

- The opening of North Fork Rancheria Casino within a two mile proximity to the Lease Premises;
- The catastrophic failure of wells and/or pump stations serving the Lease Premises;
- The opening and/or closing of public golf courses within a thirty (30) mile radius from the Lease Premises;
- The bankruptcy or insolvency of Sierra resulting from the operation of the Golf Course on the Lease Premises pursuant to this Lease Agreement; or
- A change in legal and/or regulatory requirements imposing a verifiable burden on the cost of Golf Course operations in excess of Fifty Thousand Dollars (\$50,000.00) in any calendar year, or otherwise directly and substantially limiting the number of rounds of golf played per calendar year.

During such negotiations, each Party shall make available to the other Party all non-privileged records and information in each Party's possession related to each subject of negotiations. The Reopener will exclusively be negotiated between Sierra and the City. The written notice of request to reopen the Lease Agreement shall set forth with particularity the facts supporting the exercise of the right to reopen and the issues to be negotiated.

IN WITNESS WHEREOF, the undersigned as authorized representatives of the City of Madera and of SGM, Inc. have entered into this Lease Agreement as of the date first written above.

CITY OF MADERA



Sam Armentrout, Mayor City of Madera

SGM INC.



Jeffrey A. Christensen, President, SGM, Inc.

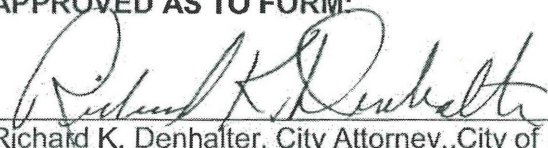
ATTEST:



Sonia Alvarez, City Clerk, City of Madera



APPROVED AS TO FORM:



Richard K. Denhalter, City Attorney, City of Madera
10/8/09

EXHIBIT A

MADERA MUNICIPAL GOLF COURSE

RENT OPTIONS

SGM proposes a rent agreement based on a combination of the following revenue centers:

1. Base Fee
2. Price Per Round
3. Capital Improvement and Investment

Year	Base Fee	Per Round	Est Rounds	Est Rent To City	Capital Improvement
1	\$24k	\$1.00	40,000	\$ 64k	\$50k
2	\$30k	\$1.00	50,000	\$ 80k	\$50k
3	\$36k	\$1.50	53,000	\$ 116k	\$50k
4	\$36k	\$2.00	55,000	\$ 146k	\$50k
5	\$36k	\$2.00	56,500	\$ 149k	\$50k
6	\$40k	\$2.00	58,168	\$ 156k	\$50k
7	\$40k	\$2.00	59,913	\$ 160k	\$50k
8	\$40k	\$2.00	61,710	\$ 164k	\$50k
9	\$40k	\$2.00	63,561	\$ 167k	\$50k
10	\$40k	\$2.00	65,467	\$ 171k	\$50k

- Payments would be made on a monthly basis.
- Capital Improvements will be funded throughout the fiscal year along with a year-end report and itemizing of all improvements.
- Current Capital Improvement funds in account to be retained for future use
- Rent would include use of all current maintenance equipment

CAPITAL IMPROVEMENT PLAN

We develop and utilize Capital Improvement Plan lists as a guide. All items listed in this report are important, however, we feel that in order to improve the current condition of the golf course the items of most importance are irrigation, equipment replacement and improvement of the greens. Note that many of these items have additional budget line item amounts already in the Operations Budget.

Maintenance Operations will be funded at a much higher level than previously, especially in the line items of irrigation repair, fertilization, herbicides, fungicides, labor and utilities (irrigation delivery).

YEAR 1:

- ❖ **EQUIPMENT:**
 - Repair and replace existing old and dated equipment
- ❖ **GREEN IMPROVEMENT**
 - Begin proper scheduling of all fertilization programs
 - Begin Integrated Pest Management Program
 - Eliminate all noxious grasses. Begin herbicide program to eliminate crab grass and promote bent grass growth
 - Improve Nursery Green
- ❖ **IRRIGATION:**
 - Replace or repair any and all defective heads
 - Repair or replace valves
 - Repair defective wiring to satellites
 - Replace outdated satellites
 - Perform bi-annual system checks on all pump stations
 - Identify and repair drainage where needed
- ❖ **LANDSCAPING:**
 - Improve front landscaping, replace certain shrubs, add annual color to flower beds in front and back
- ❖ **SIGNAGE:**
 - Replace all Tee Markers on golf course
 - Improve and add signage to facility
- ❖ **GOLF SHOP**
 - Replace current POS system with new updated cash control system
 - Replace golf carts
- ❖ **PRACTICE FACILITY:**
 - Top dress and overseed top of hitting area
 - Develop additional target area, overseed
 - Develop and isolate "private practice area"
- ❖ **TEE BOX AREAS:**
 - Level, expand and add existing teeing areas where needed
 - Overseed all teeing areas in fall

- Eradicate all crabgrass and implement herbicide program
- Develop additional teeing areas on course
- ❖ CLUBHOUSE:
 - Paint interior of bar
 - Replace outside tables and Patio furniture
 - Replace current POS system with new updated cash control system
- ❖ BUNKERS:
 - Begin repair of defective drains. Add and reshape, replace sand

YEAR 2:

- ❖ LAKES:
 - Remove all tules and debris from main lake. Increase capacity
- ❖ SURROUNDS:
 - Overseed all surrounds and approach areas
- ❖ CLUBHOUSE
 - Improve banquet facilities
 - Begin replacement of furnishings in bar
 - Shurry and strip parking lot
- ❖ TEE BOX AREAS
 - Continue to enlarge existing tees and add additional teeing areas where needed
- ❖ CART PATH ADDITIONS
 - Identify areas for cart path extension and improvement in key high traffic areas
- ❖ TREE MANAGEMENT
 - Remove and replace dead trees
 - Prune and shape
 - Develop small tree nursery
- ❖ BUNKERS:
 - Continue repair of drains, reshaping and replacement of sand
- ❖ PRACTICE FACILITY
 - Add covered area for enhanced teaching
 - Develop additional practice area in rear of range
- ❖ CLUBHOUSE
 - Paint exterior of building
 - Develop RV parking spaces
- ❖ EQUIPMENT
 - Add or replace key major piece of maintenance equipment

YEAR 3:

- ❖ IRRIGATION
 - Add additional pump station to tie into new lake
- ❖ LAKE ADDITIONS
 - Line and cap additional lake feature
- ❖ GOLF SHOP
 - Paint exterior of shop
 - Improve wash station
- ❖ EQUIPMENT
 - Add or replace key pieces of maintenance equipment
- ❖ CART PATH ADDITIONS
 - Continue to add concrete paths in key, high traffic areas
- ❖ TEE BOX AREAS
 - Expand, enlarge and add teeing areas where needed
- ❖ PRACTICE FACILITY:
 - Add additional chipping, bunker practice areas
- ❖ CLUBHOUSE
 - Paint and refresh all restrooms

YEAR 4:

- ❖ LAKE ADDITIONS
 - Line and cap additional lake feature
- ❖ GOLF SHOP
 - Replace carpet
 - Paint interior
 - Replace golf carts
- ❖ CART PATH ADDITIONS
 - Continue to add concrete paths in key, high traffic areas
- ❖ EQUIPMENT
 - Add or replace key pieces of maintenance equipment
- ❖ CLUBHOUSE
 - Replace flooring where needed
 - Paint interior of banquet rooms

YEAR 5:

- ❖ CLUBHOUSE:
 - Create "Outside Arbor" for special events
- ❖ GREENS:

- Expand square footage on all smaller greens

❖ LAKE ADDITIONS

- Line and cap additional lake features

❖ TEE BOX AREAS

- Expand, enlarge and add teeing areas where needed

EXHIBIT 'B'

INVENTORY OF EQUIPMENT

QUANTITY	ITEM
1	John Deere 1000 Tractor Mounted Aerators
1	Planet Air Tow Behind Aerator
2	John Deere Diesel Utility Vehicle
1	Cushman Truckster Utility Vehicle
3	Suzuki Quad Runner
1	Super Star 2WD Trap Rake
1	Smithco Trap Rake
1	Turfco Topdressor Pull Behind Models
1	Spray Star Greens Sprayer
1	Smithco Fairway Boom Sprayer
1	3-Yard Dump Trailer
2	Kubota L3250-TS Tractor (a with front end loader)
1	Golf Equipment Lift
1	Grinder for Reel Mowers
1	Bed Knife Grinder
3	Spare Rollers, pull behind mower
3	Spare Verticut rollers
3	Spare Cutting Units
4	Shop Work Benches 3-wood, 1-metal
1	250 Amp Welder
Misc	Spare Tires
Misc	Equipment repairs parts and supplies
1	Air Compressor
1	Bench Grinder
2	Vise's-Bench Mount
2	Metal Racks and Shelves
Misc	Cup Cutters
Misc	Water Squeegee
Misc	Spare Flag Poles
Misc	Spare Cups
1	Ice Machine
1	Drag Mat
3	Sod Cutters
1	Trash Pump
2	Drop Spreaders
1	Power Washer
1	Flammable Storage Container

Misc	Fuel Cans
1	Oil Drum
2	Desk and Chairs, misc. office supplies
Misc	Irrigation Supplies
Misc	Concrete Tools
1	Motorized sod cutter
Misc	Hand Tools
2	Storage Sheds
1	Parts Washer
1	Core Harvester Unit
1	300 Gallon Diesel Tank
3	Spreaders
2	Hand Pumps
2	Edger's
1	Pull Behind Blower
2	Hand Held Blower
1	Back Pack Sprayer
1	24' Cargo Trailer
1	Lilly Spreader
1	Gannon Box Scrapper
1	12' Trailer
2	Ladders

**MADERA MUNICIPAL GOLF COURSE
OPERATION AND MANAGEMENT LEASE AGREEMENT AMENDMENT**

This Operation and Management Lease Agreement ("Lease Agreement") is made and amended into this 18th day of November 2009 by and between the **City of Madera**, a municipal corporation of the State of California, hereinafter called "City" and SGM Inc. dba Sierra Golf Management Inc., Post Office Box 788 Chowchilla, California 93610, hereinafter referred to as "Sierra" both hereinafter collectively referred to as "the parties.

RECITALS

WHEREAS, the City owns and operates the Madera Municipal Golf Course, hereinafter called "Golf Course," for the use and benefit of the public; and;

WHEREAS, the City desires to provide the highest level of service to the community of Madera by providing an improved golf course facility and related operations; and;

WHEREAS, the City has determined to privatize the management and operation of the Madera Municipal Golf Course by leasing the entire facility, including the clubhouse, to Sierra; and;

WHEREAS, The City, through an agreement with Golf Operations Inc. was obligated to purchase Pro Shop Inventory at wholesale value at the termination of the agreement; and;

WHEREAS, SGM Inc. has submitted a proposal to purchase the inventory at a reduced cost and sell the inventory through the Pro Shop.

AGREEMENT

In consideration of the recital listed above and the mutual obligations of the parties herein, City and SGM Inc. hereby to amend the Agreement as follows:

Section 1. Section 7.1 of the agreement is amended to read as follows:

7.1. Facility and Equipment Maintenance Services.

Sierra, at its sole cost and expense, shall furnish and shall maintain all equipment, supplies, and material of good quality and of sufficient number to fulfill the requirements of this Lease Agreement. Any equipment listed on Exhibit

"B" shall be returned to the City, and may be declared surplus under the guidelines and accounting standards established by the City, at such time as Sierra no longer requires the use of equipment for the following reasons:

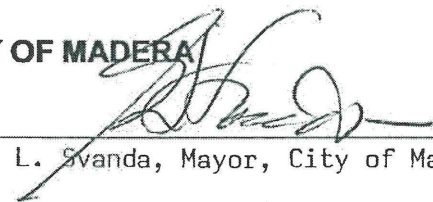
- Unusable in present condition, no longer useful
- Having value but requiring repairs to make useable and repair cost is 50% of replacement value or more
- Having no future value as a useable commodity in its present condition
- Broken or worn-out to the point of having no saleable scrap value

Sierra agrees to purchase from the City all Pro Shop Inventory (Attachment A) at a cost of 20% of agreed upon wholesale cost. Final inventory will be agreed upon by both parties less and products sold by previous operator between November 1, 2009 and November 17, 2009.

Section 2. All other provisions of the Agreement not inconsistent with the terms of this Amendment shall remain in full force and effect.


IN WITNESS HEREOF, the Parties execute this agreement on the date first written above

CITY OF MADERA



Gary L. Svanda, Mayor, City of Madera.

SGM INC.



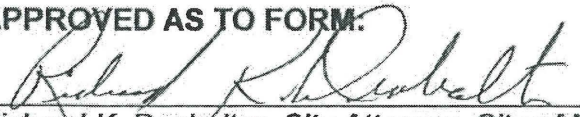
Jeffrey A. Christensen, President, SGM Inc.

ATTEST:



Sonia Alvarez, City Clerk, City of Madera

APPROVED AS TO FORM:



Richard K. Denhalter, City Attorney, City of Madera



12/31/09

Madera Municipal Golf Course

Physical Inventory as of 10/25/2009

Attachment "A"

Sales Item	Qty	Unit Cost	Cost
Access.- Brush Tee Oversize 3-Pack	4.00	\$3.0000	\$12.0000
Access.- Chapstik	36.00	\$1.2793	\$46.0548
Access.- Daphne Headcovers	15.00	\$11.5000	\$172.5000
Access.- Disposable Handwarmers	4.00	\$1.0100	\$4.0400
Access.- Gauztex	11.00	\$0.7500	\$8.2500
Access.- Get Ballzee	4.00	\$4.1500	\$16.6000
Access.- Golf Ball Pick Up	5.00	\$1.1000	\$5.5000
Access.- Line Em Up Marking Tool	1.00	\$4.6500	\$4.6500
Access.- Pro Grip Wax	11.00	\$1.5000	\$16.5000
Access.- Sharpie 4-Pack	3.00	\$3.8500	\$11.5500
Access.- Spikes Scorpion	20.00	\$6.8000	\$136.0000
Access.- Spikes Stinger	38.00	\$5.8000	\$220.4000
Access.- Sunscreen	45.00	\$1.5000	\$67.5000
Access.- Wire Groove Brush	5.00	\$1.9900	\$9.9500
Access.- Yardage Books	187.00	\$0.0100	\$1.8700
Bags- Alpine / 3 Wheel	2.00	\$55.0000	\$110.0000
Bags- Callaway Stand	5.00	\$62.5000	\$312.5000
Bags- Mizuno Stand	1.00	\$61.0000	\$61.0000
Bags- Ping Hooper	7.00	\$105.0000	\$735.0000
Bags- Ping Latitude	2.00	\$117.0000	\$234.0000
Bags- Titleist Carry	6.00	\$98.0000	\$588.0000
Bags- Titleist Staff	2.00	\$170.0000	\$340.0000
Ball Callaway Hx Bite Doz.	12.00	\$26.0000	\$312.0000
Ball Callaway Hx Bite Slv.	14.00	\$8.0000	\$112.0000
Ball Callaway Hx Hot Doz.	5.00	\$20.6400	\$103.2000
Ball Callaway Hx Hot Slv.	16.00	\$6.1200	\$97.9200
Ball Callaway Tour Ix Doz.	24.00	\$36.2000	\$868.8000
Ball Callaway Tour Ix Slv.	22.00	\$8.1600	\$179.5200
Ball Experienced	432.00	\$0.0400	\$17.2800
Ball Madera Logo	248.00	\$0.8800	\$218.2400
Ball Nike One Tour Doz.	10.00	\$33.5000	\$335.0000
Ball Nike One Tour Slv.	8.00	\$6.5000	\$52.0000
Ball Pinnacle 15 Packs	82.00	\$10.6824	\$875.9568
Ball Pinnacle Platinum Doz.	27.00	\$35.0000	\$945.0000
Ball Pinnacle Platinum Slv	43.00	\$4.0000	\$172.0000
Ball Titleist Dt Solo Doz.	10.00	\$16.2800	\$162.8000
Ball Titleist Dt Solo Slv.	8.00	\$3.5100	\$28.0800
Ball Titleist Nxt Doz.	3.00	\$24.0000	\$72.0000
Ball Titleist Nxt Slv.	20.00	\$5.2500	\$105.0000
Ball Titleist Pro V Doz.	24.00	\$38.0000	\$912.0000
Ball Titleist Pro V Slv.	14.00	\$8.8500	\$123.9000
Ball Top Flite 15 Pack XI	58.00	\$10.0000	\$580.0000
Ball Top Flite D2 6 Pak	11.00	\$4.0000	\$44.0000
Ball Top Flite Gamer Doz.	1.00	\$12.0000	\$12.0000
Ball Top Flite Gamer Slv.	6.00	\$4.2500	\$25.5000
Ball-Titleist Mlb	8.00	\$13.5000	\$108.0000
Cigar 13.95	12.00	\$3.4500	\$41.4000
Cigar 6.95	33.00	\$3.0000	\$99.0000
Cigar 7.95	35.00	\$4.5000	\$157.5000
Cigar 8.95	18.00	\$4.5000	\$81.0000

Sales Item	Qty	Unit C	Cost
Glove- Bagboy	108.00	\$2.5000	\$270.0000
Glove- Callaway Chev 18	103.00	\$5.5000	\$566.5000
Glove F3	2.00	\$8.2000	\$16.4000
Glove- Fresno State Fjoy	13.00	\$9.0000	\$117.0000
Glove Ladies Precept	2.00	\$7.2500	\$14.5000
Glove Mizuno	23.00	\$8.8800	\$204.2400
Glove Stacooler	1.00	\$6.4400	\$6.4400
Glove Titleist	2.00	\$8.2000	\$16.4000
Glove Weathersoft	37.00	\$6.8100	\$251.9700
Glove -Wintergloves	12.00	\$6.2500	\$75.0000
Glove Wolfe True Grip	4.00	\$5.1500	\$20.6000
Glove-Nike Dura Feel V	3.00	\$5.5000	\$16.5000
Grip Fancy	38.00	\$5.7975	\$220.3050
Grip Regular	23.00	\$2.4909	\$57.2907
Hat Cali Fame Straw	22.00	\$13.0000	\$286.0000
Hat Callaway	46.00	\$9.5600	\$439.7600
Hat Imperial	60.00	\$9.1000	\$546.0000
Hat Nike	2.00	\$11.5000	\$23.0000
Hat Titleist Mlb Hats	27.00	\$12.5000	\$337.5000
Hat Us Open	3.00	\$9.5000	\$28.5000
Iron Callaway Wedge Chrome	2.00	\$79.0000	\$158.0000
Iron Hogan Wedge	1.00	\$56.8500	\$56.8500
Iron Mizuno Raw Wedge	7.00	\$85.0000	\$595.0000
Iron Nike Wedge	1.00	\$72.0000	\$72.0000
Iron Ping Wedge	4.00	\$82.0000	\$328.0000
Iron Titleist Wedge -Vokey	1.00	\$79.4412	\$79.4412
Outerwear- Ashworth Sweatshirt	2.00	\$32.0000	\$64.0000
Outerwear- Callaway Half Zip Pullover	3.00	\$36.0000	\$108.0000
Outerwear- Callaway Sweater	8.00	\$33.0000	\$264.0000
Outerwear- Packaged Rain Suit Weather Co.	1.00	\$25.0000	\$25.0000
Outerwear- Vest Ashworth	3.00	\$18.5000	\$55.5000
Putter Clip	2.00	\$1.9500	\$3.9000
Putter Odyssey White Hot	3.00	\$87.0000	\$261.0000
Putter Ping G5/ I Series	2.00	\$83.0000	\$166.0000
Putter Ping Standard	1.00	\$60.0000	\$60.0000
Putter Titleist Scotty Cameron	2.00	\$179.6667	\$359.3334
Putter Tour Edge	3.00	\$25.0000	\$75.0000
Shirt Antigua	10.00	\$32.0000	\$320.0000
Shirt Ashworth Fancy	47.00	\$28.9600	\$1,361.1200
Shirt Ashworth Plain	58.00	\$24.4100	\$1,415.7800
Shirt- Callaway Ashworth Shirt Fancy	8.00	\$35.0000	\$280.0000
Shirt- Callaway Ashworth Shirt Plain	12.00	\$29.5000	\$354.0000
Shirt Heritage Cross Fancy	6.00	\$20.0000	\$120.0000
Shirt Heritage Cross Plain	25.00	\$14.0000	\$350.0000
Shirt- Ladies Heritage Cross	13.00	\$20.0000	\$260.0000
Shirt- Mock Womens Ashworth	3.00	\$18.5000	\$55.5000
Shirt Womens Ashworth	28.00	\$28.3100	\$792.6800

Sales Item	Qty	Unit c.	Cost
Shoe Laces Fjoy	25.00	\$0.5300	\$13.2500
Shoes- Fj Superlites	7.00	\$54.0000	\$378.0000
Shoes Fjoy Contour	1.00	\$65.7900	\$65.7900
Shoes Fjoy Dryjoy	5.00	\$72.5000	\$362.5000
Shoes Fjoy E-Comfort	8.00	\$54.2600	\$434.0800
Shoes Fjoy Greenjoys	35.00	\$35.6200	\$1,246.7000
Shoes Fjoy Reel-Fit	2.00	\$120.0000	\$240.0000
Shoes Fjoy Sandal	17.00	\$51.0000	\$867.0000
Shoes Golf Athletics	6.00	\$55.0000	\$330.0000
Shoes Ladies Lopro	3.00	\$62.0000	\$186.0000
Shoes-Fresno State Fj Contour	1.00	\$95.0000	\$95.0000
Shorts Ashworth	7.00	\$24.0000	\$168.0000
Shorts- Womens Ashworth	18.00	\$31.9565	\$575.2170
Socks Fjoy Ladies	1.00	\$2.7600	\$2.7600
Socks Jox Sox	51.00	\$2.9000	\$147.9000
Sunglasses Blink	6.00	\$20.0000	\$120.0000
Sunglasses Blink Polarized	13.00	\$25.0000	\$325.0000
Tees- Brush Tee Multi-Pack	5.00	\$5.2500	\$26.2500
Tees- Epoch Combo Pack	1.00	\$3.3500	\$3.3500
Tees- Long Package	253.00	\$0.3600	\$91.0800
Tees- Pride Sports Headercard 50 Pack	37.00	\$1.0900	\$40.3300
Tees- Pride Sports Headercard 75/100 Pack	90.00	\$2.0900	\$188.1000
Tees- Pro Length	7.00	\$2.5000	\$17.5000
Tees- Step Down	6.00	\$2.5000	\$15.0000
Towel Titleist	6.00	\$14.2500	\$85.5000
Towel-Global Madera Logo	21.00	\$9.7500	\$204.7500
Wood Adams Hybrid	4.00	\$120.0000	\$480.0000
Wood Callaway X460	1.00	\$224.4500	\$224.4500
Wood Cobra Hybrid Baffle	1.00	\$120.0000	\$120.0000
Wood Cobra Speed Driver	3.00	\$247.5000	\$742.5000
Wood Mizuno Mx 500	1.00	\$225.0000	\$225.0000
Wood Ping G5 / G10 Driver	1.00	\$220.0000	\$220.0000

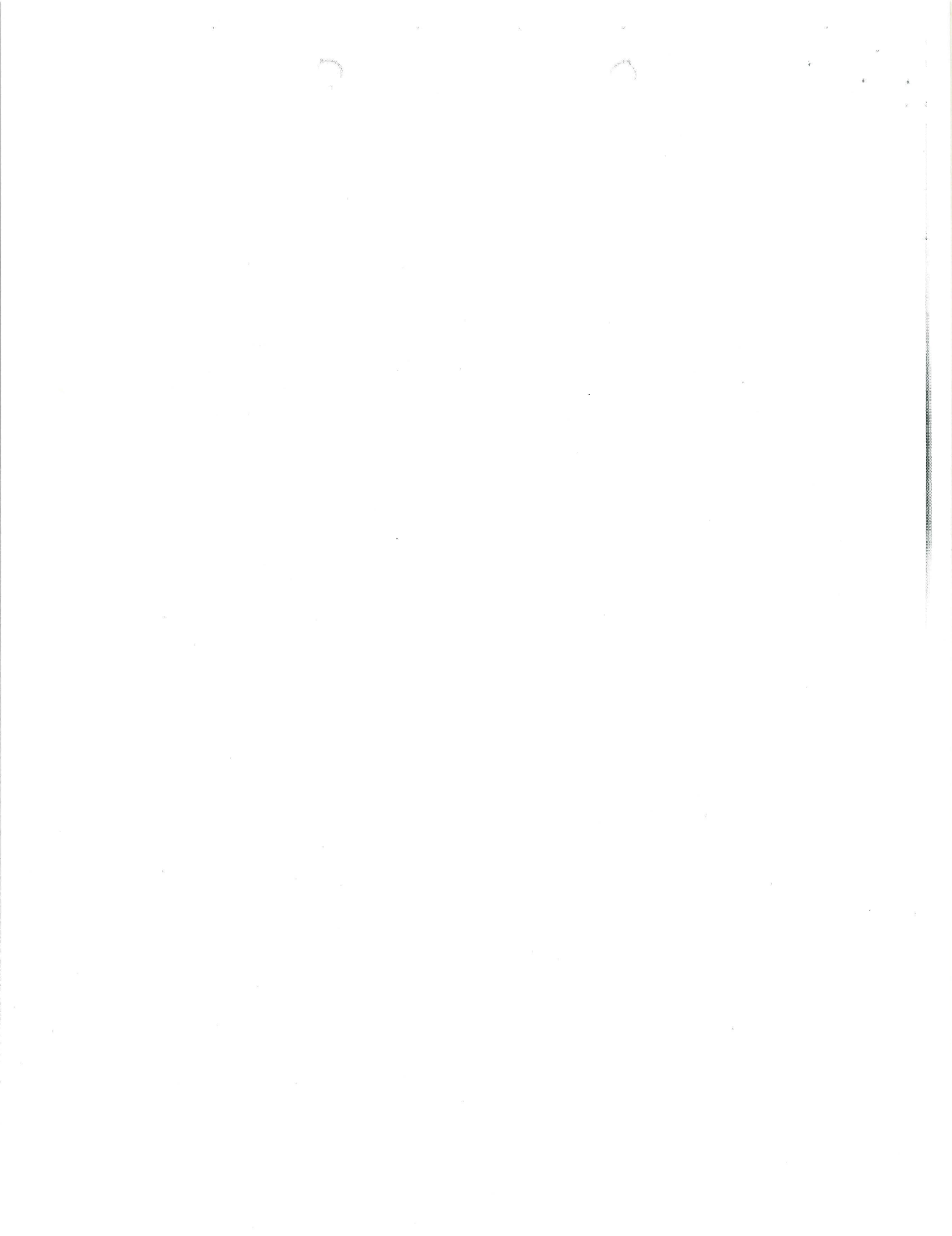
\$31,215.08

EXHIBIT 'B'

INVENTORY OF EQUIPMENT

QUANTITY	ITEM
1	Jacobson Gas Greens Mower
1	Jacobson Greens King 6 Greens Mower
2	Jacobson Greens King 5 Greens Mower
1	John Deere 1000 Tractor Mounted Aerators
1	Planet Air Tow Behind Aerator
2	John Deere Diesel Utility Vehicle
1	Cushman Truckster Utility Vehicle
3	Suzuki Quad Runner
1	Super Star 2WD Trap Rake
1	Smithco Trap Rake
1	Turfc0 Topdressor Pull Behind Models
1	Spray Star Greens Sprayer
1	Smithco Fairway Boom Sprayer
1	3-Yard Dump Trailer
2	Kubota L3250-TS Tractor (a with front end loader)
1	Golf Equipment Lift
1	Grinder for Reel Mowers
1	Bed Knife Grinder
3	Spare Rollers, pull behind mower
3	Spare Verticut rollers
3	Spare Cutting Units
4	Shop Work Benches 3-wood, 1-metal
1	250 Amp Welder
Misc	Spare Tires
Misc	Equipment repairs parts and supplies
1	Air Compressor
1	Bench Grinder
2	Vise's-Bench Mount
2	Metal Racks and Shelves
Misc	Cup Cutters
Misc	Water Squeegee
Misc	Spare Flag Poles
Misc	Spare Cups
1	Ice Machine
1	Drag Mat
3	Sod Cutters
1	Trash Pump

2	Drop Spreaders
1	Power Washer
1	Flammable Storage Container
Misc	Fuel Cans
1	Oil Drum
2	Desk and Chairs, misc. office supplies
Misc	Irrigation Supplies
Misc	Concrete Tools
1	Motorized sod cutter
Misc	Hand Tools
2	Storage Sheds
1	Parts Washer
1	Core Harvester Unit
1	300 Gallon Diesel Tank
3	Spreaders
2	Hand Pumps
2	Edger's
1	Pull Behind Blower
2	Hand Held Blower
1	Back Pack Sprayer
1	24' Cargo Trailer
1	Lilly Spreader
1	Gannon Box Scrapper
1	12' Trailer
2	Ladders



**SECOND AMENDMENT TO
MADERA MUNICIPAL GOLF COURSE
OPERATION AND MANAGEMENT LEASE AGREEMENT**

This Amendment (the "Amendment") to the previous agreement titled "Madera Municipal Golf Course Operation and Management Lease Agreement" dated October 7, 2009, as amended from time to time, (the "Agreement") is made and entered into this 3rd day of July, 2013 by and between the City of Madera, hereinafter called "City," and SGM Inc. dba Sierra Golf Management, hereinafter referred to as "Sierra."

WITNESSETH:

WHEREAS, the City owns and operates the Madera Municipal Golf Course for the use and benefit of the public; and

WHEREAS, the City and Sierra entered into a Lease Agreement dated October 7, 2009 for Operation and Management of the Madera Municipal Golf Course; and

WHEREAS, said Lease Agreement was amended November 18, 2009 by mutual consent of City and Sierra; and

WHEREAS, the City and Sierra desire to further amend said Lease Agreement to clarify each parties responsibilities regarding payment of Proposition 218 Benefit Assessments due annually to the Madera Irrigation District (MID).

NOW THEREFORE, it is hereby agreed that the Agreement between the parties is amended in the following particulars only:

Amendment 1. Section 19 of the Agreement is amended to read as follows:

19. Taxes. Throughout the Initial Term and Renewal Term of this Lease Agreement, Sierra shall pay before they become delinquent all real property tax obligations of any kind assessed against the Leased Premises in addition to all taxes and assessments imposed on any personal property, equipment or trade fixtures belonging to Sierra and located on the Leased Premises. Except as otherwise stipulated in Section 19.1, beginning on the Effective Date and for each year thereafter, Sierra shall be responsible for any applicable possessory interest tax assessed or levied against the Leased Premises and shall make timely payment thereof.

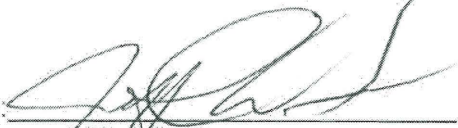
19.1 Madera Irrigation District (MID) Proposition 218 Benefit Assessments. City shall pay annual Proposition 218 Benefit Assessment as determined and invoiced by the Madera Irrigation District (MID) for Golf Course property including but not limited to that described by Madera County Assessor's Parcel # 013-010-039.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by and through their respective officers duly authorized on the date first written above.

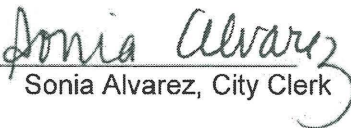
City of Madera

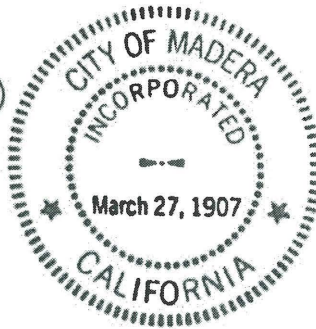
SGM Inc. dba Sierra Golf Management

By: 
Robert L. Poythress, Mayor

By: 
Jeffrey A. Christensen, President

ATTEST:

By: 
Sonia Alvarez, City Clerk



APPROVED AS TO FORM:

By: 
Brent Richardson, City Attorney

THIRD AMENDMENT TO MADERA MUNICIPAL GOLF COURSE OPERATION AND MANAGEMENT LEASE AGREEMENT BETWEEN THE CITY OF MADERA AND SIERRA GOLF MANAGEMENT, INC.

This 3rd Amendment to the previous Agreement titled "**MADERA MUNICIPAL GOLF COURSE OPERATION AND MANAGEMENT LEASE AGREEMENT**", dated **October 7, 2009** is made and entered into this **15th** day of **October 2014**, by and between the CITY OF MADERA, a California municipal corporation, (hereinafter referred to as "CITY"), and SGM Inc. dba Sierra Golf Management Inc., Post Office Box 788 Chowchilla, California 93610, hereinafter referred to as "Sierra" both hereinafter collectively referred to as "the parties."

WITNESSETH:

WHEREAS, CITY and SIERRA entered into an agreement on October 7, 2009, to contract with Sierra to provide services related to the operation and management of the Madera Municipal Golf Course (the "Agreement"); and

WHEREAS, CITY and Sierra desire to modify said Agreement by changing certain terms and conditions as detailed below.

NOW THEREFORE, it is hereby agreed that the Agreement between the parties is amended in the following particulars only:

1. Section 2. Term is amended to read as follows:

2. Term. This Lease Agreement shall commence on November 1, 2009 (the "Effective Date") and shall continue in full force and effect for a period of ten (10) years ("Initial Term"), thereafter terminating on October 31, 2019 ("Termination Date"), unless extended sooner or otherwise terminated sooner as provided herein, save and except, Sierra's lease of the clubhouse and banquet facilities and food and beverage operation shall not commence until March 15, 2010, unless the current tenant agrees to terminate its tenancy and vacate earlier than March 15, 2010, and which shall terminate on October 31, 2019.

The City may, in its sole discretion, grant one (1) option to Sierra to extend this Lease Agreement ("Renewal Option"), for an additional five (5) year period ("Renewal Term"), which Renewal Option will only take effect upon the mutual written consent of the parties. The City shall give Sierra no less than 180 days written notice of its intent to extend the Lease for an additional five (5) year period, at which point the City shall enter into negotiations with Sierra to extend this Lease Agreement beyond the Renewal Term. The parties agree to negotiate in good faith. In the event City and Sierra are unable during such 180-day period to reach agreement on the lease terms, this Lease Agreement shall terminate and shall be of no further force and effect and except as may specifically be provided for elsewhere in this Lease Agreement, neither City nor Sierra shall have any further obligations hereunder.

2. Section 5.1 Base Rent is amended to read as follows:

5.1. Base Rent. Commencing on the Effective Date, Sierra shall pay to City monthly Base Rent for the use and occupancy of the Leased Premises, on the tenth day of each calendar month throughout the Initial Term and the Renewal Term, without deduction, offset, prior notice or demand, except as otherwise specifically set forth in this Lease Agreement. Base rent through the entire Initial Term and through the Renewal Term shall be as follows:

Year 1:	\$24,000 per year	NOV 2009 - OCT 31 2010
Year 2:	\$30,000 per year	2010 2011
Year 3:	\$36,000 per year	2011 2012
Year 4:	\$36,000 per year	2012 2013
Year 5:	\$36,000 per year	2013 2014
Year 6:	\$40,000 per year	NOV 2014 OCT 31 2015
Year 7:	\$40,000 per year	
Year 8:	\$40,000 per year	
Year 9:	\$40,000 per year	
Year 10:	\$40,000 per year	
Renewal Year 11:	\$40,000 per year	
Renewal Year 12:	\$40,000 per year	
Renewal Year 13:	\$40,000 per year	
Renewal Year 14:	\$40,000 per year	
Renewal Year 15:	\$40,000 per year	

3. Section 5.2 Per Round Rate is amended to read as follows:

5.2. Per Round Rate. In addition to Base Rent, Sierra agrees to pay to the City a "per round" rate that establishes an initial rate of \$1.00 per round but increases in later years as set forth below. Sierra agrees to pay to the City a "per round" rate of \$1.00 per round for footgolf for the term of the Agreement. The rate per round will be paid on the tenth day of each calendar month throughout the Initial Term and the Renewal Term, without deduction, offset, prior notice or demand, except as otherwise specifically set forth in this Lease.

Year 1:	\$1.00 per round
Year 2:	\$1.00 per round
Year 3:	\$1.50 per round
Year 4:	\$2.00 per round
Year 5:	\$2.00 per round
Year 6:	\$2.00 per round
Year 7:	\$2.00 per round
Year 8:	\$2.00 per round
Year 9:	\$2.00 per round
Year 10:	\$2.00 per round
Renewal Year 11:	\$2.00 per round
Renewal Year 12:	\$2.00 per round

Renewal Year 13: \$2.00 per round
Renewal Year 14: \$2.00 per round
Renewal Year 15: \$2.00 per round

4. Section 5.6 Capital Improvements is amended to read as follows:

5.6 Capital Improvements. Commencing on the Effective Date, Sierra shall make Capital Improvements to the Leased Premises in order to improve the current condition of the golf course and clubhouse facilities, consistent with the Capital Improvement Plan identified in Exhibits A. The Capital Improvement Plan will serve as a guide for improvements; however for the purposes of this agreement, Sierra shall make an annual expenditure of not less than \$50,000 per calendar year for Capital Improvements to the Leased Premises throughout the Initial Term and the Renewal Term, without deduction, offset, prior notice or demand, except as otherwise specifically set forth in this Lease Agreement.

Year 1: \$50,000 per year
Year 2: \$50,000 per year
Year 3: \$50,000 per year
Year 4: \$50,000 per year
Year 5: \$50,000 per year
Year 6: \$50,000 per year
Year 7: \$50,000 per year
Year 8: \$50,000 per year
Year 9: \$50,000 per year
Year 10: \$50,000 per year
Renewal Year 11: \$50,000 per year
Renewal Year 12: \$50,000 per year
Renewal Year 13: \$50,000 per year
Renewal Year 14: \$50,000 per year
Renewal Year 15: \$50,000 per year

5. Section 5.8 Rent Payment and Per Round Payment is amended to read as follows:

5.8 Rent Payment and Per Round Payment. Delay by the parties in computing or collecting the Base Rent and Per Round Payments or the acceptance by City of the incorrect amount of Base Rent or Per Round payments shall not relieve Sierra of its obligations to pay such rent to the City. Sierra waives any applicable statute of limitations which could defeat the City's right to collect the Base Rent. All rental payments due under this Section 5 shall be made payable to the City of Madera and shall be delivered to the City of Madera Finance Department at 205 W. Fourth Street Madera, California 93637. Any failure to make Base Rent Payments and/or Per Round Payments that is more than sixty (60) days delinquent shall constitute substantial breach of this Lease Agreement.

6. Section 7.16 Americans With Disabilities Act (ADA) and Title 24 Compliance is amended to read as follows:

7.16 Americans With Disabilities Act (ADA) and Title 24 Compliance. With respect to any capital improvements made by Sierra during the term of this Lease Agreement including, but not limited to, those capital improvements made through the use of Capital Improvement funds established pursuant to Section 5.5 of this Lease Agreement, Sierra shall ensure that all buildings, structures, and other facilities constructed or improved by it are constructed or improved in such a manner as to be in compliance with the Americans With Disabilities Act (ADA) and Title 24. With respect to all other ADA or Title 24 required improvements, City shall be responsible for making any repairs or improvements necessary to bring the buildings, structures, and other facilities into compliance with the ADA and with Title 24.

7. Section 8.3 Project Director is amended to read as follows:

8.3. Project Director. The Director of Parks & Community Services shall act as City's representative with respect to the work to be performed under this Lease Agreement. Such person shall have the complete authority to transmit instructions, receive information, interpret and define City's policies and decisions with respect to materials, equipment, elements, and systems pertinent to Sierra's services. City may unilaterally change its representative upon notice to the Sierra.


8. Exhibit "A" is replaced with new Exhibit "A" attached hereto.

9. All other terms and conditions that are not hereby amended are to remain in full force and effect.

* * * * *

IN WITNESS WHEREOF, the parties authorized agents have executed this Agreement as set forth below.

CITY OF MADERA

By: 
Robert L. Poythress, Mayor

SIERRA GOLF MANAGEMENT, INC.
By: 
Jeff Christensen, President

ATTEST:

By: 
Sonia Alvarez, City Clerk

APPROVED AS TO FORM:

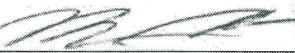
By: 
Brent Richardson,
City Attorney



Exhibit A

MADERA MUNICIPAL GOLF COURSE

RENT OPTIONS

SGM proposes a rent agreement based on a combination of the following revenue centers:

1. Base Rent
2. Price per Round
3. Capital Improvement and Investment

YEAR	Base Fee	Per Round Golf	Estimated Rounds	Per Round Foot Golf	Estimated Rounds	Est. Rent to City	Capital Improvement
*6.	40k	\$2.00	46,000	\$1.00	1,200	\$133,200	\$50,000
7.	40k	\$2.00	47,858	\$1.00	1,400	\$137,116	\$50,000
8.	40k	\$2.00	49,791	\$1.00	1,600	\$141,182	\$50,000
9.	40k	\$2.00	50,787	\$1.00	1,800	\$143,374	\$50,000
10.	40k	\$2.00	51,803	\$1.00	2,000	\$145,606	\$50,000
11.	40k	\$2.00	52,839	\$1.00	2,000	\$147,673	\$50,000
12.	40k	\$2.00	53,896	\$1.00	2,000	\$149,792	\$50,000
13.	40k	\$2.00	54,000	\$1.00	2,000	\$150,000	\$50,000
14.	40k	\$2.00	54,000	\$1.00	2,000	\$150,000	\$50,000
15.	40k	\$2.00	54,000	\$1.00	2,000	\$150,000	\$50,000

*Year 6 represents the 6th year of the Amended Lease Agreement to commence November 1, 2014.

- Payments would be made on a monthly basis.
- Capital Improvements will be funded throughout the fiscal year along with a year-end report and itemizing of all improvements.
- Current Capital Improvement funds in account to be retained for future use
- Rent would include use of all current maintenance equipment

MADERA GOLF COURSE
FIVE-YEAR CAPITAL IMPROVEMENT PLAN

We develop and utilize Capital Improvement Plan lists as a guide. Items listed in this report are important, however, we (SGM) feel that in order to improve the current condition of the golf course the items of most importance are irrigation, equipment replacement and improvement of the greens. Note that many of these items have additional budget line item amounts already in the Operations Budget.

Maintenance Operations will be funded at a much higher level than previously, especially the line items of irrigation repair, fertilization, herbicides, fungicides, labor and utilities (irrigation delivery).

2014-15

- Add "Target areas" and Target greens" on driving range.
- Replace old carpet in Clubhouse.
- Continue irrigation improvement plan on perimeters.
- Parking lot improvement.

2015-16

- Paint exterior of clubhouse
- Replace Golf Shop carpet
- Mower replacement
- Irrigation improvement

2016-17

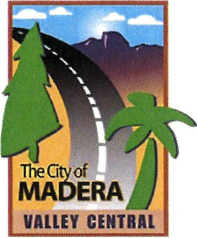
- Replace foggy windows
- Well upgrade
- Irrigation pump station upgrade
- Equipment addition

2017-18

- Remodel ladies bathroom
- Enhance Clubhouse bathrooms
- Add liners to greenside bunkers
- Purchase utility maintenance vehicles

2018-19

- Landscape improvement around building
- Purchase Fairway mower
- Tree maintenance



REPORT TO CITY COUNCIL

Approved by:



Tim Przybyla, Director of Financial Services



Arnaldo Rodriguez, City Manager

Council Meeting of: April 17, 2019

Agenda Number: E-4

SUBJECT:

Acceptance of the Audited Financial Statements for the Fiscal Year ended June 30, 2018

RECOMMENDATION:

It is recommended City Council (Council) accept of Audited Financial Statements for Fiscal Year ended June 30, 2018.

SUMMARY:

The City of Madera's (City) Financial Statements for the Fiscal Year ended on June 30, 2018 have been audited by an independent accounting firm and an Unmodified Opinion (a clean opinion) has been issued.

DISCUSSION:

In accordance with the Single Audit Act of 1984 and the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, the City is required to have an independent firm audit their Financial Statements whenever \$750,000 in Federal grants are received for any Fiscal Year. The audit must follow Generally Accepted Auditing Standards as set forth by the American Institute of Certified Public Accountants and comply with the standards for financial audits set forth in the U.S. General Accounting Office's Governments Auditing Standards (1994). The audit completed for Fiscal Year ended June 30, 2018 complies with all the provisions and standards previously stated and the City's Financial Statements have been found to be in conformity with Generally Accepted Accounting Principles. The auditors are still working on the single audit as of the time that this report was being written. So, only the City's Financial Statements will be presented at this meeting.

Audit Results

The City received an unmodified opinion from the independent auditor. Per the auditor (page 1 of their letter):

"In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2018, 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."

Copies of the most recent Audited Financial Statements and Single Audit Reports will be posted on the City's website.

Fausto Hinojosa, Managing Partner of Price Paige & Company will present the Financial Statements and discuss their results with the Council during this meeting. The Single Audit Report will be presented at a later date.

Looking Forward

For the upcoming audit of the City's 2018/2019 financial statements, staff will be preparing a request for proposals (RFP) for auditing services, as the contract with Price Paige & Company expired and was approved for one additional year for the completion of this audit.

FINANCIAL IMPACT:

The acceptance of these audited financial statements has no financial impact to the City.

ALTERNATIVES:

As an alternative the Council may wish to:

1. Not accept the financial statements for the Fiscal Year ended June 30, 2018

ATTACHMENTS:

City of Madera Financial Statements for the Year Ended June 30, 2018

**CITY OF MADERA
CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018**

**CITY OF MADERA
CALIFORNIA**

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Madera, California (the City) as of and for the year ended June 30, 2018, 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 City'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 City'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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Madera, California, as of June 30, 2018, 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.

677 Scott Avenue
Clovis, CA 93612
tel 559.299.9540
fax 559.299.2344

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-19, budgetary comparison information on pages 90-93, the schedules of changes in net pension liability and related ratios on page 94, schedule of contributions on pages 95 and 97, schedule of the City's proportionate share of the net pension liability on page 96, and schedule of funding progress – other postemployment benefits plan on page 96 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 nonmajor fund financial statements are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

Implementation of New Accounting Standard

As disclosed in Note 9 of the financial statements, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2019, on our consideration of the City of Madera, California'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 the City's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
April 4, 2019

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

This discussion and analysis of the City of Madera's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- The City's government-wide total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of the fiscal year by \$278.5 million. Of this amount, \$2.7 million is in unrestricted net position and available to meet the City's ongoing commitments to citizens and creditors. In addition, the City's restricted net position totals \$38.2 million and is dedicated to specific purposes. Lastly, net position of \$237.7 million is the City's net investment in capital assets.
- The City's total net position increased by \$1.2 million or 0.1% during 2017-2018 to \$278.5 million from \$277.3 million.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$54.0 million, an increase of \$4.7 million or 9.6% in comparison with the prior year. Approximately \$4.7 million or 8.6% of this amount is available for spending at the City's discretion (unassigned fund balance).
- The City's General Fund, including Measure K, Code Enforcement, Insurance Reserve, Payroll Clearing, Community Development and LEA Tire Grants, ended the year with a fund balance of \$18.0 million, which represents a net increase of approximately \$2.6 million from the previous year. The unassigned balance of \$4.7 million is available for carryover to fund future general fund expenditures.
- Net Pension Liability increased by \$4.3 million or 19.6% during 2017-2018 to \$26.5 million from \$22.2 million. Deferred outflows of resources related to pensions increased by \$1.2 million or 20.9% and deferred inflows of resources related to pensions decreased by \$0.8 million or 89.6%. The changes to net pension liability were mainly due to an overall increase in the net pension liability of the CalPERS safety risk pool, of which the City's proportionate share increased, and the service cost and interest accumulated on the City's total pension liability in its miscellaneous risk pool agent plan exceeded contributions and investment income in the City's fiduciary net position. The changes to the City's deferred outflows were mainly due to an increase in contributions to the Plan made by the City in 2017-2018 and actual earnings on the plan exceeding the projected earnings, which will be applied as a reduction to net pension liability over the next five years. Finally, the changes to deferred inflows of resources were mainly the result of the amortization of prior year deferred inflows resulting from previous changes in actuarial assumptions and differences in between expected and actual experience that did not meet the previous actuarial expectations.
- During the year, 20% and 9% rate increases were implemented for water and sewer services, respectively. Incremental rate increases over the subsequent five years were approved by Council during the second quarter of calendar year 2015. Those rate increases took effect in fiscal year 2016 and were projected to increase water revenues by 30% and sewer revenues by 9% in fiscal year 2017. The water rate increases are projected to further increase water revenues by 20% in 2018, 10% in 2019, and 3% in fiscal year 2020. Sewer rate increases are projected to further increase sewer revenues by 9% in 2018, 10% in 2019 and 10% in fiscal year 2020.

Overview of the Financial Statements

This annual report consists of a series of financial statements. These statements include all activities of the City of Madera, using the integrated approach as prescribed by GASB Statement No. 34. The Statement of Net Position and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services are financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the Government.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Reporting the City as a Whole

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. These statements include all assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid out.

The *statement of net position* presents information on all the City's assets, liabilities, and deferred outflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as one indicator of whether the City's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed in the most recent fiscal year. All changes of net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported on this statement for some items that will result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements of the City are divided as follows:

Governmental Activities: Most of the City's basic services are included here such as public safety, transportation (street and roads), community development, culture and recreation and general government. These services are primarily financed by property and sales taxes and federal and state grants.

Business-type Activities: The City charges fees to customers to cover the costs of services provided. The City's utilities, water, sewer, community sanitation (refuse and street cleaning), golf course, and airport, as well as public transit services are included here.

The government-wide financial statements can be found on pages 23-25 of this report.

Fund financial statements. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State Law or by bond covenants. Management establishes other funds to control and manage money for particular purposes or to show the City is meeting legal responsibilities for using certain taxes, grants, and other money. All the funds of the City can be classified into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information is useful in evaluating a governments near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations between governmental funds and governmental activities. This reconciliation explains the relationship (or differences) between the fund statements and the government-wide statements.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The City of Madera maintains nineteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, General Development Impact Fee Fund, and Special Gas Tax Fund all of which are considered to be major funds. Data from the other sixteen funds are combined into a single aggregated presentation.

Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance to this budget.

The basic governmental fund financial statements can be found on pages 26-29 of this report.

Proprietary funds. The City has two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City utilizes enterprise funds to account for those activities that are supported primarily by user charges to external users, and includes community sanitation, sewer disposal, water and transit. Internal service funds are used to account for activities that are supported by user charges primarily to the City's other programs and activities and include fleet management, facility maintenance, and computer replacement. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water, Sewer, Solid Waste, and Drainage Operations funds since they are all major funds. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report. All of the internal service funds are combined into a single, aggregated presentation in the fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 30-37 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefits of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the City cannot use these funds to finance its operations.

The fiduciary fund financial statements can be found on pages 38-39 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund statements. The notes to the basic financial statements can be found on pages 40-87 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees, and budgetary comparison schedules. Required supplementary information can be found on pages 90-98 of this report.

Individual Fund Statements. Individual fund statements in connection with non-major governmental and enterprise funds are presented immediately the required supplementary information, which can be found on pages 100-111 of this report.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Government-wide Financial Analysis

Below is a table showing the City's net position for the fiscal year ended June 30, 2018, with comparative data for the fiscal year ended June 30, 2017.

City of Madera's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 60,803,203	\$ 55,225,939	\$ 31,400,760	\$ 27,996,610	\$ 92,203,963	\$ 83,222,549
Capital assets	<u>178,001,695</u>	<u>180,604,855</u>	<u>102,307,394</u>	<u>104,801,222</u>	<u>280,309,089</u>	<u>285,406,077</u>
Total assets	<u>238,804,898</u>	<u>235,830,794</u>	<u>133,708,154</u>	<u>132,797,832</u>	<u>372,513,052</u>	<u>368,628,626</u>
Deferred outflows of resources	<u>11,385,568</u>	<u>9,645,689</u>	<u>2,285,596</u>	<u>1,786,638</u>	<u>13,671,164</u>	<u>11,432,327</u>
Liabilities:						
Current and other liabilities	3,209,607	2,596,215	4,478,541	3,615,189	7,688,148	6,211,404
Long-term liabilities	<u>43,565,647</u>	<u>38,155,451</u>	<u>55,560,510</u>	<u>56,538,918</u>	<u>99,126,157</u>	<u>94,694,369</u>
Total liabilities	<u>46,775,254</u>	<u>40,751,666</u>	<u>60,039,051</u>	<u>60,154,107</u>	<u>106,814,305</u>	<u>100,905,773</u>
Deferred inflows of resources	<u>395,604</u>	<u>1,302,673</u>	<u>445,930</u>	<u>594,420</u>	<u>841,534</u>	<u>1,897,093</u>
Net position:						
Net investment in capital assets	176,114,816	178,119,000	61,566,400	58,792,617	237,681,216	236,911,617
Restricted	37,033,179	34,863,951	1,125,151	1,076,451	38,158,330	35,940,402
Unrestricted	<u>(10,128,387)</u>	<u>(9,560,807)</u>	<u>12,817,218</u>	<u>13,966,875</u>	<u>2,688,831</u>	<u>4,406,068</u>
Total net position	<u>\$ 203,019,608</u>	<u>\$ 203,422,144</u>	<u>\$ 75,508,769</u>	<u>\$ 73,835,943</u>	<u>\$ 278,528,377</u>	<u>\$ 277,258,087</u>

As of June 30, 2018, the City's government-wide total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$278.5 million. Governmental activities finished the year with a positive net position balance of \$203 million, a decrease of \$0.4 million, or 0.2% compared to 2017. Business-type activities finished the year with a positive balance of \$75.5 million, an increase of \$1.7 million or less than 1% compared to 2017. Net position, as noted earlier, may serve over time as a useful indicator of the City's financial position. Of the total net position, \$237.7 million or 85.3% is the City's net investment in capital assets (e.g. land, buildings and improvements, machinery and equipment and the road network) less any related debt used to acquire those assets that is still outstanding.

The City's net investment in capital assets increased by \$0.8 million, restricted net position increased by \$2.2 million and unrestricted net position decreased by \$1.7 million, accounting for the increase in total net position of nearly \$1.3 million. The increase in net investment in capital assets is due to additions to capital assets of \$7.2 million and an increase in liabilities of \$5.9 million, offset by depreciation expense of \$12.3 million. The increase to restricted net position represents the change in resources that are subject to external restrictions on their use. Net position restricted for public works and transportation increased by \$1.0 million compared to prior year. The decrease to unrestricted net position is due to a change in resources available to fund City programs for citizens and debt obligations to creditors.

**CITY OF MADERA
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All of the City's long-term liabilities relate to the acquisition of capital assets. Some of those assets include the City's Youth Center, police facility, and sewer and water infrastructure including the water and wastewater treatment plant, a sewer truck and a municipal golf course facility. These capital assets are utilized to provide services to citizens and are not available for future spending. The repayment of the debt on these assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents \$38.2 million or 13.7% of the total. Restricted net position represents those resources that are subject to external restrictions on how they may be used. These restrictions are established by bond covenants or restrictions on the use of funds are set forth by state or federal regulations.

Unrestricted net position represents those resources which may be used to meet the City's ongoing commitments to citizens and creditors. Government-wide unrestricted net position represents \$2.7 million or 1.0% of the total net position, which is a decrease of \$1.7 million or 39.0% from the previous year. Governmental activities account for a negative \$10.1 million of the total unrestricted net position and decreased by \$0.6 million or 5.9% compared to last year. Business-type activities account for \$12.8 million of the total unrestricted net position and decreased by \$1.1 million or 8.2% compared to last year.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental activities. Governmental activities account for \$203 million or 73% of the total government-wide net position. This is a decrease of \$0.4 million or 0.2% compared to June 30, 2017.

The following table indicates the changes in net position for governmental and business-type activities:

City of Madera's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 5,096,044	\$ 4,926,083	\$ 27,912,340	\$ 24,311,797	\$ 33,008,384	\$ 29,237,880
Operating grants and contributions	11,716,048	11,378,323	1,469,267	1,546,651	13,185,315	12,924,974
Capital grants and contributions	261,357	1,649,843	1,309,161	2,281,202	1,570,518	3,931,045
General revenues:						
Property taxes	3,824,185	4,040,067	182,390	171,878	4,006,575	4,211,945
Sales and use taxes	12,923,918	9,112,909	-	-	12,923,918	9,112,909
Franchise taxes	666,238	649,415	-	-	666,238	649,415
Other taxes	1,707,452	1,694,786	-	-	1,707,452	1,694,786
Investment earnings	265,581	203,973	68,049	120,594	333,630	324,567
Gain (loss) on sale of capital assets	-	31,374	12,990	39,821	12,990	71,195
Miscellaneous	1,147,727	343,287	3,956	26,004	1,151,683	369,291
Total revenues	37,608,550	34,030,060	30,958,153	28,497,947	68,566,703	62,528,007
Expenses						
General government	8,697,525	7,692,256	-	-	8,697,525	7,692,256
Public safety	18,425,675	12,903,321	-	-	18,425,675	12,903,321
Public ways and facilities	5,081,612	4,607,237	-	-	5,081,612	4,607,237
Social services	346,863	303,015	-	-	346,863	303,015
Culture and recreation	4,744,555	4,421,827	-	-	4,744,555	4,421,827
Community development	4,022,163	3,029,515	-	-	4,022,163	3,029,515
Interest on long-term debt	74,490	110,856	-	-	74,490	110,856
Water	-	-	9,262,549	10,066,546	9,262,549	10,066,546
Sewer	-	-	9,854,304	8,758,885	9,854,304	8,758,885
Solid waste	-	-	5,811,095	6,305,944	5,811,095	6,305,944
Drainage operations	-	-	887,698	956,287	887,698	956,287
Local transit	-	-	2,166,293	2,184,533	2,166,293	2,184,533
Golf course	-	-	199,012	115,882	199,012	115,882
Airport	-	-	1,163,134	893,106	1,163,134	893,106
Total expenses	41,392,883	33,068,027	29,344,085	29,281,183	70,736,968	62,349,210
Increase (decrease) in net position before transfers	(3,784,333)	962,033	1,614,068	(783,236)	(2,170,265)	178,797
Transfers	374,407	172,913	(372,671)	(172,913)	1,736	-
Increase (decrease) in net position	(3,409,926)	1,134,946	1,241,397	(956,149)	(2,168,529)	178,797
Net position - beginning	203,422,144	199,469,649	73,835,943	74,792,092	277,258,087	274,261,741
Prior period adjustments	3,007,390	2,817,549	431,429	-	3,438,819	2,817,549
Net position - beginning, as restated	206,429,534	202,287,198	74,267,372	74,792,092	280,696,906	277,079,290
Net position - ending	\$ 203,019,608	\$ 203,422,144	\$ 75,508,769	\$ 73,835,943	\$ 278,528,377	\$ 277,258,087

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Total governmental revenues for the year were \$37.6 million, which is \$3.6 million or 10.5% more than in 2017.

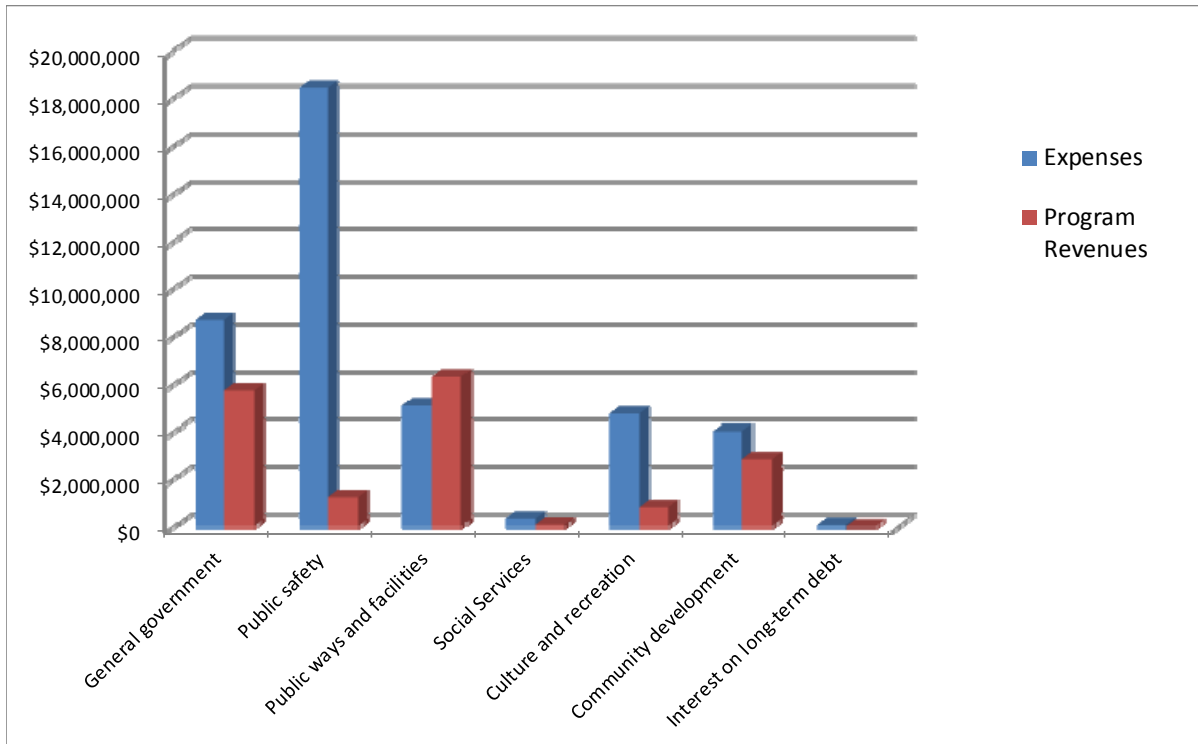
- Operating grants and contributions increased by \$0.3 million or 2.9% from the previous year.
- Capital grants and contributions decreased by \$1.4 million or 84.2% from the previous year.
- Taxes, including property, sales, franchise, and other taxes account for approximately \$19.1 million or 50.8% of the City's governmental activities revenue. Total tax revenue increased \$3.6 million or 10.5% from the previous year primarily due to increases in sales and use taxes, including Measure K.
- Investment earnings increased by \$62,000 or 30.2% from the previous year due primarily to higher rates of return on investments and a \$4.3 million or 11.3% increase in cash and investments compared to the prior fiscal year.

Total governmental expenses for the year were \$41.4 million, which is \$8.3 million or 25.2% more than in 2017.

- General governmental expenses increased by \$1.0 million or 13.1% from the previous fiscal year due to a retrospective adjustment of roughly \$476,000 in the current fiscal year with no retrospective adjustment in 2017, plus a \$475,000 GASB 68 adjustment in 2017 that did not happen in the current fiscal year.
- Public safety increased by \$5.5 million or 42.8% from the previous year due primarily to Measure K.
- Public ways and facilities increased by \$0.5 million or 10.3% from the previous year due to increases of \$119,000 in depreciation expense, \$95,000 in developer reimbursements and \$185,000 in vehicle and equipment costs.
- Culture and recreation increased by \$0.3 million or 7.3% from the previous year.
- Community development expenses increased by \$1.0 million or 32.8% due to increases of \$640,000 in salaries and benefits, \$204,000 in rehabilitation assistance, and \$103,000 in contracted services compared to 2017.

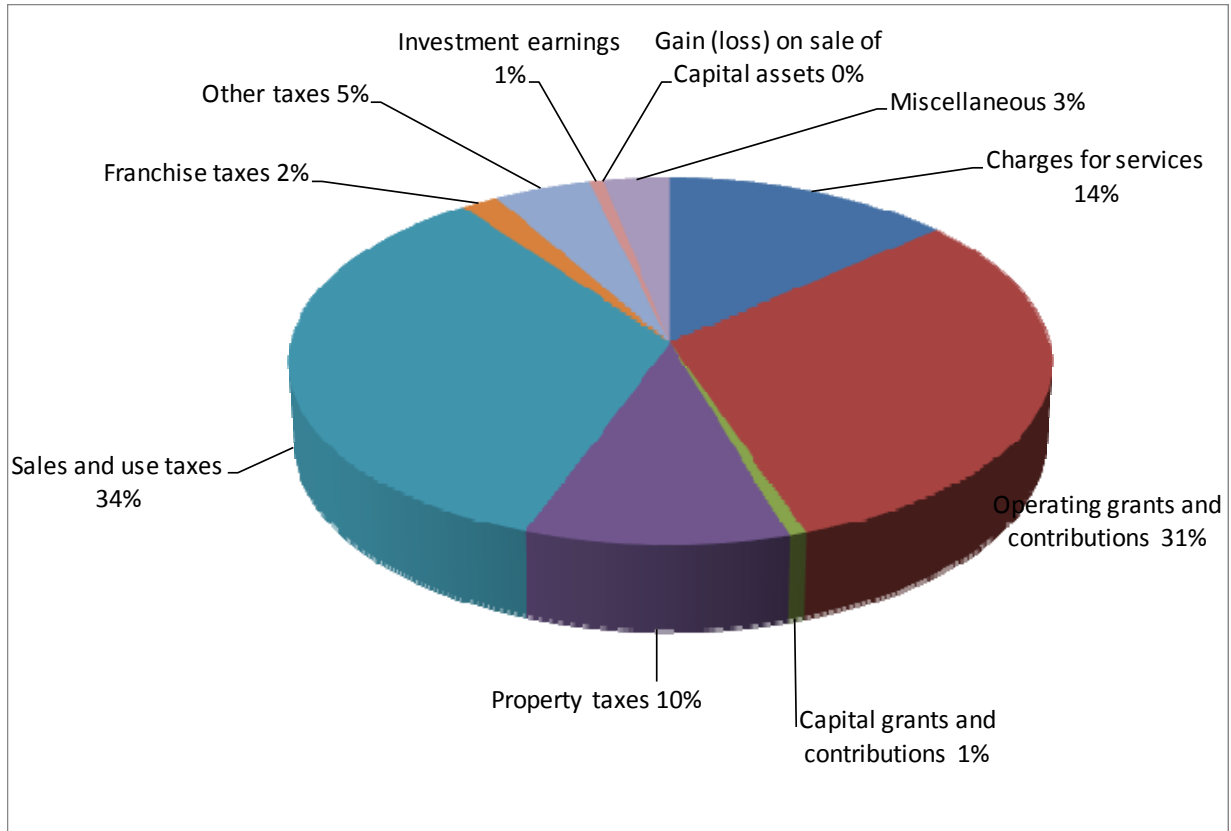
**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Expenses and Program Revenues - Governmental Activities



**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Revenues by Source - Governmental Activities



**CITY OF MADERA
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Governmental program revenues that include charges for services and grants specific to certain programs account for \$17.1 million or 45.4% of the total governmental activity revenue. The amounts necessary to fully fund the governmental activity programs are made up of "general" revenues such as taxes, interest, and grants and contributions.

Business-type Activities. Business-type activities account for \$75.5 million or 27.1% of the total government-wide net position. This is an increase of \$1.7 million from the prior year. Net investment in capital assets accounts for \$61.6 million or 81.5% of the total net position and is an increase of \$2.8 million from 2017. Restricted net position accounts for \$1.1 million, or 1.5% of total net position, represents an increase of \$49,000 from 2017. Unrestricted net position of \$13.8 million, or 18.3% of total net position, represents a decrease of \$0.9 million from 2017.

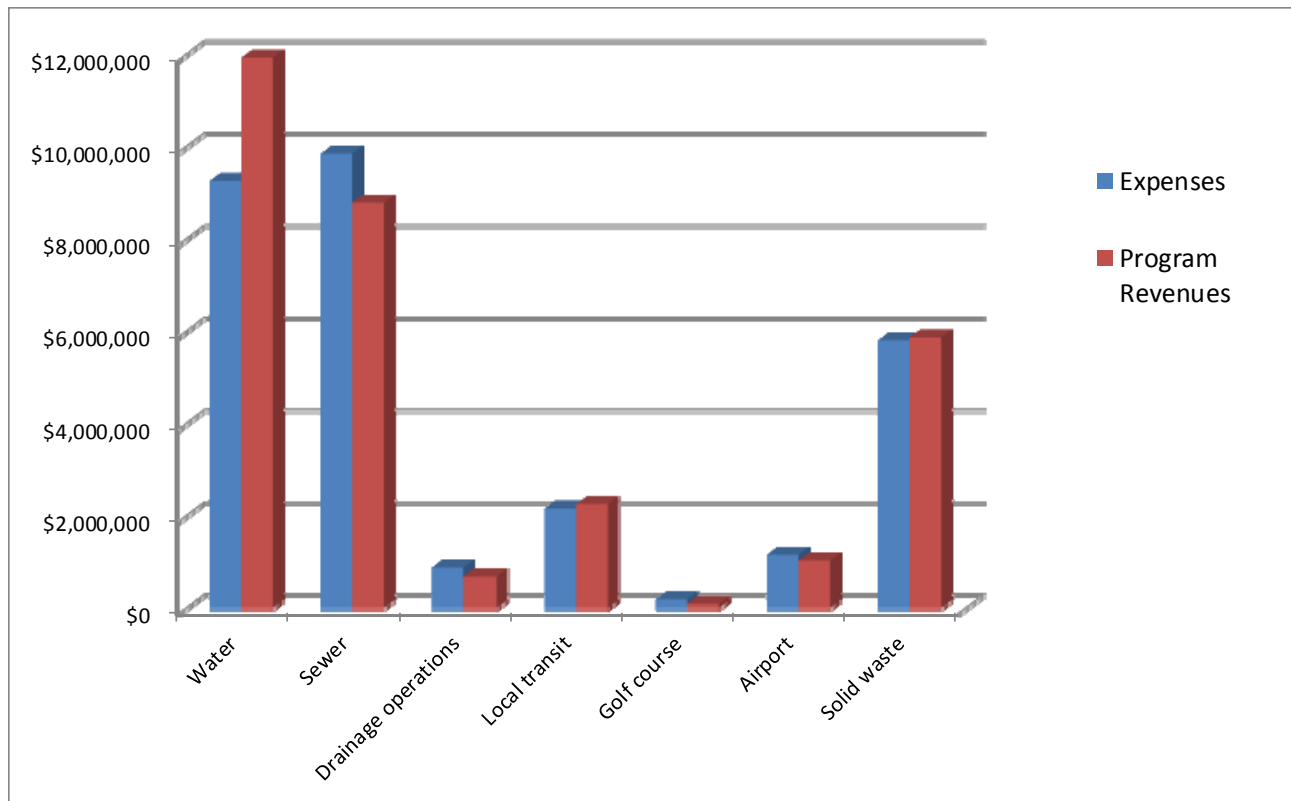
Total business-type revenue for the year was \$31.0 million, which is \$2.5 million or 8.6% more than in 2017.

Charges for services increased by \$3.6 million or 14.8% from the prior year primarily due to a rate increase that took effect July 1, 2017. Additional water meters were installed where there were previously no meters. This change resulted in moving some customers from flat rates to metered rates, which typically increases charges for services.

Operating grants and contributions decreased by \$77 thousand or 5.0% from the prior year primarily due to a \$74 thousand reduction in the solid waste tire cleanup grant.

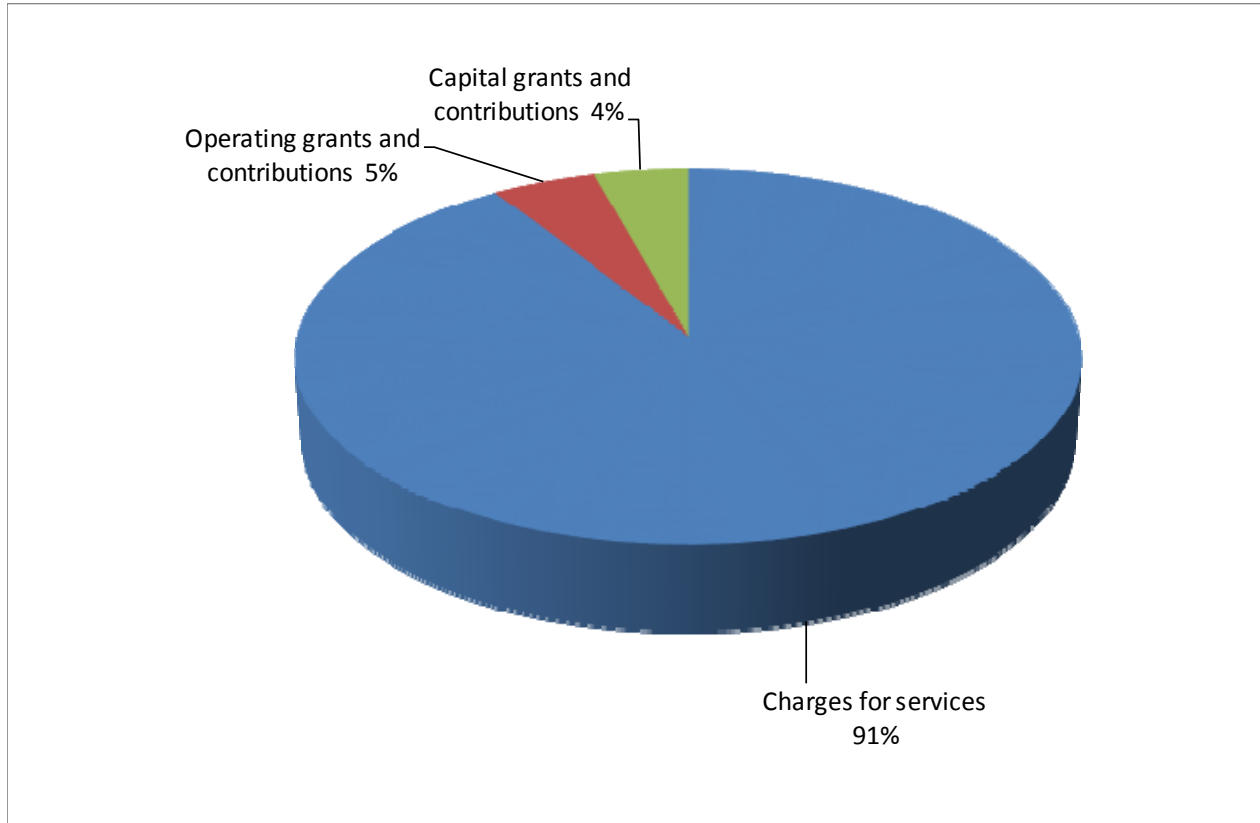
Capital grants and contributions decreased by \$1.0 million or 42.6% from the prior year primarily due to a \$1 million decrease in capital contributions related to infrastructure.

Expenses and Program Revenues-Business-Type Activities



**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Revenues by Source - Business-Type Activities



Included in charges for services are user fees relating to the water, sewer, solid waste, drainage, transit, golf course, and airport operations.

Total business-type expenses for the year were \$29.3 million, which is \$63 thousand or less than 0.2% more than in 2017.

Water expenses decreased by \$0.8 million or 8.0% compared to the prior fiscal year, due primarily to a \$757 thousand reduction in public employee retirement system costs that resulted from a GASB 68 adjustment in 2017 without such an adjustment in the current fiscal year.

Sewer expenses increased by \$1.1 million or 12%, due primarily to increases of \$659,000 in salaries and benefits, \$147,000 in contracted services and \$270,000 more of expensed capital outlay than in 2017.

Solid Waste expenses decreased by \$0.5 million or 7.8%, due primarily to a \$561 thousand reduction in public employee retirement system costs that resulted from a GASB 68 adjustment in 2017 without such an adjustment in the current fiscal year.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Fund balance is defined in five categories: non-spendable, restricted, committed, assigned and unassigned. Non-spendable fund balances cannot be spent because they are not in spendable form. Restricted fund balances have limitations imposed externally by creditors, granters, contributors, or laws and regulations of other governments. Committed fund balances have self-imposed limitations set in place prior to the end of the period. Assigned fund balances are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. Unassigned fund balances are the amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose.

All of the City's Governmental Funds ended the year with positive fund balances. The ending fund balance for all funds amounted to \$54.0 million, \$4.7 million more than the previous year. The increase is primarily due to revenues in excess of expenditures during the fiscal year. There was a decrease in unassigned fund balances of \$9.3 million, resulting primarily from a commitment of \$11.6 million to Budget Stabilization Reserves and a \$2.1 million increase in total restricted Fund Balance compared to 2017.

Of the total fund balance, \$4.7 million or 8.6% is unassigned which, within the limitations of the fund's purpose, is available for spending at the City's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is not in spendable form, legally required to be maintained intact, restricted for particular purposes, committed for particular purposes, or assigned for particular purposes. The details of the remainder are as follows:

Nonspendable:	
Inventory	\$ 67,086
Prepaid items	48,337
Long-term interfund advances	134,641
Land held for resale	351,500
Restricted:	
Community development	10,614,106
Park development	133,957
Parking improvements	600,493
Public works and transportation	10,690,286
Special assessment project	508,200
Law enforcement	211,274
Capital projects and improvements	13,227,896
Committed:	
Budget stabilization reserves	11,574,005
Assigned:	
Golf course capital	20,000
OPEB liability	97,339
Insurance	1,082,179
Unassigned	4,673,303

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

General Fund

The General Fund is the chief operating fund of the City. As of June 30, 2018, the total fund balance (including all categories) of the general fund was \$18.0 million, up \$2.6 million from June 30, 2017. The total fund balance of \$18.0 million includes non-spendable balances of \$0.6 million, committed balances of \$11.6 million, assigned balances of \$1.2 million, and an unassigned balance of \$4.7 million.

The *assigned* fund balance remained unchanged from 2017.

The *unassigned* fund balance decreased \$9.3 million when compared to June 30, 2017, due primarily to the \$11.6 million commitment of fund balance to budget stabilization reserves in accordance with the City's general fund reserve policy, offset by the \$2.3 million net change in fund balance during the current fiscal year. The \$4.7 million unassigned portion represents the amount carried over to offset the impact of any revenue shortfall that may occur in the next year due to economic uncertainty. As a measurement of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 14.8% of total General Fund expenditures, while total fund balance represents approximately 57.2% of total General Fund expenditures.

Other Major Funds

The General Development Impact Fee Special Revenue Fund, a major fund, had a \$0.9 million increase in fund balance during Fiscal Year 2018. The ending fund balance of \$13.2 million is restricted for capital projects and improvements.

The Special Gas Tax Special Revenue Fund, a major fund, had a \$0.2 million increase in fund balance during the current Fiscal Year 2018. The ending fund balance of \$9.7 million is restricted for public works and transportation.

Proprietary Funds. As indicated in the description of proprietary funds, there are two types of funds, enterprise and internal service funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's enterprise funds and internal service funds ended the year with unrestricted net position as follows:

Water Fund	\$ 8,114,560
Sewer Fund	6,488,167
Solid Waste Fund	1,936,905
Drainage Operations Fund	(2,939,670)
Nonmajor Enterprise Funds	187,643
Internal Service Fund	(569,306)

As noted earlier in the discussion of business-type activities, revenues for water and sewer services increased by 7% in the current year. Incremental rate increases over the subsequent five years were approved by the City Council during the second quarter of calendar year 2015.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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General Fund Budgetary Highlights

The general fund ended fiscal year 2018 with \$5.0 million better than budget. This variance was primarily the result of \$1.0 million more revenues than anticipated, \$0.9 million in proceeds from long term debt and \$3.6 million of savings on expenditures, offset by \$0.4 million less transfers in than anticipated. Although they are reflected as savings to the current year budget, they may be reserved for expenditures in the subsequent fiscal year.

- Actual expenditures for General Government came in \$0.1 million under budget due to savings in personnel costs, property/liability/fidelity insurance, contracted services, intergovernmental charges, and inter-fund charges - software cost.
- Actual expenditures for Public Protection came in at \$0.5 million under budget due to savings in contracted services and personnel costs.
- Public Ways and Facilities were \$0.3 million under budget due to savings in supplies and materials, contracted services, and personnel costs.
- Actual expenditures for Community Development came in at \$0.3 million under budget due to savings in contracted services and personnel costs.
- Actual expenditures for Culture and Recreation came in at \$0.1 million under budget due to savings in contracted services and conference/training.
- Actual expenditures for Capital Outlay were \$3.1 million under budget due to the carrying-forward of capital project budgets that were not completed during the current fiscal year.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amount to \$280.3 million (net of depreciation), a decrease of \$5.1 million compared to 2017. This decrease is primarily due the depreciation expense of \$12.3 million offset by additions to capital assets of \$7.2 million.

Major capital asset additions this year include the following:

- Road network improvements - \$474 thousand
 - Developer donations (sidewalk, pavement, pipelines, and others) - \$22 thousand
 - Various other street improvement projects - \$209 thousand
 - Various parks improvement projections - \$98 thousand
 - Various traffic signal improvement projects - \$145 thousand
- Transit and Public Works Facility - \$383 thousand
- Fire station - \$300 thousand
- Equipment and software purchases (pumper fire truck, software and vehicles) - \$594 thousand
- Airport apron reconstruction - \$69 thousand
- Water line Improvement - \$622 thousand

**CITY OF MADERA
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During the year the City made improvements to various streets, parks, sewer mains, and received developer-donated infrastructure. Capital projects constructed by the City include:

- Parks improvements: Millview Park
- Sewer mains replacement: various locations
- Street improvements: Raymond Rd & Cleveland Ave, Olive Ave & Gateway Dr, Gateway Dr and Central Ave, Lake Street, Sunset Ave between Granada Dr and Foster Ave, Lincoln Ave and South St.
- Trail construction: Gateway Drive and Union Pacific Railroad
- Water main pine improvement: various locations

Developer constructed infrastructure was constructed in conjunction with the partial list of projects shown below:

- West Yosemite Offices – 607 W Yosemite Ave

City of Madera's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 11,311,162	\$ 7,573,520	\$ 9,347,017	\$ 9,027,017	\$ 20,658,179	\$ 16,600,537
Construction in progress	3,562,669	9,479,137	3,524,381	4,479,749	7,087,050	13,958,886
Buildings and improvements	14,270,019	14,738,550	26,278,173	28,631,182	40,548,192	43,369,732
Equipment	4,449,108	3,724,765	20,226,539	1,224,329	24,675,647	4,949,094
Infrastructure	144,408,737	145,088,883	42,931,284	61,438,945	187,340,021	206,527,828
	\$ 178,001,695	\$ 180,604,855	\$ 102,307,394	\$ 104,801,222	\$ 280,309,089	\$ 285,406,077

Long-term Debt. The City's long-term debt as of June 30, 2018 was \$48.7 million with governmental activities accounting for \$1.9 million or 3.9%, and business-type activities accounting for \$46.8 million or 96.1%. The total debt decreased by \$2.8 million or 5.5% during the current fiscal year. The reason for the decrease was due to principal payments made in current fiscal year.

City of Madera's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital Leases	\$ 1,023,325	\$ 2,425,766	\$ -	\$ -	\$ 1,023,325	\$ 2,425,766
Loans Payable	863,554	60,088	9,103,002	7,781,755	9,966,556	7,841,843
Bonds Payable	-	-	37,696,552	41,256,130	37,696,552	41,256,130
	\$ 1,886,879	\$ 2,485,854	\$ 46,799,554	\$ 49,037,885	\$ 48,686,433	\$ 51,523,739

General obligation debts are direct obligations of the City and are backed by the full faith and credit of the City requiring voter approval and may have a tax rate set to cover repayment. State statutes limit the amount of general obligation debt to 15% of the City's total assessed valuation. The City of Madera's debt limit is \$1.1 billion. Detailed information on the City's long-term debt activity can be found in Note 7 on pages 56-63.

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Economic Factors and Next Year's Budgets and Rates

The first few months of 2018 saw unprecedented highs followed by great dips in the stock market, tariffs were imposed on a wide range of countries, friendly and foe alike, and changes to the tax code incentivized business to put more money in employees' paychecks. According to the Federal Reserve, the gross domestic product (GDP) is expected to be 2.7% for 2018, up slightly from 2.6% at the close of 2017. Unemployment figures are expected to continue to drop, which may seem impossible as the country is at full employment. In California, new home starts are expected to rise modestly over the next two years, as well as the value of existing homes. Despite the rollercoaster start to 2018, the 2018/2019 outlook is one that will likely stay consistent from the previous year.

The national GDP grew only 2.3% over the first quarter of 2018. Despite this slow start, economists predict performance closer to 3% for the remainder of the year, with an estimated 2.7% increase by the end of the year. At the state level, California GDP has surpassed that of the entire United Kingdom, becoming the world's fifth largest economy, according to a May 2018 report by the LA Times. However, much of the economic growth in the state is focused in coastal areas such as Los Angeles, San Diego, San Francisco, and San Jose, which have a vast array of industry including technology, entertainment, and thus enjoy the benefits of international ports, airports, and international headquarter locations. Because the Central Valley relies heavily on an agriculture-based economy, profits are not as lucrative and challenges such as weather (drought), labor availability, and government subsidies all play into the bottom line.

Corporations have been able to expand, hire new employees, and provide raises for existing ones, which bolsters stability in the market, thanks in part to recent tax reform. Both nationally and statewide, job growth continues, with unemployment reaching levels not seen since the 1960s, according to a report in the California Economic Forecast's May 2018 newsletter. In the report, economist Mark Schniepp predicts the probability of a recession in the year to come is very low and that, "recessions occur when imbalances develop in the economy, and no glaring potential macroeconomic imbalances are forming." He points to continued low unemployment, rising housing values, buoyant financial markets, improved access to credit, low household debt, and consumer and business investment as stability markers for the year to come.

In the last year, county-wide, Madera has added approximately 1,500 jobs. In May 2018, the unemployment rate in Madera County was 6.5%, down from 7.3% in April 2018, and below the year-ago estimate of 7.7%, according to the State of California's Employment Development Department. At the state level, unemployment is at 4.2%, and nationally is down to 3.8%. While the country is at near maximum employment, there is still room for growth in Madera County.

The City of Madera has seen continued growth in consumer spending. This trend is reflected in a 5.5% increase in local sales tax, excluding Measure K, from FY 16/17 to FY 17/18. Sales tax figures are outperforming projected budget amounts, perhaps in part to recent tax reform.

Economic development activity continues to increase and is seen through the addition of commercial, industrial and residential buildings. In FY 09/10, the industrial vacancy rate reached a high of 14%, but since 2014 it continues to remain under 1%. In response, the City began a joint venture with a local company to develop Freedom Industrial Park, a 100-acre industrial site. The first tenant of the complex has moved in and employs about 100 individuals. The City is actively reaching out to the business community to fill a future, second building that has already been approved for the site. The grounds will be "plug and play" ready, with full infrastructure and rail access. The intersection at Avenue 17 and State Route (SR) 99 remains a primary focus of the City's economic development efforts. At completion the location will include Love's Madera Travel Center and more than \$10 million in infrastructure improvements. It is expected that the improvements will spur additional development around the interchange. Another development just to the north of Madera is Matilda Torres High School. The school requires sewer and water infrastructure expansion, which has generated interest in development of properties in the immediate vicinity.

The number of residential homes permitted over the previous fiscal year remains relatively consistent from FY 16/17. In that year, 137 homes were permitted, compared to approximately 180 homes expected to be permitted by the end of FY 17/18. With nearly no existing lots available for builders, the City is looking to the northwest quadrant for future growth. The slated project is under review, but when complete, will cover

**CITY OF MADERA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

approximately 3 square miles, over 5,000 new homes, retail and commercial use, elementary schools and expanses of open space and park amenities. There has also been investor and builder interest in multifamily units which may see activity in FY 18/19.

Water is and will remain a key element in the regional economy. The City is taking an active role in regional groundwater management efforts and is planning the next stages of improvements to address long-term water service for current residents and future development. Engineering costs for capital improvements are anticipated to be funded on a pay-as-you-go basis. Potential projects include the replacement of manual water meters, installation of new water meters, recoating of the water tower and the design of water main upgrades throughout the City. These projects have planned funding from revenue in the Water Utility Fund. A new water storage tank, pump station and associated transmission mains are included in the Capital Improvement Program with the initial engineering efforts taking place in 2018/19. The tank represents a critical component of infrastructure necessary to counter continual drought conditions in the valley. Construction funding for the tank project will require special financing either through grants, municipal bonds or low interest loans.

Although there have been some swings in the stock market in early 2018, economists are optimistic for the year ahead. Many Californians have seen their wages increase, unemployment is at very low levels; locally, housing is steady and poised to expand slightly, and governmental activity, thanks to Measure K, is providing increased emergency services to citizens. However, such low unemployment could mean there will be a shortage in labor in years ahead, which could slow economic growth. Additionally, the economy is still expanding, and there is consensus that 2019-2020 will experience a cyclical economic slowdown. Economists will be watching to see if inflation makes any unexpected movements, which would pose a threat to interest rates this year, but other than that, as a nation, the FY 2018-2019 outlook is favorable. Given these local and national projections, the City may wish to continue with a prudent, conservative financial planning model as it makes budget decisions for the future.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Madera's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Financial Services Director, City of Madera, 205 W. 4th Street, Madera, CA 93637.

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BASIC FINANCIAL STATEMENTS

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**CITY OF MADERA
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Total	Component Unit Housing Authority of the City of Madera
ASSETS				
Cash and investments	\$ 43,924,744	\$ 26,797,408	\$ 70,722,152	\$ 4,860,325
Receivables:				
Accounts, net	5,612,639	2,535,633	8,148,272	372,688
Interest	-	-	-	243,710
Prepaid items	50,750	15,591	66,341	9,686
Inventories	67,086	-	67,086	104,487
Internal balances	2,102,843	(2,102,843)	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	4,154,971	4,154,971	2,219,808
Notes receivable	8,003,641	-	8,003,641	4,358,983
Land held for resale	1,041,500	-	1,041,500	-
Capital assets, not being depreciated	14,873,831	12,871,398	27,745,229	785,827
Capital assets, net of accumulated depreciation	163,127,864	89,435,996	252,563,860	7,213,444
Total assets	238,804,898	133,708,154	372,513,052	20,168,958
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	11,356,501	2,281,608	13,638,109	1,127,784
Deferred outflows of resources related to OPEB	29,067	3,988	33,055	-
Total deferred outflows of resources	11,385,568	2,285,596	13,671,164	1,127,784
LIABILITIES				
Accounts payable	1,641,717	2,075,608	3,717,325	101,334
Salaries payable	503,614	128,025	631,639	36,515
Accrued interest payable	10,005	603,125	613,130	-
Unearned revenue	179,231	95,989	275,220	9,055
Deposits payable	875,040	1,575,794	2,450,834	190,855
Other liabilities	-	-	-	-
Noncurrent liabilities:				
Due within one year	1,681,795	2,344,550	4,026,345	155,286
Due in more than one year	41,883,852	53,215,960	95,099,812	6,524,789
Total liabilities	46,775,254	60,039,051	106,814,305	7,017,834
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	395,604	19,611	415,215	88,033
Deferred inflows of resources related to OPEB	-	-	-	-
Deferred service concession agreement receipts	-	50,000	50,000	-
Gain on refunding of debt	-	376,319	376,319	-
Total deferred inflows of resources	395,604	445,930	841,534	88,033
NET POSITION				
Net investment in capital assets	176,114,816	61,566,400	237,681,216	4,698,490
Restricted for:				
Community development	10,614,148	-	10,614,148	-
Park development	133,957	-	133,957	-
Parking improvements	600,493	-	600,493	-
Public works and transportation	11,737,211	-	11,737,211	-
Special assessment project	508,200	-	508,200	-
Law enforcement	211,274	-	211,274	-
Capital projects and improvements	13,227,896	-	13,227,896	-
Housing services	-	-	-	1,449,637
Debt service	-	1,125,151	1,125,151	-
Unrestricted	(10,128,387)	12,817,218	2,688,831	8,042,748
Total net position	\$ 203,019,608	\$ 75,508,769	\$ 278,528,377	\$ 14,190,875

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:				
Primary government:				
Governmental activities:				
General government	\$ 8,697,525	\$ 120,209	\$ 5,607,508	\$ -
Public safety	18,425,675	720,469	548,070	-
Public ways and facilities	5,081,612	1,452,935	4,606,553	261,357
Social services	346,863	845	86,723	-
Culture and recreation	4,744,555	666,104	171,116	-
Community development	4,022,163	2,135,482	696,078	-
Interest on long-term debt	74,490	-	-	-
Total governmental activities	41,392,883	5,096,044	11,716,048	261,357
Business-type activities:				
Water	9,262,549	11,876,412	-	56,543
Sewer	9,854,304	8,788,389	-	2,896
Solid waste	5,811,095	5,786,010	86,142	-
Drainage operations	887,698	681,377	-	10,850
Local transit	2,166,293	119,063	1,383,125	761,460
Golf course	199,012	100,469	-	-
Airport	1,163,134	560,620	-	477,412
Total business-type activities	29,344,085	27,912,340	1,469,267	1,309,161
Total primary government	\$ 70,736,968	\$ 33,008,384	\$ 13,185,315	\$ 1,570,518
Component unit:				
Housing Authority of the City of Madera	\$ 9,366,886	\$ 1,695,882	\$ 6,614,346	\$ 781,333
Total component unit	\$ 9,366,886	\$ 1,695,882	\$ 6,614,346	\$ 781,333

General revenues:
 Property taxes
 Sales and use taxes
 Franchise taxes
 Other taxes
 Investment earnings
 Gain on sale of capital assets
 Miscellaneous
 Transfers

Total general revenues and transfers

Change in net position

Net position - beginning (restated)

Net position - ending

The accompanying notes are an integral part of these financial statements.

CITY OF MADERA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit Housing Authority of the City of Madera
\$ (2,969,808)	\$ -	\$ (2,969,808)	\$ -
(17,157,136)	-	(17,157,136)	-
1,239,233	-	1,239,233	-
(259,295)	-	(259,295)	-
(3,907,335)	-	(3,907,335)	-
(1,190,603)	-	(1,190,603)	-
(74,490)	-	(74,490)	-
<u>(24,319,434)</u>	<u>-</u>	<u>(24,319,434)</u>	<u>-</u>
-	2,670,406	2,670,406	-
-	(1,063,019)	(1,063,019)	-
-	61,057	61,057	-
-	(195,471)	(195,471)	-
-	97,355	97,355	-
-	(98,543)	(98,543)	-
-	(125,102)	(125,102)	-
<u>-</u>	<u>1,346,683</u>	<u>1,346,683</u>	<u>-</u>
<u>(24,319,434)</u>	<u>1,346,683</u>	<u>(22,972,751)</u>	<u>-</u>
			<u>(275,325)</u>
			<u>(275,325)</u>
3,824,185	182,390	4,006,575	-
12,923,918	-	12,923,918	-
666,238	-	666,238	-
1,707,452	-	1,707,452	-
265,581	68,049	333,630	67,052
-	12,990	12,990	-
1,147,727	3,956	1,151,683	720,442
374,407	(372,671)	1,736	-
<u>20,909,508</u>	<u>(105,286)</u>	<u>20,804,222</u>	<u>787,494</u>
(3,409,926)	1,241,397	(2,168,529)	512,169
<u>206,429,534</u>	<u>74,267,372</u>	<u>280,696,906</u>	<u>13,678,706</u>
<u>\$ 203,019,608</u>	<u>\$ 75,508,769</u>	<u>\$ 278,528,377</u>	<u>\$ 14,190,875</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Special Revenue				
	General	General Development Impact Fee Fund	Special Gas Tax Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 14,617,087	\$ 14,156,053	\$ 9,482,498	\$ 3,975,625	\$ 42,231,263
Receivables:					
Accounts, net	3,573,786	-	1,274,455	762,341	5,610,582
Notes	-	-	-	8,003,641	8,003,641
Prepaid items	48,295	-	-	42	48,337
Inventories	67,086	-	-	-	67,086
Due from other funds	1,175,219	-	-	-	1,175,219
Advances to other funds	134,641	-	-	-	134,641
Land held for resale	351,500	-	-	690,000	1,041,500
	<u>19,967,614</u>	<u>14,156,053</u>	<u>10,756,953</u>	<u>13,431,649</u>	<u>58,312,269</u>
Total assets	<u>\$ 19,967,614</u>	<u>\$ 14,156,053</u>	<u>\$ 10,756,953</u>	<u>\$ 13,431,649</u>	<u>\$ 58,312,269</u>
LIABILITIES					
Accounts payable	\$ 1,392,519	\$ 53,191	\$ 3,481	\$ 47,867	\$ 1,497,058
Salaries payable	460,848	-	-	262	461,110
Due to other funds	-	-	-	177,404	177,404
Unearned revenue	25,000	-	-	154,231	179,231
Deposit payable	-	874,966	-	74	875,040
	<u>1,878,367</u>	<u>928,157</u>	<u>3,481</u>	<u>379,838</u>	<u>3,189,843</u>
Total liabilities	<u>1,878,367</u>	<u>928,157</u>	<u>3,481</u>	<u>379,838</u>	<u>3,189,843</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	40,899	-	1,046,925	-	1,087,824
	<u>40,899</u>	<u>-</u>	<u>1,046,925</u>	<u>-</u>	<u>1,087,824</u>
Total deferred inflows of resources	<u>40,899</u>	<u>-</u>	<u>1,046,925</u>	<u>-</u>	<u>1,087,824</u>
FUND BALANCES					
Nonspendable:					
Inventory	67,086	-	-	-	67,086
Prepaid items	48,295	-	-	42	48,337
Long-term interfund advances	134,641	-	-	-	134,641
Land held for resale	351,500	-	-	-	351,500
Restricted:					
Community development	-	-	-	10,614,106	10,614,106
Park development	-	-	-	133,957	133,957
Parking improvements	-	-	-	600,493	600,493
Public works and transportation	-	-	9,706,547	983,739	10,690,286
Special assessment project	-	-	-	508,200	508,200
Law enforcement	-	-	-	211,274	211,274
Capital projects and improvements	-	13,227,896	-	-	13,227,896
Committed:					
Budget Stabilization Reserves	11,574,005	-	-	-	11,574,005
Assigned:					
Golf course capital	20,000	-	-	-	20,000
OPEB liability	97,339	-	-	-	97,339
Insurance	1,082,179	-	-	-	1,082,179
Unassigned	4,673,303	-	-	-	4,673,303
	<u>18,048,348</u>	<u>13,227,896</u>	<u>9,706,547</u>	<u>13,051,811</u>	<u>54,034,602</u>
Total fund balances	<u>18,048,348</u>	<u>13,227,896</u>	<u>9,706,547</u>	<u>13,051,811</u>	<u>54,034,602</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,967,614</u>	<u>\$ 14,156,053</u>	<u>\$ 10,756,953</u>	<u>\$ 13,431,649</u>	<u>\$ 58,312,269</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2018**

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

Total fund balances - governmental funds	\$	54,034,602
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. These assets consist of:</p>		
Land	11,311,162	
Construction in progress	3,390,899	
Buildings and improvements	21,235,371	
Equipment	7,887,939	
Infrastructure	297,834,856	
Accumulated depreciation	<u>(166,259,800)</u>	
Total capital assets		175,400,427
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the</p>		
		1,087,824
<p>Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is generally not accrued as a liability in the balance sheet of governmental funds.</p>		
		(10,005)
<p>Pension and OPEB related deferrals:</p>		
Deferred outflow of resources	10,618,681	
Deferred inflows of resources	<u>(387,735)</u>	
Total pension related deferrals		10,230,946
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year-end consist of:</p>		
Loans payable	(841,400)	
Capital leases	(1,023,325)	
Compensated absences	(1,476,127)	
Net OPEB liability	(2,787,114)	
Net pension liability	<u>(34,576,414)</u>	
Total long-term liabilities		(40,704,380)
<p>Internal service funds are used by management to charge costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.</p>		
		<u>2,980,194</u>
Net position of governmental activities	\$	<u>203,019,608</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MADERA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue				Total Governmental Funds
	General	General Development Impact Fee Fund	Special Gas Tax	Total Nonmajor Funds	
REVENUES:					
Property taxes	\$ 3,467,163	\$ -	\$ -	\$ 358,758	\$ 3,825,921
Sales and use taxes	13,262,908	-	-	-	13,262,908
Other taxes	1,298,932	-	-	408,520	1,707,452
Use of money and property	233,178	12,294	114,500	32,456	392,428
Franchise taxes	666,238	-	-	-	666,238
Licenses and permits	1,049,103	-	-	-	1,049,103
Fines	578,255	-	-	10,329	588,584
Intergovernmental	6,913,636	-	3,423,547	1,443,851	11,781,034
Charges for current services	1,378,363	1,926,087	-	152,807	3,457,257
Miscellaneous	634,370	-	-	290,548	924,918
	<u>29,482,146</u>	<u>1,938,381</u>	<u>3,538,047</u>	<u>2,697,269</u>	<u>37,655,843</u>
EXPENDITURES:					
Current:					
General government	2,010,569	-	-	96,011	2,106,580
Public protection	16,842,253	-	-	90,326	16,932,579
Social services	309,121	-	-	-	309,121
Public ways and facilities	2,863,024	139,463	-	473,619	3,476,106
Community development	2,937,494	-	-	661,343	3,598,837
Culture and recreation	3,800,416	-	-	-	3,800,416
Capital outlay	1,422,672	379,793	370,868	346,048	2,519,381
Debt service:					
Principal	1,276,749	-	-	176,026	1,452,775
Interest	57,429	-	-	18,231	75,660
	<u>31,519,727</u>	<u>519,256</u>	<u>370,868</u>	<u>1,861,604</u>	<u>34,271,455</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,037,581)</u>	<u>1,419,125</u>	<u>3,167,179</u>	<u>835,665</u>	<u>3,384,388</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	4,128,980	-	-	876,561	5,005,541
Transfers out	(772,244)	(564,754)	(2,923,434)	(1,023,725)	(5,284,157)
Sales of capital assets	41,691	-	-	-	41,691
Proceeds from long-term debt	895,900	-	-	-	895,900
	<u>4,294,327</u>	<u>(564,754)</u>	<u>(2,923,434)</u>	<u>(147,164)</u>	<u>658,975</u>
Net change in fund balances	2,256,746	854,371	243,745	688,501	4,043,363
Fund balances - beginning (restated)	<u>15,791,602</u>	<u>12,373,525</u>	<u>9,462,802</u>	<u>12,363,310</u>	<u>49,991,239</u>
Fund balances - ending	<u>\$ 18,048,348</u>	<u>\$ 13,227,896</u>	<u>\$ 9,706,547</u>	<u>\$ 13,051,811</u>	<u>\$ 54,034,602</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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

Net change in fund balances - total governmental funds	\$	4,043,363
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:</p>		
Capital outlay		2,165,600
Depreciation expense		<u>(7,890,199)</u>
Excess of depreciation expense over capital outlay		(5,724,599)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(175,455)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.		(39,309)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related		561,042
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:		
Decrease to accrued interest		1,170
Increase to compensated absences		(214,381)
Increase to OPEB expense		(99,092)
Increase to pension expense		<u>(2,233,638)</u>
Total additional expenditures		(2,545,941)
The internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		<u>470,973</u>
Change in net position of governmental activities	\$	<u>(3,409,926)</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	Business-Type Activities			
	Water Fund	Sewer Fund	Solid Waste Fund	Drainage Operations Fund
ASSETS				
Current assets:				
Cash and investments	\$ 12,177,181	\$ 9,707,666	\$ 3,465,802	\$ 547,607
Accounts receivable, net	847,120	233,670	220,062	8,421
Prepaid items	1,887	12,789	38	-
Total current assets	<u>13,026,188</u>	<u>9,954,125</u>	<u>3,685,902</u>	<u>556,028</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	4,154,971	-	-	-
Capital assets, not depreciated	978,507	3,048,237	-	3,657,252
Capital assets, net of accumulated depreciation	21,614,785	40,801,367	8,501	15,223,747
Total noncurrent assets	<u>26,748,263</u>	<u>43,849,604</u>	<u>8,501</u>	<u>18,880,999</u>
Total assets	<u>39,774,451</u>	<u>53,803,729</u>	<u>3,694,403</u>	<u>19,437,027</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	868,051	703,627	363,327	165,191
Deferred outflows of resources related to OPEB	1,994	1,994	-	-
Total deferred outflows of resources	<u>870,045</u>	<u>705,621</u>	<u>363,327</u>	<u>165,191</u>
LIABILITIES				
Current liabilities:				
Accounts payable	569,361	584,759	669,996	10,828
Salaries payable	47,465	42,194	19,102	10,120
Accrued interest payable	175,874	413,553	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Deposits payable	1,575,594	-	-	200
Unearned revenue	-	-	95,989	-
Compensated absences, due within one year	116,262	82,507	39,333	23,691
Long-term debt, due within one year	395,000	1,357,877	-	-
Total current liabilities	<u>2,879,556</u>	<u>2,480,890</u>	<u>824,420</u>	<u>44,839</u>
Noncurrent liabilities:				
Compensated absences, due in more than one year	-	-	-	-
Net pension liability	3,075,133	2,498,380	1,286,401	584,727
Net OPEB liability	191,195	191,195	-	-
Long-term debt, due in more than one year	11,226,552	32,049,578	-	-
Total noncurrent liabilities	<u>14,492,880</u>	<u>34,739,153</u>	<u>1,286,401</u>	<u>584,727</u>
Total liabilities	<u>17,372,436</u>	<u>37,220,043</u>	<u>2,110,821</u>	<u>629,566</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	6,086	7,915	1,503	2,043
Deferred service concession arrangement receipts	-	-	-	-
Gain on refunding of debt	25,243	351,076	-	-
Total deferred inflows of resources	<u>31,329</u>	<u>358,991</u>	<u>1,503</u>	<u>2,043</u>
NET POSITION				
Net investment in capital assets	14,001,020	10,442,149	8,501	21,910,279
Restricted	1,125,151	-	-	-
Unrestricted	8,114,560	6,488,167	1,936,905	(2,939,670)
Total net position	<u>\$ 23,240,731</u>	<u>\$ 16,930,316</u>	<u>\$ 1,945,406</u>	<u>\$ 18,970,609</u>

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

Net position of business-type activities

The accompanying notes are an integral part of these financial statements.

CITY OF MADERA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018
(Continued)

Business-Type Activities		Governmental Activities
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
\$ 899,152	\$ 26,797,408	\$ 1,693,481
1,226,360	2,535,633	2,057
877	15,591	2,413
<u>2,126,389</u>	<u>29,348,632</u>	<u>1,697,951</u>
-	4,154,971	-
5,187,402	12,871,398	171,770
<u>11,787,596</u>	<u>89,435,996</u>	<u>2,429,498</u>
<u>16,974,998</u>	<u>106,462,365</u>	<u>2,601,268</u>
<u>19,101,387</u>	<u>135,810,997</u>	<u>4,299,219</u>
181,412	2,281,608	766,887
-	3,988	-
<u>181,412</u>	<u>2,285,596</u>	<u>766,887</u>
240,664	2,075,608	144,658
9,144	128,025	42,504
13,698	603,125	-
997,815	997,815	-
134,641	134,641	-
-	1,575,794	-
-	95,989	-
28,933	290,726	112,114
<u>300,947</u>	<u>2,053,824</u>	<u>18,967</u>
<u>1,725,842</u>	<u>7,955,547</u>	<u>318,243</u>
-	-	5,359
643,199	8,087,840	2,721,640
-	382,390	-
<u>1,469,600</u>	<u>44,745,730</u>	<u>3,187</u>
<u>2,112,799</u>	<u>53,215,960</u>	<u>2,730,186</u>
<u>3,838,641</u>	<u>61,171,507</u>	<u>3,048,429</u>
2,064	19,611	7,869
50,000	50,000	-
-	376,319	-
<u>52,064</u>	<u>445,930</u>	<u>7,869</u>
15,204,451	61,566,400	2,579,114
-	1,125,151	-
<u>187,643</u>	<u>13,787,605</u>	<u>(569,306)</u>
<u>\$ 15,392,094</u>	<u>76,479,156</u>	<u>\$ 2,009,808</u>
	<u>(970,387)</u>	
	<u>\$ 75,508,769</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF MADERA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities			
	Water Fund	Sewer Fund	Solid Waste Fund	Drainage Operations Fund
Operating revenues:				
Charges for services	\$ 11,876,412	\$ 8,788,389	\$ 5,785,589	\$ 681,377
Other	-	-	-	-
Total operating revenues	11,876,412	8,788,389	5,785,589	681,377
Operating expenses:				
Salaries and benefits	2,691,274	2,514,354	1,053,259	422,089
General and administrative	1,103,327	1,296,900	4,207,799	71,965
Supplies and miscellaneous	1,307,540	1,133,648	413,631	(28,702)
Parts and supplies	1,135,932	625,278	135,183	(800)
Utilities	1,520,836	720,248	20,219	50,449
Amortization	4,721	(9,752)	-	-
Depreciation	822,922	2,241,509	5,458	345,009
Total operating expenses	8,586,552	8,522,185	5,835,549	860,010
Operating income (loss)	3,289,860	266,204	(49,960)	(178,633)
Nonoperating revenues (expenses):				
Investment income	50,732	9,837	3,868	253
Property taxes	-	85,337	-	-
Operating grants	-	-	86,142	-
Capital grants	-	-	-	-
Other nonoperating revenue	3,087	421	421	-
Gain (loss) on disposal of property	2,041	9,541	1,408	-
Interest expense	(546,500)	(1,211,034)	-	-
Other nonoperating expense	-	-	-	-
Total nonoperating revenues (expenses)	(490,640)	(1,105,898)	91,839	253
Income (loss) before capital contributions and transfers	2,799,220	(839,694)	41,879	(178,380)
Capital contributions	56,543	2,896	-	10,850
Transfers in	-	225,000	75,147	-
Transfers out	(86,651)	(31,379)	(682,460)	(54,779)
Change in net position	2,769,112	(643,177)	(565,434)	(222,309)
Net position - beginning (restated)	20,471,619	17,573,493	2,510,840	19,192,918
Net position - ending	\$ 23,240,731	\$ 16,930,316	\$ 1,945,406	\$ 18,970,609

Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.

Change in net position of business-type activities

The accompanying notes are an integral part of these financial statements.

CITY OF MADERA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

Business-Type Activities		Governmental Activities
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
\$ 780,152	\$ 27,911,919	\$ 3,054,809
448	448	-
780,600	27,912,367	3,054,809
479,837	7,160,813	2,238,655
1,337,841	8,017,832	635,332
650,064	3,476,181	(417,327)
364,799	2,260,392	289,837
37,143	2,348,895	369,435
-	(5,031)	-
540,042	3,954,940	447,540
3,409,726	27,214,022	3,563,472
(2,629,126)	698,345	(508,663)
3,359	68,049	355
97,053	182,390	-
1,383,125	1,469,267	-
1,095,701	1,095,701	-
-	3,929	81,274
-	12,990	(30,383)
(47,076)	(1,804,610)	-
(63,780)	(63,780)	-
2,468,382	963,936	51,246
(160,744)	1,662,281	(457,417)
143,171	213,460	15,439
247,083	547,230	682,808
(64,632)	(919,901)	(31,521)
164,878	1,503,070	209,309
15,227,216		1,800,499
\$ 15,392,094		\$ 2,009,808
	(261,673)	
	\$ 1,241,397	

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities			
	Water Fund	Sewer Fund	Solid Waste Fund	Drainage Operations Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ 11,740,072	\$ 8,693,315	\$ 5,692,971	\$ 681,552
Payments to suppliers	(4,886,248)	(3,545,583)	(4,431,764)	(87,226)
Payments to employees	(2,426,967)	(2,111,171)	(1,002,147)	(412,528)
Receipts from other operating activities	-	-	-	-
Net cash provided (used) by operating activities	<u>4,426,857</u>	<u>3,036,561</u>	<u>259,060</u>	<u>181,798</u>
Cash flows from noncapital financing activities:				
Transfers from (to) other funds	(86,651)	193,621	(607,313)	(54,779)
Loans from (to) other funds	-	-	-	-
Property taxes	-	85,337	-	-
Operating grants	-	-	110,114	-
Other nonoperating revenues	-	-	-	-
Other nonoperating expenses	3,087	421	421	-
Net cash provided (used) by noncapital financing activities	<u>(83,564)</u>	<u>279,379</u>	<u>(496,778)</u>	<u>(54,779)</u>
Cash flows from capital and related financing activities:				
Capital grants	-	-	-	-
Acquisition and construction of capital assets	(648,695)	(33,627)	-	(800)
Proceeds from the sale of assets	2,041	9,541	1,408	-
Proceeds from issuance of bonds	-	-	-	-
Principal paid on long-term debt	(385,000)	(1,308,735)	-	-
Interest paid	(550,514)	(1,227,238)	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,582,168)</u>	<u>(2,560,059)</u>	<u>1,408</u>	<u>(800)</u>
Cash flows from investing activities:				
Investment income	50,732	9,837	3,868	253
Net cash provided (used) by investing activities	<u>50,732</u>	<u>9,837</u>	<u>3,868</u>	<u>253</u>
Net increase (decrease) in cash and cash equivalents	2,811,857	765,718	(232,442)	126,472
Cash and cash equivalents - beginning	<u>13,520,295</u>	<u>8,941,948</u>	<u>3,698,244</u>	<u>421,135</u>
Cash and cash equivalents - ending	<u>\$ 16,332,152</u>	<u>\$ 9,707,666</u>	<u>\$ 3,465,802</u>	<u>\$ 547,607</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**
(Continued)

Business-Type Activities		Governmental Activities
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
\$ 518,231	\$ 27,326,141	\$ 3,054,513
(2,416,057)	(15,366,878)	(844,683)
(430,669)	(6,383,482)	(1,864,851)
<u>448</u>	<u>448</u>	<u>-</u>
<u>(2,328,047)</u>	<u>5,576,229</u>	<u>344,979</u>
182,451	(372,671)	651,287
356,364	356,364	-
97,053	182,390	-
1,096,400	1,206,514	-
(63,780)	(63,780)	-
<u>-</u>	<u>3,929</u>	<u>81,274</u>
<u>1,668,488</u>	<u>1,312,746</u>	<u>732,561</u>
1,095,701	1,095,701	-
(244,532)	(927,654)	(518,013)
-	12,990	1,000
1,657,100	1,657,100	-
(2,207,118)	(3,900,853)	(37,934)
<u>(42,213)</u>	<u>(1,819,965)</u>	<u>-</u>
<u>258,938</u>	<u>(3,882,681)</u>	<u>(554,947)</u>
<u>3,359</u>	<u>68,049</u>	<u>355</u>
<u>3,359</u>	<u>68,049</u>	<u>355</u>
(397,262)	3,074,343	522,948
<u>1,296,414</u>	<u>27,878,036</u>	<u>1,170,533</u>
<u>\$ 899,152</u>	<u>\$ 30,952,379</u>	<u>\$ 1,693,481</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)**

	Business-Type Activities			
	Water Fund	Sewer Fund	Solid Waste Fund	Drainage Operations Fund
Reconciliation of operating income (loss) to cash provided (used) by operating activities:				
Operating income (loss)	\$ 3,289,860	\$ 266,204	\$ (49,960)	\$ (178,633)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	822,922	2,241,509	5,458	345,009
Amortization	4,721	(9,752)	-	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in accounts receivable	(238,384)	(95,074)	(92,618)	175
(Increase) decrease in prepaid expense	(420)	(11,956)	(38)	-
(Increase) decrease in deferred outflows of resources from pensions	(162,507)	(208,275)	(58,477)	(24,618)
(Increase) decrease in deferred outflows of resources from OPEB	2,648	3,023	-	-
Increase (decrease) in accounts payable	181,807	242,447	345,106	5,686
Increase (decrease) in salaries payable	1,212	6,730	(3,202)	(153)
Increase (decrease) in deposits payable	102,044	-	-	-
Increase (decrease) in net pension liability	356,211	589,465	111,613	43,003
Increase (decrease) in net OPEB liability	65,501	55,347	-	-
Increase (decrease) in compensated absences	31,674	(3,533)	8,685	1,541
Increase (decrease) in deferred inflows of resources	(30,432)	(39,574)	(7,507)	(10,212)
Increase (decrease) in service concession arrangement	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 4,426,857</u>	<u>\$ 3,036,561</u>	<u>\$ 259,060</u>	<u>\$ 181,798</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments - unrestricted	\$ 12,177,181	\$ 9,707,666	\$ 3,465,802	\$ 547,607
Cash and investments - restricted	<u>4,154,971</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investments	<u>\$ 16,332,152</u>	<u>\$ 9,707,666</u>	<u>\$ 3,465,802</u>	<u>\$ 547,607</u>
Noncash investing, capital, and financing activities:				
Developer and other capital contributions	<u>\$ 56,543</u>	<u>\$ 2,896</u>	<u>\$ -</u>	<u>\$ 10,850</u>
Disposal of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)**

Business-Type Activities		Governmental Activities
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
\$ (2,629,126)	\$ 698,345	\$ (508,663)
540,042	3,954,940	447,540
-	(5,031)	-
(221,921)	(647,822)	(296)
(877)	(13,291)	(2,413)
(41,093)	(494,970)	(208,862)
-	5,671	-
(25,333)	749,713	35,007
(1,613)	2,974	9,022
-	102,044	-
102,460	1,202,752	571,206
-	120,848	-
(273)	38,094	41,792
(10,313)	(98,038)	(39,354)
(40,000)	(40,000)	-
<u>\$ (2,328,047)</u>	<u>\$ 5,576,229</u>	<u>\$ 344,979</u>
\$ 899,152	\$ 26,797,408	\$ 1,693,481
-	4,154,971	-
<u>\$ 899,152</u>	<u>\$ 30,952,379</u>	<u>\$ 1,693,481</u>
<u>\$ 143,171</u>	<u>\$ 213,460</u>	<u>\$ 15,439</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,383</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	Successor Agency Private Purpose Trust Fund	Agency Fund
	<u>Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and investments	\$ 5,571,625	\$ 1,239,049
Receivables:		
Accounts, net	31,015	2,315
Interest	-	-
Notes	-	-
Prepaid items	988	253,140
Inventories	-	-
Due from other funds	-	-
Land held for resale	390,707	-
Restricted assets:		
Cash and investments with fiscal agents	3,117,431	47,386
Capital assets, not depreciated	389,566	-
Capital assets, net of accumulated depreciation	<u>3,602,798</u>	<u>-</u>
Total assets	<u>13,104,130</u>	<u>1,541,890</u>
LIABILITIES		
Accounts payable	33,260	27,677
Accrued liabilities	-	114,836
Salaries and accrued liabilities	3,426	-
Accrued interest	750,173	-
Due to other funds	-	-
Unearned revenue	-	-
Deposit payable	-	14,998
Due to other governments	-	1,013,287
Due to other bondholders	-	371,092
Long-term debt, due within one year	1,342,815	-
Long-term debt, due in more than one year	<u>42,451,973</u>	<u>-</u>
Total liabilities	<u>44,581,647</u>	<u>\$ 1,541,890</u>
NET POSITION		
Net position held in trust for redevelopment dissolution and other purposes	<u>\$ (31,477,517)</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
STATEMENT OF CHANGES FIDUCIARY IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Successor Agency Private Purpose Trust Fund
ADDITIONS	
Property taxes	\$ 3,686,763
Interest income	84,300
Other payment received	<u>4,539</u>
Total additions	<u>3,775,602</u>
DEDUCTIONS	
General and administrative	454,491
Project expenses	209,015
Depreciation	194,519
Interest on debts	<u>2,291,316</u>
Total deductions	<u>3,149,341</u>
Change in net position	626,261
Net position - beginning	<u>(32,103,778)</u>
Net position - ending	<u><u>\$ (31,477,517)</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Madera, California (the “City”) was incorporated in 1907 under the general laws of the State of California. The City operates under an elected Council/City Manager form of government.

The City has defined its reporting entity in accordance with generally accepted accounting principles (“GAAP”) in the United States of America, which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criterions for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. Based upon the application of these criteria, the following is a brief description of each component unit included within the City’s reporting entity. All such component units have been “blended” as though they are part of the primary government because the component unit’s governing body is substantially the same as the City’s primary government and there is a financial benefit or burden relationship between the City and the component unit. Management of the City has operational responsibilities for the component unit, and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

Blended component unit. The Madera Public Financing Authority (Financing Authority) was created in 1989. The Financing Authority is a joint exercise of joint powers. The City Council serves as directors of the Financing Authority. The purpose of the Financing Authority is to act as a financing/lending type of entity only. No separate annual financial statements are prepared for the Financing Authority.

Since the City Council previously served as the government board for this component unit, the City’s component unit was considered to be a blended component unit. Blended component units, although legally separate entities, are in substance, part of the City’s operations and so data from this unit was reported with the data of the primary government.

Discretely presented component unit. The Housing Authority of the City of Madera (Housing Authority) is a governmental entity authorized in accordance with state law to engage in the development, acquisition, leasing, and administration of low-rent housing programs. The Housing Authority is governed by a Board of Commissioners, which is comprised of members of the City Council. Management of the Housing Authority is appointed and held accountable to the Governing Board. The annual financial statements for the Housing Authority can be obtained at the Housing Authority’s administrative office.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental audits. The Governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

The accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein the operations of each fund are accounted for in a separate set of self-balancing accounts that records resources, related liabilities, obligations, reserves and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. 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 and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *General Fund* accounts for all the general revenues of the City not specifically levied or collected for by other City funds and for expenditures related to the rendering of general services by the City.

The *General Development Impact Fee Fund* accounts for and reports the proceeds of the AB1600 development impact fee monies that are restricted or committed to expenditures for the intended purposes.

The *Special Gas Tax Fund* accounts for and reports the proceeds of the City's share of state gasoline taxes, which are restricted or committed to expenditures for the street construction and street maintenance projects.

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The City reports the following major enterprise funds:

The *Water Fund* accounts for revenues and expenses of the operations of the City's water utility. All activities necessary to provide this service are accounted for in this fund, including administration, operations, maintenance, billing and collection and depreciation.

The *Sewer Fund* accounts for the revenues and expenses for the maintenance, repair and depreciation of the sewers within the City.

The *Solid Waste Fund* accounts for revenues and expenses of the solid waste removal and street cleaning activities.

The *Drainage Operations Fund* accounts for the activities related to drainage.

Additionally, the City reports the following fund types:

Internal Service Funds account for the financing of goods and services provided by one department of the City to other departments on a cost-reimbursement basis. The City has Internal Service Funds for Fleet Management and Replacement, Facility Maintenance, and Computer Replacement.

The *Successor Agency Private Purpose Trust Fund* accounts for the assets and liabilities of the former Redevelopment Agency and its allocated revenue to pay estimated installment payments of the enforceable obligations until the obligations of the former Redevelopment Agency are paid in full and assets have been liquidated.

The *Agency Fund* is used to account for assets held by the City as an agent for individuals or private organizations and other governmental units. These include developer deposits, collections from the State of California, Federal, and Madera police department for assets forfeited, conduit debt, utility deposits, collections of payroll and related taxes and various restricted donations. Agency funds are custodial in nature (assets equals liabilities) and do not involve the measurement or results of operations. The City's Agency Fund accounts for assets held for other governments and various deposits held for individuals or private organizations.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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 when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified basis of accounting*. Revenues, except for grants, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal year. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirement, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenues items are considered to be measurable and available only when cash is received by the City.

The City applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations as well as the following private sector standards issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. Governments have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private sector guidance.

The proprietary and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Cash and Investments

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

F. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditure/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

G. Land Held for Resale

Land held for resale is recorded as an asset at the lower of historical cost or estimated net realizable value.

H. Capital Assets

Capital assets, which include public domain (infrastructure) capital assets consisting of certain improvements, including streets (pavements, medians, curbs/gutters, sidewalks, traffic signals, monument signs and bridges), storm drains and water/sewer systems and improvements, are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Generally, capital asset acquisitions in excess of \$5,000 (general capital assets) and \$25,000 (infrastructure) are capitalized if they have an expected useful life of one year or more. Acquisitions of capital assets (including infrastructure) are recorded at historical cost at the time of purchase. Donated capital assets are recorded at their fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25-30 years
Improvements	5-50 years
Equipment	4-15 years
Infrastructure	10-50 years

I. Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences (Continued)

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

J. Unearned Revenue

Unearned revenue is that for which recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records intergovernmental revenues (primary grants and subventions) received but not earned (qualifying expenditures not yet incurred).

K. Unavailable Revenue

In the fund financial statements, unavailable revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records unavailable revenue for transactions for which revenues have been earned, but for which funds are not available to meet current financial obligations.

L. 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 of Madera's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions 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.

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City Retirees Benefits Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is classified in the following categories:

- **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 this category.
- **Restricted net position** – This category presents external restrictions 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 amounts that do not meet the criteria for “restricted” or “net investment in capital assets”.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted first, and then unrestricted resources as they are needed.

O. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in governmental fund financial statements are as follows:

- **Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned** – This classification includes amounts that are constrained by the City’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the Finance Director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned** – This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the City.

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

This policy delegates to the Finance Director the authority to assign unassigned fund balance amounts where the City’s intent is for those amounts to be used for specific purposes. This delegation of authority is for the sole purpose of reporting these amounts in the annual financial statements.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Property Taxes

Property taxes are assessed, collected and allocated by County of Madera throughout the fiscal year according to the following property tax calendar:

	<u>Secured</u>	<u>Unsecured</u>
Levy Dates	July 1	July 1
Lien Dates	January 1	January 1
Due Dates	November 1 and February 1	August 1
Delinquent After	December 10 and April 10	August 31

Q. Use of Estimates

A number of estimates and assumptions relating to the reporting of revenues, expenditures/expenses, assets, deferred outflows of resources, liabilities and deferred inflows of resources, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2018 are classified in the accompanying financial statements as follows:

	<u>Government-Wide Statement of Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ 43,924,744	\$ 26,797,408	\$ 6,810,674	\$ 77,532,826
Restricted cash and investments with fiscal agents	-	4,154,971	3,164,817	7,319,788
Total	<u>\$ 43,924,744</u>	<u>\$ 30,952,379</u>	<u>\$ 9,975,491</u>	<u>\$ 84,852,614</u>

Cash and investments consist of the following as of June 30, 2018:

Cash and investments:	
Petty cash	\$ 6,430
Deposits with financial institutions	4,628,915
Investments	<u>80,217,269</u>
Total cash and investments	<u>\$ 84,852,614</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 trustees that are governed by the provision of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Investments Authorized by the Debt Agreements

Investment of debt proceeds held by bond trustee is 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 bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – CASH AND INVESTMENTS (Continued)

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. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amounts	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Pooled Investments in the City:					
Local Agency Investment Fund	\$ 16,941,390	\$ 16,941,390	\$ -	\$ -	\$ -
Certificates of Deposit	5,229,000	1,496,000	746,000	2,987,000	-
U.S. Government Securities:					
Federal Farm Credit Bank Loan	3,715,119	996,350	-	2,718,769	-
Federal Home Loan Banks	4,372,570	-	489,070	3,883,500	-
Federal Home Loan Mortgage Corporation	4,444,359	-	1,237,178	3,207,181	-
Federal National Mortgage Association	3,870,085	-	1,463,565	2,406,520	-
U.S. Corporate Bonds	9,392,850	497,985	3,973,120	3,932,645	989,100
Investments held by bond trustee:					
Money Market Funds	4,726,883	4,726,883	-	-	-
Certificates of Deposit	18,303,445	5,143,953	5,393,946	7,765,546	-
Total pooled investments in the City	<u>70,995,701</u>	<u>29,802,561</u>	<u>13,302,879</u>	<u>26,901,161</u>	<u>989,100</u>
Investments in Successor Agency Private Purpose Trust Fund:					
Local Agency Investment Fund	6,104,137	6,104,137	-	-	-
Investments held by bond trustee:					
Money Market Funds	<u>3,117,431</u>	<u>3,117,431</u>	-	-	-
Total Investments in Successor Agency Private Purpose Trust Fund	<u>9,221,568</u>	<u>9,221,568</u>	-	-	-
Total Investments	<u>\$ 80,217,269</u>	<u>\$ 39,024,129</u>	<u>\$ 13,302,879</u>	<u>\$ 26,901,161</u>	<u>\$ 989,100</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – CASH AND INVESTMENTS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations 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.

Investment Type	Amounts	Rating as of Year-End					Not Rated
		Aaa	Aa1	Aa2	Aa3		
Pooled Investments in the City:							
Local Agency Investment Fund	\$ 16,941,390	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,941,390
Certificates of Deposit	5,229,000	-	-	-	-	-	5,229,000
Federal Farm Credit Bank Loan	3,715,119	3,715,119	-	-	-	-	-
Federal Home Loan Banks	4,372,570	4,372,570	-	-	-	-	-
Federal Home Loan Mortgage Corporation	4,444,359	4,444,359	-	-	-	-	-
Federal National Mortgage Association	3,870,085	3,870,085	-	-	-	-	-
U.S. Corporate Bonds	9,392,850	958,910	2,466,445	3,497,480	2,470,015	-	-
Investments held by bond trustee:							
Money Market Funds	4,726,883	-	-	-	-	-	4,726,883
Certificates of Deposit	18,303,445	-	-	-	-	-	18,303,445
Total pooled investments in the City	<u>70,995,701</u>	<u>17,361,043</u>	<u>2,466,445</u>	<u>3,497,480</u>	<u>2,470,015</u>		<u>45,200,718</u>
Investments in Successor Agency Private Purpose Trust Fund:							
Local Agency Investment Fund	6,104,137	-	-	-	-	-	6,104,137
Money Market Funds	<u>3,117,431</u>	-	-	-	-	-	<u>71,561</u>
Total Investments in Successor Agency Private Purpose Trust Fund	<u>9,221,568</u>	-	-	-	-	-	<u>6,175,698</u>
Total Investments	<u>\$ 80,217,269</u>	<u>\$ 17,361,043</u>	<u>\$ 2,466,445</u>	<u>\$ 3,497,480</u>	<u>\$ 2,470,015</u>		<u>\$ 51,376,416</u>

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. The City did not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total investments.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 – 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 custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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 deposits or investments, 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 City had no uncollateralized cash at June 30, 2018. As of June 30, 2018, \$4,628,916 of the City's deposits with financial held in accounts collateralized in accordance with State law as described above. As of June 30, 2018, in accordance with the City's investment policy, none of the City's investments were held with a counterparty. All of the City's investments were held with an independent third party custodial bank.

Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight to the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The City's investments with LAIF at June 30, 2018 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgaged-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

At June 30, 2018, the City's investments in LAIF were \$16,941,390 and the Successor Agency's investments in LAIF were \$6,104,137, which was reported at fair value.

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investment Valuation

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Government Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2018:

Investment by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Price Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
Pooled Investments in the City:				
Certificates of Deposit	\$ 5,229,000	\$ -	\$ 5,229,000	\$ -
U.S. Government Securities:				
Federal Farm Credit Bank Loan	3,715,119	-	3,715,119	-
Federal Home Loan Banks	4,372,570	-	4,372,570	-
Federal Home Loan Mortgage Corporation	4,444,359	-	4,444,359	-
Federal National Mortgage Association	3,870,085	-	3,870,085	-
U.S. Corporate Bonds	9,392,850	-	9,392,850	-
Investments Held by Bond Trustee:				
Certificates of Deposit	<u>18,303,445</u>	-	<u>18,303,445</u>	-
	<u>49,327,428</u>	-	<u>49,327,428</u>	-
Unclassified Investments				
Pooled Investments in the City:				
Local Agency Investment Fund	16,941,390			
Investments Held by Bond Trustee:				
Money Market Funds	4,726,883			
Investments in Successor Agency Private Purpose Trust Fund:				
Local Agency Investment Fund	6,104,137			
Investments held by bond trustee:				
Money Market Funds	<u>3,117,431</u>			
Total Investments	<u>\$ 80,217,269</u>			

Securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Certificates of deposit categorized as Level 2 are valued based on the rates currently offered for deposits of similar remaining maturities. Government agency securities, corporate bonds, and non-US securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – RECEIVABLES

Accounts Receivable

At June 30, 2018, accounts receivable of the City's major individual funds and nonmajor funds including the applicable allowance for uncollectible accounts are as follows:

<u>Governmental Activities</u>	<u>General</u>	<u>Special Gas Tax Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>			
Accounts receivable	\$ 3,588,735	\$ 1,274,455	\$ 762,551	\$ 5,625,741			
Less: allowance for uncollectibles	(14,949)	-	(210)	(15,159)			
Total accounts receivable, net	<u>\$ 3,573,786</u>	<u>\$ 1,274,455</u>	<u>\$ 762,341</u>	<u>\$ 5,610,582</u>			
<u>Business-Type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Drainage Operations Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
Accounts receivable	\$ 902,831	\$ 281,043	\$ 334,334	\$ 20,035	\$ 1,226,360	\$ 2,764,603	\$ 2,057
Less: allowance for uncollectibles	(55,711)	(47,373)	(114,272)	(11,614)	-	(228,970)	-
Total accounts receivable, net	<u>\$ 847,120</u>	<u>\$ 233,670</u>	<u>\$ 220,062</u>	<u>\$ 8,421</u>	<u>\$ 1,226,360</u>	<u>\$ 2,535,633</u>	<u>\$ 2,057</u>

The amount of the allowance for each fund is a management determination made by reviewing past collections received on each account. This analysis includes reviewing the aging of the receivable balance, past account write-offs and other known variables. The allowance is evaluated at the end of the year for adequacy.

Notes Receivable

Residential Rehab Special Revenue Fund

The City was awarded a \$3 million dollar federal grant from the HOME Investment Program (HOME) administered through the State of California. The proceeds of this grant were used to provide a \$3 million loan to Madera Pacific Associates (MPA) for multi-family rental housing projects serving low and very low-income individuals through subordinate loans with terms up to 55 years. MPA is required to repay the loan through the net cash flow payments it receives from project operations. The loan balance at June 30, 2018 is \$2,962,234, which is recorded as a note receivable in the Residential Rehab special revenue fund.

The City was awarded a \$5 million dollar federal grant from the HOME Investment Program (HOME) administered through the State of California. The proceeds of this grant were used to provide a \$5 million loan to 100 Stadium Rd., L.P. for multi-family rental housing projects serving low and very low-income individuals through subordinate loans with terms up to 55 years. 100 Stadium Rd., L.P. is required to repay the loan through the net cash flow payments it receives from project operations. The loan balance at June 30, 2018 is \$5,034,343, which is recorded as a note receivable in the Residential Rehab special revenue fund.

Low and Moderate Income Housing Asset Special Revenue Fund

The Low and Moderate Income Housing Asset special revenue fund reports \$7,064 of notes receivable. These were loans funded from the former Redevelopment Agency to developers for construction of affordable housing or rehabilitation within the boundaries of the Redevelopment Project Area. These low interest-bearing loans are secured by deeds of trust. Maturities vary according to terms and disposition of property.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – RECEIVABLES (Continued)

Notes Receivable (Continued)

Forgivable Loans

The City administers the first time homebuyer, housing rehabilitation, and small business loan programs funded with various grants (i.e. CDBG, HOME, CalHome, NSP, etc.). Under these programs, individuals with incomes below certain levels are eligible to receive low interest loans. These loans are secured by deeds of trust on the properties. Deferred payment loans receivable under these forgivable loans are not required to be paid back unless the participating homeowner sells, transfers title to the property, or discontinues residence in the dwelling at which time the full amount of the deferred loan is due. These deferred payment loans are “nonperforming loans” and are not recorded as loans receivable in the financial statements. Loans and related items as of June 30, 2018 are summarized as follows:

<u>Loan Type</u>	<u>Outstanding Loan Balance</u>	<u>Due</u>
First-time homebuyer	\$ 5,454,505	30 years
Housing rehabilitation	1,477,472	30 years
Small business	552,204	10 years
Total	<u>\$ 7,484,181</u>	

NOTE 4 – INTERFUND ACTIVITY

Current Interfund Receivables/Payables

Current interfund balances that arise in the normal course of business are expected to be repaid shortly after the end of the fiscal year. Due to other funds represents short-term borrowing resulting from a fund’s temporary need for additional cash. Primarily, these amounts have been recorded when funds overdraw their share of pooled cash. The following is a summary of current interfund balances as of June 30, 2018:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major funds:		
General fund	\$ 1,175,219	\$ -
Nonmajor funds:		
Street construction special revenue fund	-	174,677
Rehab residential special revenue fund	-	2,727
Local transit enterprise fund	-	595,052
Golf course enterprise fund	-	402,763
Total	<u>\$ 1,175,219</u>	<u>\$ 1,175,219</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – INTERFUND ACTIVITY (Continued)

Long-term Interfund Receivables/Payables

As of June 30, 2018, balances for interfund loans were as follows:

	Advances To Other Funds	Advances From Other Funds
	<u> </u>	<u> </u>
Major funds:		
General fund	\$ 134,641	\$ -
Nonmajor funds:		
Golf course enterprise fund	<u>-</u>	<u>134,641</u>
Total	<u>\$ 134,641</u>	<u>\$ 134,641</u>

The advance of \$134,641 from the General Fund to the Golf Course Enterprise Fund was made for funding facility construction.

Transfers Between Funds

With City council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made expenditures on behalf of another fund.

	Transfers	
	<u>In</u>	<u>Out</u>
Major funds:		
General fund	\$ 4,128,980	\$ 772,244
General impact fee special revenue fund	-	564,754
Special gas tax special revenue fund	-	2,923,434
Water enterprise fund	-	86,651
Sewer enterprise fund	225,000	31,379
Solid waste enterprise fund	75,147	682,460
Drainage operations enterprise fund	-	54,779
Internal service fund	682,808	31,521
Nonmajor funds:		
Parking district special revenue fund	-	7,903
Street construction special revenue fund	-	488,000
Intermodal building special revenue fund	-	162
Community facilities district special revenue fund	-	527,660
Local transit enterprise fund	-	61,338
Golf course enterprise fund	247,083	-
Airport enterprise fund	-	3,294
Park facilities debt service fund	194,257	-
Streets and roads capital projects fund	<u>682,304</u>	<u>-</u>
Total	<u>\$ 6,235,579</u>	<u>\$ 6,235,579</u>

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 – CAPITAL ASSETS

Capital assets activity of the governmental activities for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017 (Restated)	Additions	Deletions	Reclassifications	Transfers	Balance June 30, 2018
Governmental Activities						
Capital assets not being depreciated:						
Land	\$ 10,679,740	\$ 631,422	\$ -	\$ -	\$ -	\$ 11,311,162
Construction in progress	9,479,137	1,357,306	-	(7,272,974)	(800)	3,562,669
Total capital assets not being depreciated	<u>20,158,877</u>	<u>1,988,728</u>	<u>-</u>	<u>(7,272,974)</u>	<u>(800)</u>	<u>14,873,831</u>
Capital assets being depreciated:						
Buildings and improvements	21,345,585	-	-	(110,214)	-	21,235,371
Equipment	12,191,417	688,953	(363,045)	781,263	-	13,298,588
Infrastructure	291,254,666	22,169	(43,904)	6,601,925	-	297,834,856
Total capital assets being depreciated	<u>324,791,668</u>	<u>711,122</u>	<u>(406,949)</u>	<u>7,272,974</u>	<u>-</u>	<u>332,368,815</u>
Less accumulated depreciation for:						
Buildings and improvements	6,607,035	415,261	-	(56,944)	-	6,965,352
Equipment	8,466,652	714,491	(331,663)	-	-	8,849,480
Infrastructure	146,165,783	7,207,988	(4,596)	56,944	-	153,426,119
Total accumulated depreciation	<u>161,239,470</u>	<u>8,337,740</u>	<u>(336,259)</u>	<u>-</u>	<u>-</u>	<u>169,240,951</u>
Governmental activities capital assets, net	<u>\$ 183,711,075</u>	<u>\$ (5,637,890)</u>	<u>\$ (70,690)</u>	<u>\$ -</u>	<u>\$ (800)</u>	<u>\$ 178,001,695</u>

Capital assets activity of the business-type activities for the year ended June 30, 2018 is as follows:

	Balance June 30, 2017 (Restated)	Additions	Deletions	Reclassifications	Transfers	Balance June 30, 2018
Business-Type Activities						
Capital assets not being depreciated:						
Land	\$ 9,347,017	\$ -	\$ -	\$ -	\$ -	\$ 9,347,017
Construction in progress	4,479,747	1,043,282	-	(1,999,719)	1,071	3,524,381
Total capital assets not being depreciated	<u>13,826,764</u>	<u>1,043,282</u>	<u>-</u>	<u>(1,999,719)</u>	<u>1,071</u>	<u>12,871,398</u>
Capital assets being depreciated:						
Buildings and improvements	57,513,812	-	-	-	-	57,513,812
Equipment	23,582,053	96,761	(105,462)	476,669	-	24,050,021
Infrastructure	76,966,027	-	-	1,523,050	-	78,489,077
Total capital assets being depreciated	<u>158,061,892</u>	<u>96,761</u>	<u>(105,462)</u>	<u>1,999,719</u>	<u>-</u>	<u>160,052,910</u>
Less accumulated depreciation for:						
Buildings and improvements	29,498,895	1,736,744	-	-	-	31,235,639
Equipment	3,645,382	283,562	(105,462)	-	-	3,823,482
Infrastructure	33,623,159	1,934,634	-	-	-	35,557,793
Total accumulated depreciation	<u>66,767,436</u>	<u>3,954,940</u>	<u>(105,462)</u>	<u>-</u>	<u>-</u>	<u>70,616,914</u>
Business-type activities capital assets, net	<u>\$ 105,121,220</u>	<u>\$ (2,814,897)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,071</u>	<u>\$ 102,307,394</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 – CAPITAL ASSETS (Continued)

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

Governmental activities:

General government	\$ 6,170,692
Public protection	134,902
Social services	11,981
Public ways and facilities	853,767
Community development	15,452
Culture and recreation	703,406
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	447,540

Total depreciation expense - governmental activities	\$ 8,337,740
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Business-type activities:

Water	\$ 822,922
Sewer	2,241,509
Solid waste	5,458
Drainage operations	345,009
Local transit	241,325
Airport	298,717

Total depreciation expense - business-type activities	\$ 3,954,940
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NOTE 6 – DEFERRED OUTFLOWS/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 statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension related items that qualify to be reported in deferred outflows of resources. The pension related deferred outflows of resources are described in detail in Note 8.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 has four types of items that qualify for reporting in this category and they are *unavailable revenue, deferred service concession agreement receipts and pension deferrals*.

- Unavailable revenue arises only under modified accrual basis of accounting and is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General Fund	Special Gas Tax Fund	Total
Other taxes	\$ 40,642	\$ -	\$ 40,642
Intergovernmental	257	1,046,925	1,047,182
Total	\$ 40,899	\$ 1,046,925	\$ 1,087,824

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)

- On October 7, 2009, the City entered into an operation and management lease agreement (Agreement) with the Sierra Golf Management, Inc. (SGM), under which SMG will operate and collect user fees from the Madera Municipal Golf Course for the five years with an additional five years extension of the Agreement. SGM will pay the City installment payment over the course of the Agreement; the present value of these installment payments is \$130,000. SGM will also pay a “per round” rate that establishes an initial rate of \$1.00 per round but increases in later years. SGM is required to operate and maintain the golf course in accordance with the Agreement. The City reports the golf course and related equipment as capital assets with a carrying amount of \$2,028,861 at year-end, and reported a receivable and deferred inflow of resources in the amount of \$50,000 at year-end pursuant to the service concession arrangement.
- The City has a gain on refunding of debt reported in the government-wide statement of net position and the proprietary fund statement of net position. A gain on refunding of debt results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources for gain on refunding of debt reported in the business-type activities of the government-wide statement of net position and the proprietary fund statement of net position are \$376,319.
- The City has pension related items that qualify to be reported in deferred inflows of resources. The pension related deferred inflows of resources are described in detail in Note 8.
- The City has other postemployment benefits related items that qualify to be reported in deferred inflows of resources. The pension related deferred inflows of resources are described in detail in Note 9.

NOTE 7 – LONG-TERM LIABILITIES

Changes in the City’s long-term liabilities for the year ended June 30, 2018 were as follows:

	Balance June 30, 2017 (Restated)	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Governmental Activities					
Capital Leases:					
Police Facility	\$ 890,312	\$ -	\$ (890,312)	\$ -	\$ -
Madera Youth Center	361,087	-	(176,026)	185,061	185,061
Police In-car Camera lease	74,759	-	(32,428)	42,331	33,701
ERP System and Fire Truck	1,099,608	-	(303,675)	795,933	311,960
Total capital leases	<u>2,425,766</u>	-	<u>(1,402,441)</u>	1,023,325	530,722
Loans Payable:					
Police Facility Commercial Loan	-	895,900	(54,500)	841,400	102,500
PG&E Energy Efficiency Retrofit loan	60,088	-	(37,934)	22,154	18,967
Total loans payable	60,088	895,900	(92,434)	863,554	121,467
Compensated absences	1,337,427	256,173	-	1,593,600	1,029,606
Net OPEB liability	2,760,929	26,185	-	2,787,114	-
Net pension liability	<u>32,123,546</u>	<u>5,174,508</u>	<u>-</u>	<u>37,298,054</u>	<u>-</u>
Total	<u>\$ 38,707,756</u>	<u>\$ 6,352,766</u>	<u>\$ (1,494,875)</u>	<u>\$ 43,565,647</u>	<u>\$ 1,681,795</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

	Balance June 30, 2017 (Restated)	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Business-Type Activities					
Loans payable:					
CIEDB loan	\$ 7,636,190	\$ -	\$ (303,735)	\$ 7,332,455	\$ 312,877
Airport Hanger loan	145,565	-	(21,518)	124,047	22,547
Golf Course Commercial Loan	-	1,657,100	(10,600)	1,646,500	278,400
Total loans payable	7,781,755	1,657,100	(335,853)	9,103,002	613,824
Bonds payable:					
Water Revenue Bonds, Series 2010	10,165,000	-	(315,000)	9,850,000	320,000
Less: unamortized bond discounts	(113,870)	-	5,422	(108,448)	-
1993 Variable Rate Demand Bonds (Madera Municipal Golf Course Refinancing Project)	2,175,000	-	(2,175,000)	-	-
Water and Wastewater Refunding Revenue Bonds, Series 2015	29,030,000	-	(1,075,000)	27,955,000	1,120,000
Total bonds payable	41,256,130	-	(3,559,578)	37,696,552	1,440,000
Compensated absences	252,632	38,094	-	290,726	290,726
Net OPEB Liability	261,542	120,848	-	382,390	-
Net pension liability	6,885,087	1,202,753	-	8,087,840	-
Total	\$ 56,437,146	\$ 3,018,795	\$ (3,895,431)	\$ 55,560,510	\$ 2,344,550

Governmental Activities Long-Term Debt

Capital Leases

Police Facility

In December 2005, the City entered into a capital lease agreement with La Salle Bank to lease a portion of the construction cost for the police facility. The entire purchase price of the police station was \$5,200,000. The leased portion of the police station was \$1,500,000 and is payable over a period of twenty years. Semi-annual payments on the contract are \$65,249. The effective interest rate on the contract is 5.120% per annum. During the year ended June 30, 2018, this lease was refunded through Police Facility Commercial which is described in this note.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities Long-Term Debt (Continued)

Capital Leases (Continued)

Madera Youth Center

In May 2010, the City entered into a capital lease agreement with Municipal Finance Corporation to lease a portion of the construction of the Youth Center. The lease portion of the Youth Center was \$1,500,000 and is payable over a period of ten years. Semi-annual payments on the contract are \$194,257. The effective interest rate on the contract is 5% per annum. At June 30, 2018, the outstanding balance of the Youth Center capital lease was \$185,061.

The annual debt service requirements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 185,061	\$ 9,250	\$ 194,311
Total	<u>\$ 185,061</u>	<u>\$ 9,250</u>	<u>\$ 194,311</u>

Police In-Car Camera

In August 2014, the City entered into a capital lease agreement for the police department in-car camera system under which the related equipment will become the property of the City when all terms of the lease agreements are met. The purchase price of the equipment was \$157,755 and is payable over a period of five years. Quarterly payments on the contract are \$8,713. The effective interest rate on the contract is 3.87%. At June 30, 2018, the outstanding balance of the capital lease was \$42,331.

The annual debt service requirements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 33,701	\$ 1,153	\$ 34,854
2020	8,630	83	8,713
Total	<u>\$ 42,331</u>	<u>\$ 1,236</u>	<u>\$ 43,567</u>

ERP and Fire Truck

In August 2015, the City entered into a five-year equipment lease-purchase agreement for the purchase of Enterprise Resource Planning (ERP) system to be installed at the City Hall and a fire truck with Holman Capital Corporation. Holman Capital Corporation deposited \$1,540,065 into the Escrow Fund, which the Community Business Bank is the escrow agent, for the acquisition of the equipment and for the payment of issuance costs. The related equipment will become the property of the City when all terms of the lease agreements are met. The purchase price of the equipment was \$1,540,065 and is payable over a period of five years. Semi-monthly payments on the agreement are \$165,715. The effective interest rate on the contract is 2.71%. At June 30, 2018, the outstanding balance of the capital lease was \$795,933. The cash balance in the Escrow Fund held at the Community Business Bank as of June 30, 2018 was \$193,806. This remaining fund in the Escrow Fund account will be used to fund the acquisition of the equipment in the following fiscal year.

The annual debt service requirements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 311,960	\$ 19,470	\$ 331,430
2020	320,473	10,959	331,432
2021	163,500	2,215	165,715
Total	<u>\$ 795,933</u>	<u>\$ 32,644</u>	<u>\$ 828,577</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Governmental Activities Long-Term Debt (Continued)

Loans Payable

2018 Refunding of the Police Facility (Police Facility Commercial Loan)

In December 2005, the City entered into a capital lease agreement with La Salle Bank (and subsequently sold to Capital One Public Funding, LLC) to lease a portion of the construction cost for the police facility. The entire purchase price of the police station was \$5,200,000. The leased portion of the police station was \$1,500,000 and was payable over a period of twenty years.

On January 1, 2018, the capital lease was refunded and the Financing Authority paid the City an advance rental for the use and right to the possession of the Police and Golf Course facilities for a total of \$2,553,000. The lease was then assigned to Zions Bank/California Bank & Trust on the same day and named the Police Facility Commercial Loan. The bonds are due in annual installments of \$50,900 to \$61,600 beginning May 2018 with interest rate fixed 2.760% per annum payable semi-annually. Total principal and interest remaining on the agreement is payable through 2026. At June 30, 2018, the outstanding balance was \$841,400.

The annual debt service requirements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 102,500	\$ 7,968	\$ 110,468
2020	105,300	22,520	127,820
2021	108,200	16,746	124,946
2022	111,200	13,739	124,939
2023	114,400	10,648	125,048
2024-2026	299,800	12,526	312,326
Total	<u>\$ 841,400</u>	<u>\$ 84,147</u>	<u>\$ 925,547</u>

PG&E Energy Efficient Retrofit Loan

In June 2012, the City entered into a loan agreement with PG&E to convert old high-pressure sodium lights with new energy efficient LED streetlights. The loan amount is \$249,731 and is payable over a period of 6.7 years with zero percent interest. Monthly payments on the loan are \$3,161. At June 30, 2018, the outstanding balance of the PG&E Energy Efficiency Retrofit Loan was \$22,154.

The annual debt service requirements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 18,967	\$ -	\$ 18,967
2020	3,187	-	3,187
Total	<u>\$ 22,154</u>	<u>\$ -</u>	<u>\$ 22,154</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-Type Activities Long-Term Debt (Continued)

Loans Payable

California Infrastructure and Economic Development Bank (CIEDB) Loan

Loan payable to California Infrastructure and Economic Development Bank for the regional wastewater treatment plant upgrade and expansion project; semi-annual installments of \$383,084 to \$525,788, including interest at 3.01% per annum. At June 30, 2018, the outstanding balance of the California Infrastructure and Economic Development Bank loan was \$7,332,455.

The annual debt service requirements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 312,877	\$ 215,998	\$ 528,875
2020	322,295	206,439	528,734
2021	331,996	196,592	528,588
2022	341,989	186,448	528,437
2023	352,283	175,999	528,282
2024-2028	1,926,999	711,920	2,638,919
2029-2033	2,235,005	399,279	2,634,284
2034-2036	<u>1,509,011</u>	<u>69,030</u>	<u>1,578,041</u>
Total	<u>\$ 7,332,455</u>	<u>\$ 2,161,705</u>	<u>\$ 9,494,160</u>

Airport Hanger Loan

Loan payable to the Department of Transportation, Division of Aeronautics for the purchase of fourteen airplane hangars; annual installments of \$14,131 to \$27,180, including interest at 4.7829%. At June 30, 2018, the outstanding balance of the Department of Transportation, Division of Aeronautics loan was \$124,047.

The annual debt service requirements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 22,547	\$ 5,933	\$ 28,480
2020	23,625	4,855	28,480
2021	24,755	3,725	28,480
2022	25,939	2,541	28,480
2023	<u>27,181</u>	<u>1,300</u>	<u>28,481</u>
Total	<u>\$ 124,047</u>	<u>\$ 18,354</u>	<u>\$ 142,401</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-Type Activities Long-Term Debt (Continued)

Loans Payable (Continued)

2018 Refunding of the 1993 Variable Rate Demand Bonds (Golf Course Commercial Loan)

In May 1993, the Financing Authority issued Variable Rate Demand Bonds in the aggregate principal of \$5,280,000. The proceeds were used to redeem \$4,835,000 of its December 8, 1989 Lease Revenue Bonds, Series A, and \$262,450 for additional Golf Course construction.

On January 1, 2018, the Bonds were refunded and the Financing Authority paid the City an advance rental for the use and right to the possession of the Golf Course and Police facilities for a total of \$2,553,000. The lease was then assigned to Zions Bank/California Bank & Trust on the same day and named the Golf Course Commercial Loan. The loan is due in annual installments of \$138,100 (\$10,600 first year) to \$161,800 beginning May 2018 with interest rate fixed 3.190% per annum payable semi-annually. Total principal and interest remaining on the agreement is payable through 2023. At June 30, 2018, the outstanding balance was \$1,646,500.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 278,400	\$ 50,321	\$ 328,721
2020	287,400	41,368	328,768
2021	296,600	32,128	328,728
2022	306,200	22,590	328,790
2023	316,100	12,744	328,844
2024	<u>161,800</u>	<u>2,581</u>	<u>164,381</u>
Total	<u>\$ 1,646,500</u>	<u>\$ 161,732</u>	<u>\$ 1,808,232</u>

Bonds Payable

Water and Wastewater Refunding Revenue Bonds, Series 2015

Water and Wastewater Refunding Revenue Bonds, Series 2015 were issued by the Financing Authority in December 2015 for \$30,140,000. Proceeds from the bonds were used to refund \$30,440,000 of its Water and Wastewater Refunding Revenue Bonds, Series 2015. The bonds are due in annual installments of \$70,000 to \$2,080,000 through March 1, 2036, with interest payable semiannually on September 1 and March 1 of each year at 3.700%. At June 30, 2018, the outstanding balance of the Water and Wastewater Revenue Bonds was \$27,995,000.

The Financing Authority has pledged a portion of future water and wastewater revenue to repay the 2015 Water and Wastewater Revenue Bonds. Total principal and interest remaining on the agreement is \$38,790,080 payable through 2036.

The annual debt service requirements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Water</u>			<u>Sewer</u>			<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 75,000	\$ 69,560	\$ 144,560	\$ 1,045,000	\$ 964,775	\$ 2,009,775	\$ 1,120,000	\$ 1,034,335	\$ 2,154,335
2020	75,000	66,785	141,785	1,080,000	926,110	2,006,110	1,155,000	992,895	2,147,895
2021	80,000	64,010	144,010	1,120,000	886,150	2,006,150	1,200,000	950,160	2,150,160
2022	85,000	61,050	146,050	1,165,000	844,710	2,009,710	1,250,000	905,760	2,155,760
2023	85,000	57,905	142,905	1,210,000	801,605	2,011,605	1,295,000	859,510	2,154,510
2024-2028	495,000	238,650	733,650	6,750,000	3,303,175	10,053,175	7,245,000	3,541,825	10,786,825
2029-2033	580,000	141,525	721,525	8,095,000	1,958,410	10,053,410	8,675,000	2,099,935	10,774,935
2034-2036	<u>405,000</u>	<u>30,340</u>	<u>435,340</u>	<u>5,610,000</u>	<u>420,320</u>	<u>6,030,320</u>	<u>6,015,000</u>	<u>450,660</u>	<u>6,465,660</u>
Total	<u>\$ 1,880,000</u>	<u>\$ 729,825</u>	<u>\$ 2,609,825</u>	<u>\$ 26,075,000</u>	<u>\$ 10,105,255</u>	<u>\$ 36,180,255</u>	<u>\$ 27,955,000</u>	<u>\$ 10,835,080</u>	<u>\$ 38,790,080</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-Type Activities Long-Term Debt (Continued)

Bonds Payable (Continued)

Water Revenue Bonds, Series 2010

Water Revenue Bonds, Series 2010 were issued by the Financing Authority in November 2010 for \$11,215,000. The City will use the proceeds from the Bonds along with the changing of water and sewer rates to bring the City into compliance with State Law to have the entire City on water meters by the year 2025. The bonds are due in annual installments of \$65,000 to \$745,000 through March 1, 2038, with interest payable semi-annually on September 1 and March 1 of each year at 4.5%. At June 30, 2018, the outstanding balance was \$9,850,000.

The Financing Authority has pledged a portion of future wastewater revenue to repay the 2010 Water Revenue Bonds. Total principal and interest remaining on the agreement is \$38,790,080, payable through 2038.

The Water Revenue Bonds, Series 2010 were issued at a discount which is being amortized over the life of the bonds resulting in an annual amortization of \$5,422. At June 30, 2018, the outstanding balance of the discount on the bonds was \$108,448.

The annual debt service requirements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 320,000	\$ 458,063	\$ 778,063
2020	335,000	448,463	783,463
2021	345,000	435,063	780,063
2022	355,000	422,556	777,556
2023	375,000	408,800	783,800
2024-2028	2,110,000	1,792,213	3,902,213
2029-2023	2,640,000	1,246,775	3,886,775
2034-2038	<u>3,370,000</u>	<u>523,000</u>	<u>3,893,000</u>
Total	<u>\$ 9,850,000</u>	<u>\$ 5,734,933</u>	<u>\$ 15,584,933</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Business-Type Activities Long-Term Debt (Continued)

Bonds Payable (Continued)

1993 Variable Rate Demand Bonds

In May 1993, the Financing Authority issued Variable Rate Demand Bonds in the aggregate principal of \$5,280,000. The proceeds were used to redeem \$4,835,000 of its December 8, 1989 Lease Revenue Bonds, Series A, and \$262,450 for additional Golf Course construction. The bonds are due in annual installments of \$140,000 to \$350,000 beginning November 2001 with interest at a variable rate not to exceed 10.0% per annum payable semi-annually. Payments of principal and interest on the bonds are supported by an irrevocable direct draw letter of credit. At June 30, 2017, the variable interest rate was 0.92% and the outstanding balance of the Variable Rate Demand Bonds was \$2,175,000. During the year ended June 30, 2018, the bond was refunded by the Golf Course Commercial Loan, as described above.

Compensated Absences

The City's policy relating to compensated absences is described in Note 1. At June 30, 2018, the City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) balance is \$1,593,600 for governmental activities and \$290,726 for business-type activities. All compensated absence amounts above are generally liquidated by the fund incurring the expense.

NOTE 8 – PENSION PLANS

AGENT MULTIPLE EMPLOYER PLANS

A. General Information

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plan, agent multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan is established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – PENSION PLANS (Continued)

AGENT MULTIPLE EMPLOYER PLANS

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for Miscellaneous Plan is applied as specified by the Public Employees’ Retirement Law.

The Public Employees’ Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. Pursuant to PEPRA, the Miscellaneous Plan is closed to new entrants as of January 1, 2013.

The Plans’ provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Miscellaneous		
	1st Tier	2nd Tier	PEPRA
Hire Date	Prior to January 1, 2011	January 1, 2011 thru December 31, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of annual salary	2.000% to 2.500%	1.092% to 2.418%	1.000% to 2.500%
Required employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	9.451%	9.451%	9.451%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$1,314,350 for the fiscal year ended June 30, 2018.

Employees Covered – At June 30, 2018, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	1,045
Inactive employees entitled to but not yet receiving benefits	539
Active employees	194
Total	<u>1,778</u>

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 the July 1 following notice of a change in the rate. Funding contributions for the Plan 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.

The City’s contributions to the Plan recognized as a part of pension expense for the year ended June 30, 2018 were \$2,394,537.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – PENSION PLANS (Continued)

AGENT MULTIPLE EMPLOYER PLANS (Continued)

B. Net Pension Liability

The City's net pension liability for its Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Miscellaneous Plan is measured as of June 30 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.00% ⁽²⁾
Mortality	Derived from CalPERS Membership Data for all Funds ⁽³⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

⁽³⁾ The Mortality Table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumptions – In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for the Plan, the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent 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 the Plan. The crossover test results can be found on CalPERS' website under the GASB 68 section.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – PENSION PLANS (Continued)

AGENT MULTIPLE EMPLOYER PLANS (Continued)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

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 returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. 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+ 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 for each fund. The expected 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 table below reflects the long-term expected real rate 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 target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

^(a) An expected inflation of 2.5% used for this period

^(b) An expected inflation of 3.0% used for this period

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – PENSION PLANS (Continued)

AGENT MULTIPLE EMPLOYER PLANS (Continued)

C. Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Liability	Net Pension Liability/(Asset)
Balance at 6/30/2016	\$74,332,633	\$52,102,473	\$22,230,160
Changes in the year:			
Service cost	1,857,394	-	1,857,394
Interest on total pension liability	5,651,202	-	5,651,202
Changes in benefit terms	-	-	-
Changes of assumptions	4,531,204	-	4,531,204
Differences between expected and actual experience	1,184,077	-	1,184,077
Plan to plan resource movement	-	(1,724)	1,724
Contributions - employer	-	2,329,046	(2,329,046)
Contributions - employees	-	829,670	(829,670)
Net investment income	-	5,795,462	(5,795,462)
Benefit payment, including refunds of employee contributions	(3,877,650)	(3,877,650)	-
Administrative expenses	-	(76,926)	76,926
Net changes	9,346,227	4,997,878	4,348,349
Balance at 6/30/2017	\$83,678,860	\$57,100,351	\$26,578,509

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net position liability of the City for the Miscellaneous Plan, calculated using the discount rate for the Miscellaneous Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Discount Rate -1%	Current Discount Rate	Discount Rate +1%
6.15%	7.15%	8.15%
\$37,512,495	\$26,578,509	\$17,521,178

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – PENSION PLANS (Continued)

AGENT MULTIPLE EMPLOYER PLAN (Continued)

D. Pension Expenses Deferred Outflows/Inflows of Resources Related to Pensions

The City recognized pension expense, deferred outflows or resources and deferred inflows of resources included a portion attributable to superior court employees. These employees are not employees of the City of Madera, however, disaggregated information was not available from CalPERS. The effect of this liability was deemed immaterial to the overall Net Pension Liability by City management.

For the year ended June 30, 2018, the City recognized pension expense of \$4,917,383. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$2,752,275	\$ -
Changes of assumptions	3,069,525	74,341
Differences between actual and expected experience	921,911	16,870
Net differences between projected and actual earnings on plan investments	752,047	-
Total	<u>\$ 7,495,758</u>	<u>\$ 91,211</u>

\$2,104,843 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2019	\$1,836,211
2020	2,734,648
2021	503,122
2022	(421,709)
2023	-
Thereafter	-

E. Payable to the Pension Plan

The City did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – PENSION PLANS (Continued)

COST SHARING MULTIPLE-EMPLOYER PLAN

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost Sharing Multiple-Employer Plan (Plan) administered by the California Public Employees’ Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other.) Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City of Madera (City) sponsors three safety rate plans (three police) Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Safety		
	1st Tier	2nd Tier	PEPRA
	Prior to	January 1, 2011 thru	On or after
Hire date	January 1, 2011	December 31, 2012	January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of annual salary	3.000%	2.400% to 3.000%	2.000% to 2.700%
Required employee contribution rates	9.000%	9.000%	11.500%
Required employer contribution rates	19.723%	16.842%	11.990%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund, if applicable. The dollar amounts are billed on a monthly basis. The City’s required contribution for the unfunded liability was \$890,939 for the fiscal year ended June 30, 2018.

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 the July 1 following notice of a change in the rate. Funding contributions for the Plan 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.

The City’s contributions to the Plan recognized as a part of pension expense for the year ended June 30, 2018 were \$1,942,249.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – PENSION PLANS (Continued)

COST SHARING MULTIPLE-EMPLOYER PLAN (Continued)

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

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$18,807,385.

The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.3240%
Proportion - June 30, 2017	0.3148%
Change - Increase (Decrease)	-0.0092%

For the year ended June 30, 2018, the City recognized pension expense of \$3,137,614. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$2,136,349	\$ -
Changes of assumptions	2,565,296	196,816
Differences between actual and expected experience	176,886	46,119
Net differences between projected and actual earnings on plan investments	559,334	-
Change in employer's proportion	252,093	81,069
Differences between the employer's actual contributions and the employer's proportionate share of contributions	452,393	-
Total	\$ 6,142,351	\$ 324,004

\$2,136,349 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, 2019. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2019	\$ 1,112,184
2020	1,787,579
2021	1,109,523
2022	(327,288)
2023	-
Thereafter	-

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – PENSION PLANS (Continued)

COST SHARING MULTIPLE-EMPLOYER PLAN (Continued)

C. Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.3% - 14.2% ⁽¹⁾
Investment Rate of Return	7.00% ⁽²⁾
Mortality	Derived from CalPERS Membership Data for all Funds ⁽³⁾

⁽¹⁾ Depending on age, service and type of employment

⁽²⁾ Net of pension plan investment expenses, including inflation

⁽³⁾ The Mortality Table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experiences Study can be found on the CalPERS website.

D. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for the Plan, the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent 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 the Plan. The crossover test results can be found 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 returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – PENSION PLANS (Continued)

COST SHARING MULTIPLE-EMPLOYER PLAN (Continued)

D. Discount Rate (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF cash flows. 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+ 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 for each fund. The expected 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 table below reflects the long-term expected real rate 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 target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

^(a) An expected inflation of 2.5% used for this period

^(b) An expected inflation of 3.0% used for this period

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 the Plan, calculated using the discount rate for the 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 or 1-percentage point higher than the current rate:

Discount Rate -1%	Current Discount Rate	Discount Rate +1%
6.15%	7.15%	8.15%
\$27,282,061	\$18,807,385	\$11,879,760

E. Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

F. Payable to the Pension Plan

The City did not have an outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) OBLIGATIONS

Plan Description

The City of Madera Retiree Healthcare Plan (OPEB Plan) is a single-employer defined benefit healthcare plan administered by the City. The Plan provides healthcare benefits to eligible retirees. Benefit provisions are negotiated and may be amended through agreements and memorandums of understanding between the City, its management employees, and union representing City employees.

Eligibility

Membership of the Plan at the most recent valuation date July 1, 2016 consisted of the following:

	Management*	All Other Bargaining Group**
Eligibility	Retire directly from City at age 50 and 20 years City service, including 3 years with Management***	Retire directly from City at age 50 and 5 years CalPERS service (or disability retirement)
Medical	Retiree - City pays single premium including supplemental to Medicare and prescription drug premium when Medicare eligible. Must be enrolled at retirement; cannot re-elect coverage; spouse/family - retiree-paid	Retiree pays premium (until age 65 or Medicare eligible). Spouse/family-retiree-paid (until age 65 or Medicare eligible; cannot re-elect coverage)

*Benefits consistent with individual executive contracts

**Excludes City Council

***Management with 5 years City service can participate with payment of premium

Employees Covered

As of the July 1, 2016 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB plan:

Inactive plan member or beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	-
Active employees	<u>216</u>
Total	<u>234</u>

Contributions

There is no statutory requirement for the City to pre-fund its OPEB obligation. The City has currently chosen to pay Plan benefits on a pay-as-you-go basis. There are no employee contributions. For fiscal year 2017-18, the City contributed approximately \$33,055 on a pay-as-you-go-basis for cash subsidy benefit payments and approximately \$70,466 for implied subsidy benefit payments.

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) OBLIGATIONS (Continued)

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:	
Discount Rate	3.13%
Investment Rate Return	4.00%
Mortality Rate ⁽¹⁾	Derived using CalPERS' Membership data for all Funds
Pre-Retirement Turnover ⁽²⁾	Derived using CalPERS' Membership data for all Funds
Healthcare Cost Trend Rates	6.00%, trending down to 5.00% thereafter

⁽¹⁾ Pre-retirement mortality information was derived from data collected during the 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CALPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website (www.calpers.ca.gov) under Forms and Publications.

⁽²⁾ Pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website (www.calpers.ca.gov) under Forms and Publications.

Discount Rate

GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the City's Total OPEB liability is based on these requirements.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) OBLIGATIONS (Continued)

Change in OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017 (Valuation Date June 30, 2017)	\$ 3,022,471	\$ -	\$ 3,022,471
Changes in the year:			
Service cost	165,796	-	165,796
Interest on the total OPEB liability	92,870	-	92,870
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer (including implicit rate subsidy)	-	111,633	(111,633)
Net investment income	-	-	-
Benefit payments, including refunds of member contributions	(111,633)	(111,633)	-
Administrative expenses	-	-	-
Net changes	147,033	-	147,033
Balance at June 30, 2017 (Measurement Date)	\$ 3,169,504	\$ -	\$ 3,169,504

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

The following presents the net OPEB liability of the City if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
\$ 3,571,856	\$ 3,169,504	\$ 2,822,447

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trends

The following presents the net OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

1% Decrease 5.50%/5.00% decreasing to 4.00%	Current Healthcare Cost Trend Rates 6.50%/6.00% decreasing to 5.00%	1% Increase 7.50%/7.00% increasing to 3.00%
\$ 2,723,975	\$ 3,169,504	\$ 3,713,370

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) OBLIGATIONS (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized an OPEB expense of \$258,666. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 33,055	\$ -
Total	\$ 33,055	\$ -

\$33,055 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, 2019. There are no other amounts reported as deferred outflows of resources related to OPEB that will be recognized as an expense in subsequent years.

NOTE 10 – DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan was amended so that the assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Since the plan assets are administered by an outside party and not subject to the claims of the City’s general creditors, their assets and related liabilities are not on the City’s financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, “Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.”

NOTE 11 – RISK MANAGEMENT

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA), a public entity risk pool for workers’ compensation and general liability insurance. The CSJVRMA is a consortium of fifty-five cities located in California’s San Joaquin Valley. It was established under the provisions of California Government Code Section 6500 et. seq. CSJVRMA is governed by a Board of Directors, consisting of one member appointed by each member city. The day-to-day business operations are handled by a management group employed by CSJVRMA. The relationship between the City and CSJVRMA is such that the CSJVRMA is not considered a component unit of the City for financial reporting purposes.

General Liability Insurance coverage is addressed via retention maintained by the City and participation in CSJVRMA. The City maintains a self-insured retention level of \$100,000 and participates in the CSJVRMA risk pool for coverage up to \$1,000,000. CSJVRMA participates in an excess pool, which provides coverage from \$1,000,000 to \$29,000,000.

Workers’ Compensation coverage is also addressed via a retention maintained by the City and participation in CSJVRMA. The City maintains a self-insured retention level of \$100,000 and participates in the CSJVRMA risk pool for additional coverage up to \$250,000. CSJVRMA also participates in an excess pool which provides workers’ compensation coverage from \$250,000 to \$500,000 and purchases excess insurance of approximately \$500,000 to the statutory limit.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – RISK MANAGEMENT (Continued)

The summary financial position and results of operations for CSJVRMA, as of June 30, 2018, is presented as follows:

Statement of Net Position	
Current assets	\$ 34,817,411
Noncurrent assets	<u>75,417,222</u>
Total assets	<u>110,234,633</u>
Current liabilities	19,167,959
Noncurrent liabilities	<u>73,041,272</u>
Total liabilities	<u>92,209,231</u>
Total net position	<u>\$ 18,025,402</u>

Statement of Revenues, Expenses and Changes in Net Position	
Operating revenues	\$ 46,355,775
Operating expenses	<u>46,619,021</u>
Operating income (loss)	(263,246)
Nonoperating income (loss)	<u>314,077</u>
Increase (decrease) in net position	50,831
Net position - beginning of year	<u>17,974,571</u>
Net position - end of year	<u>\$ 18,025,402</u>

NOTE 12 – CONTINGENCIES AND COMMITMENTS

Litigation

The City is currently a party to various claims and legal proceedings. Although the outcome of these lawsuits is not presently determinable, it is management's opinion that the ultimate liabilities, if any, resulting from such claims and proceedings will not materially affect the financial position of the City.

Contingent Liabilities

On March 1, 1993, the City issued Certificates of Participation in the aggregate of \$10,250,000 for the benefit of Madera Community Hospital (Hospital), a California nonprofit public benefit corporation. The Hospital is not included in the City's reporting entity. The City is obligated to make the purchase payments only from and to the extent that it receives revenue from the Hospital. They are not secured by any pledge of taxes or other revenues of the City. In addition, the purchase payments are insured by the Office of Statewide Health Planning and Development of the State of California. As of June 30, 2018, the City has not recorded revenues from the Hospital.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 – CONTINGENCIES AND COMMITMENTS (Continued)

Federal Awards and Grants

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

Contractual Commitments

The City has active construction projects as of June 30, 2018. At year-end, the City's major contractual commitments are as follows:

Project	Contract Amount	Spent-to-Date	Remaining Commitment
Water System Condition Assessment/Rehab	\$ 295,000	\$ 120,295	\$ 174,705
Sewer System Assesment/Rehab	320,320	108,725	211,595
Transit Facility	415,000	289,367	125,633
Fire Station 58 Construction	455,008	227,794	227,214
Sewer Main Video Inspection	536,000	369,302	166,698
Water Main Installations	<u>738,141</u>	<u>485,989</u>	<u>252,152</u>
Total	<u>\$ 2,759,469</u>	<u>\$ 1,601,472</u>	<u>\$ 1,157,997</u>

In addition, the City has various contracts with developers for the cost of public improvements made through construction of new developments within the City. The agreements are for the reimbursement of reasonable costs for the construction of public improvements within the planned developments. The City agrees to reimburse developers for the City's proportionate share of the costs of improvements as determined by the City Engineer. The City will not reimburse any expenses beyond the actual and reasonable costs of installing the improvements.

Encumbrances

At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General fund	\$ 653,736
Water fund	440,452
Sewer Fund	717,594
Nonmajor enterprise funds	749,114
General development impact fee fund	<u>1,652,061</u>
Total	<u>\$ 4,212,957</u>

NOTE 13 – DEFICIT FUND BALANCE

Deficit Fund Balance

The City has accumulated fund deficits in the following individual funds:

Nonmajor enterprise funds

The Golf Course Fund has a net fund deficit of \$157,417. The deficit is due primarily to the \$1,646,500 outstanding debt for the Golf Course Commercial Loan. It is anticipated that the deficit in this fund will be eliminated through future revenues or transfers from other funds.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 – RESTATEMENTS OF BEGINNING FUND BALANCES AND NET POSITIONS

Adjustments resulting from error or a change to comply with provisions of the accounting standards are treated as adjustments to prior periods. Accordingly, the City reports these changes as restatements of beginning net position/fund balance.

Restatements as of the beginning of the fiscal year were made to correct beginning accounts receivable that should have been recognized as revenue in the prior year.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning net position	\$ 203,422,144	\$ 73,835,943	\$ 277,258,087
Prior period adjustments:			
Understatement of land held for resale	351,500	-	351,500
Understatement of capital assets	<u>3,106,220</u>	<u>-</u>	<u>3,106,220</u>
Total prior period adjustments	<u>3,457,720</u>	<u>-</u>	<u>3,457,720</u>
Change in accounting principle:			
Record the beginning deferred OPEB contributions and net OPEB liability	<u>(450,330)</u>	<u>431,429</u>	<u>(18,901)</u>
Total change in accounting principle	<u>(450,330)</u>	<u>431,429</u>	<u>(18,901)</u>
Beginning net position, as restated	<u>\$ 206,429,534</u>	<u>\$ 74,267,372</u>	<u>\$ 280,696,906</u>

Reconciliation of the prior period ending to the current year beginning fund balances/net positions in the fund financial statements are as follows:

Description	Major Governmental Fund		Nonmajor Governmental Funds			Internal Service Funds
	General Fund	Street Construction	Intermodal Building	Total	Total	
Beginning fund balance/net position	\$ 15,440,102	\$ 179,527	\$ 9,181	\$ 15,628,810	\$ 1,685,218	
Prior period adjustments:						
Understatement of land held for resale	351,500	-	-	351,500	-	
Overstatement of accounts payable	-	(1,222)	-	(1,222)	-	
Overstatement unavailable revenue	<u>-</u>	<u>324,732</u>	<u>18,527</u>	<u>343,259</u>	<u>-</u>	
Total prior period adjustments	<u>351,500</u>	<u>323,510</u>	<u>18,527</u>	<u>693,537</u>	<u>-</u>	
Change in accounting principle:						
Record the beginning deferred OPEB contributions and net OPEB liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,281</u>	
Total change in accounting principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,281</u>	
Beginning fund balance/net position, as restated	<u>\$ 15,791,602</u>	<u>\$ 503,037</u>	<u>\$ 27,708</u>	<u>\$ 16,322,347</u>	<u>\$ 1,800,499</u>	

Description	Major Enterprise Funds				Nonmajor Enterprise Funds		Total
	Water Fund	Sewer Fund	Solid Waste Fund	Drainage Operations Fund	Local Transit Fund	Airport Fund	
Beginning fund balance/net position	\$ 20,476,853	\$ 17,567,612	\$ 2,455,538	\$ 19,166,527	\$ 2,314,040	\$ 12,870,636	\$ 74,851,206
Change in accounting principle:							
Record the beginning deferred OPEB contributions and net OPEB liability	<u>(5,234)</u>	<u>5,881</u>	<u>55,302</u>	<u>26,391</u>	<u>338,939</u>	<u>10,150</u>	<u>431,429</u>
Total change in accounting principle	<u>(5,234)</u>	<u>5,881</u>	<u>55,302</u>	<u>26,391</u>	<u>338,939</u>	<u>10,150</u>	<u>431,429</u>
Beginning fund balance/net position, as restated	<u>\$ 20,471,619</u>	<u>\$ 17,573,493</u>	<u>\$ 2,510,840</u>	<u>\$ 19,192,918</u>	<u>\$ 2,652,979</u>	<u>\$ 12,880,786</u>	<u>\$ 75,282,635</u>

CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15 – SEGMENT INFORMATION

Segment information for the Water Fund, Sewer Fund, and Golf Course Fund as of June 30, 2018 was as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Golf Course Fund</u>
CONDENSED STATEMENT OF NET POSITION			
Assets:			
Current assets	\$ 17,181,159	\$ 9,954,125	\$ 58,588
Capital assets	<u>22,593,292</u>	<u>43,849,604</u>	<u>2,028,861</u>
Total assets	<u>39,774,451</u>	<u>53,803,729</u>	<u>2,087,449</u>
Deferred outflows of resources	<u>870,045</u>	<u>705,621</u>	<u>-</u>
Liabilities:			
Current liabilities	2,879,556	2,480,890	826,766
Noncurrent liabilities	<u>14,492,880</u>	<u>34,739,153</u>	<u>1,368,100</u>
Total liabilities	<u>17,372,436</u>	<u>37,220,043</u>	<u>2,194,866</u>
Deferred inflows of resources	<u>31,329</u>	<u>358,991</u>	<u>50,000</u>
Net position:			
Net investment in capital assets	14,001,020	10,442,149	382,361
Restricted	1,125,151	-	-
Unrestricted	<u>8,114,560</u>	<u>6,488,167</u>	<u>(539,778)</u>
Total net position	<u>\$ 23,240,731</u>	<u>\$ 16,930,316</u>	<u>\$ (157,417)</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating revenues	\$ 11,876,412	\$ 8,788,389	\$ 100,469
Depreciation expense	(822,922)	(2,241,509)	-
Other operating expenses	<u>(7,763,630)</u>	<u>(6,280,676)</u>	<u>(99,218)</u>
Operating income (loss)	3,289,860	266,204	1,251
Nonoperating revenue (expenses):			
Investment income	50,732	9,837	592
Interest expense	(546,500)	(1,211,034)	(36,014)
Other nonoperating revenue (expenses)	5,128	95,299	(63,780)
Capital contributions	56,543	2,896	-
Transfers in	-	225,000	247,083
Transfers out	<u>(86,651)</u>	<u>(31,379)</u>	<u>-</u>
Change in net position	2,769,112	(643,177)	149,132
Beginning net position	20,476,853	17,567,612	(306,549)
Prior period adjustments	<u>(5,234)</u>	<u>5,881</u>	<u>-</u>
Ending net position	<u>\$ 23,240,731</u>	<u>\$ 16,930,316</u>	<u>\$ (157,417)</u>
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	\$ 4,426,857	\$ 3,036,561	\$ (316)
Noncapital financing activities	(83,564)	279,379	249,837
Capital and related financing activities	<u>(1,582,168)</u>	<u>(2,560,059)</u>	<u>(558,793)</u>
Investment activities	50,732	9,837	592
Net increase (decrease)	2,811,857	765,718	(308,680)
Beginning cash and cash equivalents	<u>13,520,295</u>	<u>8,941,948</u>	<u>308,680</u>
Ending cash and cash equivalents	<u>\$ 16,332,152</u>	<u>\$ 9,707,666</u>	<u>\$ -</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 – SUCCESSOR AGENCY TRUST FUND

On January 11, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with Assembly Bill 1X26 (the Bill”) which dissolved all redevelopment agencies in the State of California.

Under the control of an oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution of the redevelopment agency (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are only allocated revenue in the amount that is necessary to pay estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

After the date of the dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

Capital Assets

Capital assets activity of the Successor Agency Trust Fund as of June 30, 2018 is as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 389,566	\$ -	\$ -	\$ 389,566
Total capital assets not being depreciated	<u>389,566</u>	<u>-</u>	<u>-</u>	<u>389,566</u>
Capital assets being depreciated:				
Buildings and improvements	5,076,597	-	-	5,076,597
Equipment	378,169	-	-	378,169
Total capital assets being depreciated	<u>5,454,766</u>	<u>-</u>	<u>-</u>	<u>5,454,766</u>
Less accumulated depreciation for:				
Buildings and improvements	1,348,829	171,336	-	1,520,165
Equipment	308,620	23,183	-	331,803
Total accumulated depreciation	<u>1,657,449</u>	<u>194,519</u>	<u>-</u>	<u>1,851,968</u>
Capital assets, net	<u>\$ 4,186,883</u>	<u>\$ (194,519)</u>	<u>\$ -</u>	<u>\$ 3,992,364</u>

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long-term Debt

The following is a summary of long-term debt obligation transactions for the Successor Agency Trust Fund at June 30, 2018:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
1998 Tax Allocation Bonds	\$ 5,555,000	\$ -	\$ (140,000)	\$ 5,415,000	\$ 150,000
Less: unamortized bond discounts	(58,862)	-	5,351	(53,511)	-
2003 Tax Allocation Bonds	13,985,000	-	(635,000)	13,350,000	660,000
Add: unamortized bond premiums	7,349	-	(469)	6,880	-
2008A Series Tax Allocation Bonds	22,675,000	-	(415,000)	22,260,000	430,000
2008B Series Tax Allocation Bonds	3,410,000	-	(90,000)	3,320,000	90,000
Less: unamortized bond discounts	(559,151)	-	26,632	(532,519)	-
Compensated absences	25,022	3,916	-	28,938	12,815
	<u>\$ 45,039,358</u>	<u>\$ 3,916</u>	<u>\$ (1,248,486)</u>	<u>\$ 43,794,788</u>	<u>\$ 1,342,815</u>
Total					

1998 Tax Allocation Bonds

On October 8, 1998, the Agency issued \$7,440,000 of 1998 Tax Allocation Redevelopment Project Bonds. The proceeds of the bonds were used to finance redevelopment activities within the Madera Redevelopment Project Area, to pay costs incurred in connection with the issuance, sale and delivery of the bonds, and to fund the reserve account.

Principal payments are due annually on September 1, commencing on September 1, 1999, with the final payment due in the year 2029. Interest payments are due on September 1 and March 1 of each year until the bonds are paid off. Interest rates range from 3.15% to 4.95%. Principal and interest will be paid from tax increment revenues consisting of a portion of taxes levied upon all taxable property within the Project Area. The outstanding balance of the bonds at June 30, 2018 was \$5,415,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 1998 Tax Allocation Redevelopment Bonds. The bonds required 10% of the RDA property tax increment revenue. Total principal and interest remaining on the bonds is \$7,763,516 payable through 2029.

The annual debt service requirements at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 150,000	\$ 253,500	\$ 403,500
2020	155,000	246,406	401,406
2021	165,000	238,806	403,806
2022	170,000	230,850	400,850
2023	180,000	222,538	402,538
2024-2028	3,630,000	733,400	4,363,400
2029	965,000	22,919	987,919
Total	<u>\$ 5,415,000</u>	<u>\$ 1,948,419</u>	<u>\$ 7,363,419</u>

The 1998 Tax Allocation Bonds were issued at a discount of \$160,533, which is being amortized over the 30-year life of the bonds resulting in an annual amortization of \$5,351. Unamortized bond discount as of June 30, 2018 was \$53,511.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long-term Debt (Continued)

2003 Tax Allocation Bonds

On October 23, 2003, the Agency issued \$19,495,000 of 2003 Tax Allocation Refunding and Redevelopment Project Bonds. The proceeds of the bonds were used to advance refund the Agency's 1993 Bond Anticipation Notes dated July 1, 1993, in an amount of \$7,201,007, to fund the acquisition and construction of new improvements within the Madera Redevelopment Project Area, to pay Agency housing set-aside obligations, to pay costs incurred in connection with the issuance, sale and delivery of the bonds, and to fund the reserve account.

Principal payments are due annually on September 1, commencing on September 1, 2004, with the final payment due in the year 2034. Interest payments are due on September 1 and March 1 of each year until the bonds are paid off. Interest rates range from 2.00% to 5.00%. Principal and interest will be paid from tax increment revenues consisting of a portion of all taxes levied upon all taxable property within the Project Area. The outstanding balance of the bonds at June 30, 2018 was \$13,350,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 2003 Tax Allocation Refunding Bonds. The bond required 34% of the RDA property tax increment revenues. Total principal and interest remaining on the bond is \$19,991,163 payable through 2034.

The annual debt service requirements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 660,000	\$ 651,075	\$ 1,311,075
2020	690,000	622,200	1,312,200
2021	720,000	587,700	1,307,700
2022	760,000	554,400	1,314,400
2023	790,000	518,300	1,308,300
2024-2028	1,970,000	2,168,038	4,138,038
2029-2033	6,125,000	1,457,700	7,582,700
2034	1,635,000	81,750	1,716,750
Total	<u>\$ 13,350,000</u>	<u>\$ 6,641,163</u>	<u>\$ 19,991,163</u>

The 2003 Tax Allocation Bonds were issued at a premium of \$13,799, which is being amortized over the 30-year life of the bonds resulting in an annual amortization of \$469. Unamortized bond premium as of June 30, 2017 was \$6,880.

2008A Series Tax Allocation Bonds

On September 10, 2008, the Agency issued \$25,455,000 of 2008A Series Tax Allocation Bonds. The proceeds of the bonds were used to finance redevelopment activities within the Madera Redevelopment Project Area, to pay costs incurred in connection with the issuance of the bonds, and to fund the reserve account.

Principal payments are due annually on September 1, commencing on September 1, 2010, with the final payment due in the year 2039. Interest payments are due on September 1 and March 1 of each year until the bonds are paid off. Interest rates range from 3.50% to 5.38%. Principal and interest will be paid from tax increment revenues consisting of a portion of all taxes levied upon all taxable property within the Project Area. The outstanding balance of the bonds at June 30, 2018 was \$39,719,704.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long-term Debt (Continued)

2008A Series Tax Allocation Bonds (continued)

The Agency has pledged a portion of future property tax increment revenue to repay the 2008A Series Tax Allocation Bonds. The bond required 41% of the RDA property tax increment revenue. Total principal and interest remaining on the bond is \$40,368,451 payable through 2039.

The annual debt service requirements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 430,000	\$ 1,169,888	\$ 1,599,888
2020	450,000	1,150,538	1,600,538
2021	475,000	1,130,288	1,605,288
2022	495,000	1,108,913	1,603,913
2023	520,000	1,084,163	1,604,163
2024-2028	3,040,000	5,000,463	8,040,463
2029-2033	3,945,000	4,120,963	8,065,963
2034-2038	10,245,000	2,551,513	12,796,513
2039	<u>2,660,000</u>	<u>142,975</u>	<u>2,802,975</u>
Total	<u>\$ 22,260,000</u>	<u>\$ 17,459,704</u>	<u>\$ 39,719,704</u>

The 2008A Series Tax Allocation Bonds were issued at a discount of \$692,753, which is being amortized over the 30-year life of the bonds resulting in an annual amortization of \$23,092. Unamortized bond discount as of June 30, 2018 was \$461,836.

2008B Series Tax Allocation Bonds

On September 10, 2008, the Agency issued \$4,000,000 of 2008B Housing Set-Aside Subordinate Tax Allocation Bonds. The proceeds of the bonds were used to finance low and moderate-income housing within the Madera Redevelopment Project Area, to pay costs incurred in connection with the issuance of the bond, and to fund the reserve account.

Principal payments are due annually commencing on September 1, 2010, with the final payment due in the year 2038. Interest payments are due on September 1 and March 1 of each year until the bonds are paid off. Interest rates range from 3.50% to 5.38%. Principal and interest will be paid from tax increment revenues consisting of a portion of all taxes levied upon all taxable property within the Project Area. The outstanding balance of the bonds at June 30, 2018 was \$3,320,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 2008B Housing Set-Aside Subordinate Tax Allocation Bonds. The bond required 7% of the RDA property tax increment revenues. Total principal and interest remaining on the bond is \$5,590,407 payable through 2039.

**CITY OF MADERA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long-term Debt (Continued)

2008B Series Tax Allocation Bonds (continued)

The annual debt service requirements at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 90,000	\$ 172,644	\$ 262,644
2020	95,000	168,594	263,594
2021	100,000	164,319	264,319
2022	105,000	159,819	264,819
2023	110,000	154,831	264,831
2024-2028	640,000	686,544	1,326,544
2029-2033	835,000	499,475	1,334,475
2034-2038	1,090,000	250,475	1,340,475
2039	<u>255,000</u>	<u>13,706</u>	<u>268,706</u>
Total	<u>\$ 3,320,000</u>	<u>\$ 2,270,407</u>	<u>\$ 5,590,407</u>

The 2008B Series Tax Allocation Bonds were issued at a discount of \$106,026, which is being amortized over the 30-year life of the bonds resulting in an annual amortization of \$3,533. Unamortized bond discount as of June 30, 2018 was \$70,688.

NOTE 17 – SPECIAL ASSESSMENT DEBT WITH NO CITY COMMITMENT

The City issued special tax and assessment bonds on behalf of property owners, pursuant to the Improvement Bond Act of 1915 and the Mellow-Roos Community Facilities Act of 1982, to finance the acquisition and construction of certain infrastructure improvements within the assessment districts and community facilities districts.

The City acts solely as an agent for those paying special tax and assessments and remits the amounts collected to the bondholders of these fixed-rate Improvement Bond Act of 1915 and Mellow-Roos Community Facilities Act of 1982 issues. The City is acting as an agent and is in no way liable for the special assessment debt and, accordingly, the debt is not recorded in these financial statements.

On January 1, 2018, the City of Madera, on behalf of the City of Madera Community Facilities District No. 2006-1, issued the City of Madera Community Facilities District No. 2006-1 Special Tax Refunding Bonds Series 2018 to refund the CFD 2006-1 Series Special Tax Bond for the purpose of creating annual debt savings. Total debt service payments were reduced by \$636,877. The amount of principal outstanding as of June 30, 2018 is \$2,452,228.

The bonds are not a general obligation of the City but are limited obligations, payable solely from special tax and assessments. The City has no obligation beyond the balances in the designated agency funds for any delinquent assessment district bond payments. If delinquencies occur beyond the amounts held in the reserve funds created from bond proceeds, the City has no duty to pay the delinquency out of the available funds of the City. Neither the faith and credit nor the taxing power of the City, or the State of California, or any political subdivision thereof is pledged to the payment of these bonds.

Noncommittal debt amounts issued and outstanding at June 30, 2018 are as follows:

	<u>Bonds Issued</u>	<u>Bonds Outstanding</u>
CFD 2006-1, Series Special Tax Bonds Refunding Bonds Series 2018	\$ 2,452,228	\$ 2,452,228

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 3,784,000	\$ 3,784,000	\$ 3,467,163	\$ (316,837)
Sales and use taxes	11,408,350	11,408,350	13,262,908	1,854,558
Other taxes	1,321,500	1,321,250	1,298,932	(22,318)
Use of money and property	523,420	511,420	233,178	(278,242)
Franchises	695,000	695,000	666,238	(28,762)
Licenses and permits	721,270	739,770	1,049,103	309,333
Fines	678,790	545,500	578,255	32,755
Aid from governmental agencies:				
Federal	1,432,932	1,483,041	517,113	(965,928)
State	5,772,348	5,772,348	6,225,407	453,059
Other	166,000	259,000	171,116	(87,884)
Charges for current services	1,411,337	1,380,883	1,378,363	(2,520)
Miscellaneous	564,358	536,627	634,370	97,743
Total revenues	<u>28,479,305</u>	<u>28,437,189</u>	<u>29,482,146</u>	<u>1,044,957</u>
EXPENDITURES:				
Current:				
General government	2,055,760	2,109,655	2,010,569	99,086
Public protection	17,260,860	17,302,470	16,842,253	460,217
Social services	428,395	310,362	309,121	1,241
Public ways and facilities	3,238,858	3,206,238	2,863,024	343,214
Community development	3,149,781	3,261,447	2,937,494	323,953
Culture and recreation	4,004,958	3,936,524	3,800,416	136,108
Capital outlay	4,474,045	4,547,646	1,422,672	3,124,974
Debt service:				
Principal	434,172	434,172	1,276,749	(842,577)
Interest	27,756	27,756	57,429	(29,673)
Total expenditures	<u>35,074,585</u>	<u>35,136,270</u>	<u>31,519,727</u>	<u>3,616,543</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,595,280)</u>	<u>(6,699,081)</u>	<u>(2,037,581)</u>	<u>(2,571,586)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,237,115	4,548,031	4,128,980	(419,051)
Transfers out	(772,244)	(772,244)	(772,244)	-
Sales of capital assets	5,000	5,000	41,691	36,691
Proceeds from long-term debt	-	-	895,900	895,900
Total other financing sources (uses)	<u>4,469,871</u>	<u>3,780,787</u>	<u>4,294,327</u>	<u>513,540</u>
Net change in fund balance	(2,125,409)	(2,918,294)	2,256,746	(2,058,046)
Fund balance - beginning (restated)	<u>15,791,602</u>	<u>15,791,602</u>	<u>15,791,602</u>	<u>-</u>
Fund balance - ending	<u>\$ 13,666,193</u>	<u>\$ 12,873,308</u>	<u>\$ 18,048,348</u>	<u>\$ (2,058,046)</u>

CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL DEVELOPMENT IMPACT FEE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 42,672	\$ 42,672	\$ 12,294	\$ (30,378)
Charges for current services	<u>1,855,776</u>	<u>1,855,776</u>	<u>1,926,087</u>	<u>70,311</u>
Total revenues	<u>1,898,448</u>	<u>1,898,448</u>	<u>1,938,381</u>	<u>39,933</u>
EXPENDITURES:				
Current:				
Public ways and facilities	46,250	46,250	139,463	(93,213)
Capital outlay	<u>5,947,910</u>	<u>6,854,344</u>	<u>379,793</u>	<u>6,474,551</u>
Total expenditures	<u>5,994,160</u>	<u>6,900,594</u>	<u>519,256</u>	<u>6,381,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,095,712)</u>	<u>(5,002,146)</u>	<u>1,419,125</u>	<u>(6,341,405)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(566,227)</u>	<u>(566,227)</u>	<u>(564,754)</u>	<u>1,473</u>
Total other financing sources (uses)	<u>(566,227)</u>	<u>(566,227)</u>	<u>(564,754)</u>	<u>1,473</u>
Net change in fund balance	(4,661,939)	(5,568,373)	854,371	(6,339,932)
Fund balance - beginning	<u>12,373,525</u>	<u>12,373,525</u>	<u>12,373,525</u>	<u>-</u>
Fund balance - ending	<u>\$ 7,711,586</u>	<u>\$ 6,805,152</u>	<u>\$ 13,227,896</u>	<u>\$ (6,339,932)</u>

**CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – SPECIAL GAS TAX FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 114,500	\$ 114,500
Aid from governmental agencies:				
Federal	683,596	683,596	115,633	(567,963)
State	1,828,939	2,045,939	1,717,646	(328,293)
Other	<u>3,203,985</u>	<u>3,203,985</u>	<u>1,590,268</u>	<u>(1,613,717)</u>
Total revenues	<u>5,716,520</u>	<u>5,933,520</u>	<u>3,538,047</u>	<u>(2,395,473)</u>
EXPENDITURES:				
Current:				
Capital outlay	<u>4,976,240</u>	<u>11,030,293</u>	<u>370,868</u>	<u>10,659,425</u>
Total expenditures	<u>4,976,240</u>	<u>11,030,293</u>	<u>370,868</u>	<u>10,659,425</u>
Excess (deficiency) of revenues over (under) expenditures	<u>740,280</u>	<u>(5,096,773)</u>	<u>3,167,179</u>	<u>(13,054,898)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(3,400,467)</u>	<u>(3,359,896)</u>	<u>(2,923,434)</u>	<u>436,462</u>
Total other financing sources (uses)	<u>(3,400,467)</u>	<u>(3,359,896)</u>	<u>(2,923,434)</u>	<u>436,462</u>
Net change in fund balance	(2,660,187)	(8,456,669)	243,745	(12,618,436)
Fund balance - beginning	<u>9,462,802</u>	<u>9,462,802</u>	<u>9,462,802</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,802,615</u>	<u>\$ 1,006,133</u>	<u>\$ 9,706,547</u>	<u>\$ (12,618,436)</u>

CITY OF MADERA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – BUDGET CONTROL AND ACCOUNTING

BUDGETARY INFORMATION

The City adheres to the following general procedures in establishing its annual budget, which is reflected in the accompanying schedules:

- Budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General, Special Revenue and Debt Service Funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments.
- Reported budget amounts represent the original legally adopted budget as amended. Individual amendments were not material in relation to the original adopted budget amounts. The City Council may amend the budget to increase appropriations only by a duly adopted minute resolution during a regular meeting, providing that sufficient monies are available and that expenditures of proceeds of taxes will not be increased beyond the constitutional appropriation limit as imposed by Article XIII B of the State Constitution. Management can transfer, without City Council approval, budgeted amounts provided they do not increase or decrease total fund appropriations adopted by the City Council.
- Unexpended budgeted amounts lapse at the end of the budget year. Spending control for the fund is established by the amount of expenditures budgeted for the fund, but management control is exercised at the budgetary line item levels.
- Expenditures may not legally exceed overall budgeted appropriations.
- The budgets of the City's capital projects are primarily "long-term" budgets which emphasize major programs and capital outlay plans extending over a number of fiscal periods. Therefore, no budget-to-actual schedules are presented for Capital Projects Funds.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2018:

General Fund

Debt service - principal	\$ 842,577
Debt service - interest	29,673

General Development Impact Fee Fund

Public ways and facilities	93,213
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The excess expenditures were covered by available fund balance in the funds.

CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET POSITION LIABILITY AND RELATED RATIOS
LAST 10 years*
As of June 30, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Pension Liability				
Service cost	\$ 1,562,632	\$ 1,515,655	\$ 1,556,770	\$ 1,857,394
Interest on the total pension liability	4,865,000	5,085,808	5,352,560	5,651,202
Differences between actual and expected experience	-	-	-	-
Changes in assumptions	-	(1,189,492)	-	4,531,204
Changes in benefit terms	-	(269,941)	337,609	1,184,077
Benefit payments, including refunds of employee contributions	<u>(3,247,986)</u>	<u>(3,412,481)</u>	<u>(3,532,833)</u>	<u>(3,877,650)</u>
Net change in total pension liability	3,179,646	1,729,549	3,714,106	9,346,227
Total pension liability - beginning	<u>65,709,332</u>	<u>68,888,978</u>	<u>70,618,527</u>	<u>74,332,633</u>
Total pension liability - ending (a)	<u>\$ 68,888,978</u>	<u>\$ 70,618,527</u>	<u>\$ 74,332,633</u>	<u>\$ 83,678,860</u>
Plan Fiduciary Net Position				
Plan to plan resources	\$ -	\$ -	\$ 394	\$ (1,724)
Contributions - employer	1,465,153	1,603,067	1,948,033	2,329,046
Contributions - employee	787,068	705,875	775,135	829,670
Net investment income	7,962,241	1,164,130	282,173	5,795,462
Administrative expenses	(55,556)	(59,277)	(32,095)	(76,926)
Benefit payments, including refunds of employee contributions	<u>(3,247,986)</u>	<u>(3,412,481)</u>	<u>(3,532,833)</u>	<u>(3,877,650)</u>
Net change in plan fiduciary net position	6,910,920	1,314	(559,193)	4,997,878
Plan fiduciary net position - beginning	<u>45,749,432</u>	<u>52,660,352</u>	<u>52,661,666</u>	<u>52,102,473</u>
Plan fiduciary net position - ending (b)	<u>\$ 52,660,352</u>	<u>\$ 52,661,666</u>	<u>\$ 52,102,473</u>	<u>\$ 57,100,351</u>
 Net pension liability - ending (a)-(b)	 <u>\$ 16,228,626</u>	 <u>\$ 17,956,861</u>	 <u>\$ 22,230,160</u>	 <u>\$ 26,578,509</u>
 Plan fiduciary net position as a percentage of the total pension liability	 76.44%	 74.57%	 70.09%	 68.24%
 Covered payroll	 \$ 8,601,515	 \$ 8,841,088	 \$ 9,754,797	 \$ 10,780,624
 Net pension liability as percentage of covered payroll	 188.67%	 203.11%	 227.89%	 246.54%

Notes to Schedule:

Benefit changes - None

Changes in assumptions - The discount rate decreased from 7.65 percent to 7.15 percent

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 years*
As of June 30, 2018**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially required contribution (actuarially determined)	\$ 1,397,058	\$ 1,603,067	\$ 1,948,033	\$ 2,329,046	\$ 2,394,537
Contributions in relation to the actuarially determined contributions	<u>(1,397,058)</u>	<u>(1,603,067)</u>	<u>(1,948,033)</u>	<u>(2,329,046)</u>	<u>(2,394,537)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,601,515	\$ 8,841,088	\$ 9,754,797	\$ 10,780,624	\$ 11,429,341
Contributions as a percentage of covered payroll	16.24%	18.13%	19.97%	21.60%	20.95%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF THE CITY'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 years*
As of June 30, 2018**

	2015	2016	2017	2018
Proportion of the net pension liability	0.33750%	0.34000%	0.32400%	0.31480%
Proportionate share of the net pension liability	\$ 12,759,288	\$ 14,009,122	\$ 16,778,473	\$ 18,807,385
Covered payroll	\$ 3,916,737	\$ 3,797,547	\$ 4,211,168	\$ 4,428,574
Proportionate share of the net pension liability as percentage of covered payroll	325.76%	368.90%	398.43%	424.68%
Plan fiduciary net position as a percentage of the total pension liability	74.86%	72.97%	69.13%	68.95%

Notes to Schedule:

Change in Benefit Terms - None

Change in Assumptions - The discount rate decreased from 7.65 percent to 7.15 percent

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**CITY OF MADERA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
COST-SHARING EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
LAST 10 years*
As of June 30, 2018**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 1,405,797	\$ 1,388,656	\$ 1,650,502	\$ 1,806,992	\$ 1,942,249
Contributions in relation to the actuarially determined contributions	<u>(1,405,797)</u>	<u>(1,388,656)</u>	<u>(1,650,502)</u>	<u>(1,806,992)</u>	<u>(1,942,249)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$ 3,916,737	 \$ 3,797,547	 \$ 4,211,168	 \$ 4,428,574	 \$ 4,574,668
 Contributions as a percentage of covered payroll	 35.89%	 36.57%	 39.19%	 40.80%	 42.46%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**CITY OF MADERA
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 YEARS***

	2018
Total OPEB Liability	
Service cost	\$ 165,796
Interest on the total OPEB liability	92,870
Benefit payments ⁽¹⁾	(111,633)
Net change in total OPEB liability	147,033
Total OPEB liability - beginning	3,022,471
Total OPEB liability - ending (a)	\$ 3,169,504
Plan Fiduciary Net Position	
Contributions - employer ⁽¹⁾	\$ 111,633
Benefit payments ⁽¹⁾	(111,633)
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	\$ -
Net OPEB liability - ending (a)-(b)	\$ 3,169,504
(1) Amount includes implicit rate subsidy	
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered payroll	\$ 13,352,395
Net OPEB liability as percentage of covered payroll	23.74%

Notes to Schedule:

Benefit changes - None

Changes in assumptions - None

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

**CITY OF MADERA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

Special Revenue Funds

	Business Improvement District	Park Development	Parking District	Federal Aid Urban	Street Construction
ASSETS					
Cash and investments	\$ 4,562	\$ 133,957	\$ 95,398	\$ 239,144	\$ -
Receivables:					
Accounts, net	1,084	-	2,179	49,870	689,520
Notes	-	-	-	-	-
Prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Land held for resale	-	-	-	-	-
Total assets	<u>\$ 5,646</u>	<u>\$ 133,957</u>	<u>\$ 97,577</u>	<u>\$ 289,014</u>	<u>\$ 689,520</u>
LIABILITIES					
Accounts payable	\$ 4,346	\$ -	\$ 1,423	\$ 95	\$ 10,504
Salaries payable	-	-	-	-	-
Due to other funds	-	-	-	-	174,677
Unearned revenue	-	-	-	-	-
Deposit payable	-	-	-	-	-
Total liabilities	<u>4,346</u>	<u>-</u>	<u>1,423</u>	<u>95</u>	<u>185,181</u>
FUND BALANCES (DEFICITS)					
Nonspendable:					
Prepays items	-	-	-	-	-
Restricted:					
Community development	1,300	-	-	-	-
Park development	-	133,957	-	-	-
Parking improvements	-	-	96,154	-	504,339
Public works and transportation	-	-	-	288,919	-
Special assessment project	-	-	-	-	-
Law enforcement	-	-	-	-	-
Total fund balances (deficits)	<u>1,300</u>	<u>133,957</u>	<u>96,154</u>	<u>288,919</u>	<u>504,339</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 5,646</u>	<u>\$ 133,957</u>	<u>\$ 97,577</u>	<u>\$ 289,014</u>	<u>\$ 689,520</u>

**CITY OF MADERA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018
(Continued)**

	Special Revenue Funds				
	Senior Citizens Services	Landscape Assessment	Supplemental Law Enforcement	Intermodal Building	Economic Development
ASSETS					
Cash and investments	\$ -	\$ 415,689	\$ 223,309	\$ 59,415	\$ 458,987
Receivables:					
Accounts, net	-	3,275	-	12,495	-
Notes	-	-	-	-	-
Prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Land held for resale	-	-	-	-	-
Total assets	\$ -	\$ 418,964	\$ 223,309	\$ 71,910	\$ 458,987
LIABILITIES					
Accounts payable	\$ -	\$ 5,754	\$ 12,035	\$ 4,184	\$ (1,201)
Salaries payable	-	-	-	174	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	39,100	-
Deposit payable	-	-	-	-	-
Total liabilities	-	5,754	12,035	43,458	(1,201)
FUND BALANCES (DEFICITS)					
Nonspendable					
Prepays items	-	-	-	-	-
Restricted:					
Community development	-	-	-	-	460,188
Park development	-	-	-	-	-
Parking improvements	-	-	-	-	-
Public works and transportation	-	-	-	28,452	-
Special assessment project	-	413,210	-	-	-
Law enforcement	-	-	211,274	-	-
Total fund balances (deficits)	-	413,210	211,274	28,452	460,188
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ -	\$ 418,964	\$ 223,309	\$ 71,910	\$ 458,987

**CITY OF MADERA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018
(Continued)**

	Special Revenue Funds			Total Nonmajor Special Revenue Funds
	Residential Rehab	Low and Moderate Income Housing Asset	Community Facilities District	
ASSETS				
Cash and investments	\$ 366,917	\$ 1,102,623	\$ 209,256	\$ 3,309,257
Receivables:				
Accounts, net	-	2,580	1,338	762,341
Notes	7,996,577	7,064	-	8,003,641
Prepaid items	-	42	-	42
Due from other funds	-	-	-	-
Land held for resale	-	690,000	-	690,000
Total assets	<u>\$ 8,363,494</u>	<u>\$ 1,802,309</u>	<u>\$ 210,594</u>	<u>\$ 12,765,281</u>
LIABILITIES				
Accounts payable	\$ 1,946	\$ 8,308	\$ 473	\$ 47,867
Salaries payable	-	88	-	262
Due to other funds	-	2,727	-	177,404
Unearned revenue	-	-	115,131	154,231
Deposit payable	-	74	-	74
Total liabilities	<u>1,946</u>	<u>11,197</u>	<u>115,604</u>	<u>379,838</u>
FUND BALANCES (DEFICITS)				
Nonspendable				
Prepays items	-	42	-	42
Restricted:				
Community development	8,361,548	1,791,070	-	10,614,106
Park development	-	-	-	133,957
Parking improvements	-	-	-	600,493
Public works and transportation	-	-	-	317,371
Special assessment project	-	-	94,990	508,200
Law enforcement	-	-	-	211,274
Total fund balances (deficits)	<u>8,361,548</u>	<u>1,791,112</u>	<u>94,990</u>	<u>12,385,443</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 8,363,494</u>	<u>\$ 1,802,309</u>	<u>\$ 210,594</u>	<u>\$ 12,765,281</u>

**CITY OF MADERA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018
(Continued)**

	<u>Debt Service Fund</u>	<u>Total Debt Service Projects Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	Park Facilities		Streets and Roads		
ASSETS					
Cash and investments	\$ -	\$ -	\$ 666,368	\$ 666,368	\$ 3,975,625
Receivables:					
Accounts, net	-	-	-	-	762,341
Notes	-	-	-	-	8,003,641
Prepaid items	-	-	-	-	42
Due from other funds	-	-	-	-	-
Land held for resale	-	-	-	-	690,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>690,000</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 666,368</u>	<u>\$ 666,368</u>	<u>\$ 13,431,649</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 47,867
Salaries payable	-	-	-	-	262
Due to other funds	-	-	-	-	177,404
Unearned revenue	-	-	-	-	154,231
Deposit payable	-	-	-	-	74
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,838</u>
FUND BALANCES (DEFICITS)					
Nonspendable:					
Prepays items	-	-	-	-	42
Restricted:					
Community development	-	-	-	-	10,614,106
Park development	-	-	-	-	133,957
Parking improvements	-	-	-	-	600,493
Public works and transportation	-	-	666,368	666,368	983,739
Special assessment project	-	-	-	-	508,200
Law enforcement	-	-	-	-	211,274
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>211,274</u>
Total fund balances (deficits)	<u>-</u>	<u>-</u>	<u>666,368</u>	<u>666,368</u>	<u>13,051,811</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 666,368</u>	<u>\$ 666,368</u>	<u>\$ 13,431,649</u>

**CITY OF MADERA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds				
	Business Improvement District	Park Development	Parking District	Federal Aid Urban	Street Construction
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	23,033	-	20,848	-	-
Use of money and property	8	-	-	-	-
Fines	(201)	-	10,530	-	-
Intergovernmental	-	54,314	-	176,725	689,520
Charges for current services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>22,840</u>	<u>54,314</u>	<u>31,378</u>	<u>176,725</u>	<u>689,520</u>
EXPENDITURES:					
Current:					
General government	23,115	-	25,214	-	-
Public protection	-	-	-	-	-
Public ways and facilities	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	-	-	-	65,903	200,218
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>23,115</u>	<u>-</u>	<u>25,214</u>	<u>65,903</u>	<u>200,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(275)</u>	<u>54,314</u>	<u>6,164</u>	<u>110,822</u>	<u>489,302</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(7,903)	-	(488,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,903)</u>	<u>-</u>	<u>(488,000)</u>
Net change in fund balances	(275)	54,314	(1,739)	110,822	1,302
Fund balances - beginning (restated)	<u>1,575</u>	<u>79,643</u>	<u>97,893</u>	<u>178,097</u>	<u>503,037</u>
Fund balances - ending	<u>\$ 1,300</u>	<u>\$ 133,957</u>	<u>\$ 96,154</u>	<u>\$ 288,919</u>	<u>\$ 504,339</u>

CITY OF MADERA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	Special Revenue Funds			
	Landscape Assessment	Supplemental Law Enforcement	Intermodal Building	Economic Development
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	364,639	-	-	-
Use of money and property	-	(179)	21,894	445
Fines	-	-	-	-
Intergovernmental	-	176,329	108,358	-
Charges for current services	-	-	12,210	-
Miscellaneous	-	-	-	-
	-	-	-	-
Total revenues	364,639	176,150	142,462	445
EXPENDITURES:				
Current:				
General government	-	-	41,371	-
Public protection	-	90,326	-	-
Public ways and facilities	430,649	-	41,307	-
Community development	-	-	-	1,857
Capital outlay	-	-	58,878	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	-	-	-	-
Total expenditures	430,649	90,326	141,556	1,857
Excess (deficiency) of revenues over (under) expenditures	(66,010)	85,824	906	(1,412)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(162)	-
	-	-	(162)	-
Total other financing sources (uses)	-	-	(162)	-
Net change in fund balances	(66,010)	85,824	744	(1,412)
Fund balances - beginning (restated)	479,220	125,450	27,708	461,600
Fund balances - ending	\$ 413,210	\$ 211,274	\$ 28,452	\$ 460,188

CITY OF MADERA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	Special Revenue Funds			Total Nonmajor Special Revenue Funds
	Residential Rehab	Low and Moderate Income Housing Asset	Community Facilities District	
REVENUES:				
Property taxes	\$ -	\$ -	\$ 358,758	\$ 358,758
Other taxes	-	-	-	408,520
Use of money and property	346	9,950	(8)	32,456
Fines	-	-	-	10,329
Intergovernmental	238,605	-	-	1,443,851
Charges for current services	140,597	-	-	152,807
Miscellaneous	<u>62,302</u>	<u>228,246</u>	<u>-</u>	<u>290,548</u>
Total revenues	<u>441,850</u>	<u>238,196</u>	<u>358,750</u>	<u>2,697,269</u>
EXPENDITURES:				
Current:				
General government	-	-	6,311	96,011
Public protection	-	-	-	90,326
Public ways and facilities	-	-	1,663	473,619
Community development	589,733	69,753	-	661,343
Capital outlay	-	5,113	-	330,112
Debt service:				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>589,733</u>	<u>74,866</u>	<u>7,974</u>	<u>1,651,411</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(147,883)</u>	<u>163,330</u>	<u>350,776</u>	<u>1,045,858</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(527,660)</u>	<u>(1,023,725)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(527,660)</u>	<u>(1,023,725)</u>
Net change in fund balances	(147,883)	163,330	(176,884)	22,133
Fund balances - beginning (restated)	<u>8,509,431</u>	<u>1,627,782</u>	<u>271,874</u>	<u>12,363,310</u>
Fund balances - ending	<u>\$ 8,361,548</u>	<u>\$ 1,791,112</u>	<u>\$ 94,990</u>	<u>\$ 12,385,443</u>

CITY OF MADERA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	Debt Service Fund <u>Park Facilities</u>	Total Debt Service Projects Fund	Capital Projects Fund <u>Streets and Roads</u>	Total Nonmajor Capital Projects Fund	Total Nonmajor Funds
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 358,758
Other taxes	-	-	-	-	408,520
Use of money and property	-	-	-	-	32,456
Fines	-	-	-	-	10,329
Intergovernmental	-	-	-	-	1,443,851
Charges for current services	-	-	-	-	152,807
Miscellaneous	-	-	-	-	290,548
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,697,269</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	96,011
Public protection	-	-	-	-	90,326
Public ways and facilities	-	-	-	-	473,619
Community development	-	-	-	-	661,343
Capital outlay	-	-	15,936	15,936	346,048
Debt service:					
Principal	176,026	176,026	-	-	176,026
Interest	18,231	18,231	-	-	18,231
Total expenditures	<u>194,257</u>	<u>194,257</u>	<u>15,936</u>	<u>15,936</u>	<u>1,861,604</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(194,257)</u>	<u>(194,257)</u>	<u>(15,936)</u>	<u>(15,936)</u>	<u>835,665</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	194,257	194,257	682,304	682,304	876,561
Transfers out	-	-	-	-	(1,023,725)
Total other financing sources (uses)	<u>194,257</u>	<u>194,257</u>	<u>682,304</u>	<u>682,304</u>	<u>(147,164)</u>
Net change in fund balances	-	-	666,368	666,368	688,501
Fund balances - beginning (restated)	-	-	-	-	12,363,310
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 666,368</u>	<u>\$ 666,368</u>	<u>\$ 13,051,811</u>

**CITY OF MADERA
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2018**

	Business-Type Activities			Total Nonmajor Enterprise Funds
	Local Transit Fund	Golf Course Fund	Airport Fund	
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ -	\$ 899,152	\$ 899,152
Accounts receivable, net	821,649	58,588	346,123	1,226,360
Prepaid expenses	877	-	-	877
Total current assets	<u>822,526</u>	<u>58,588</u>	<u>1,245,275</u>	<u>2,126,389</u>
Noncurrent assets:				
Capital assets, not depreciated	1,836,457	146,933	3,204,012	5,187,402
Capital assets, net of accumulated depreciation	1,184,934	1,881,928	8,720,734	11,787,596
Total noncurrent assets	<u>3,021,391</u>	<u>2,028,861</u>	<u>11,924,746</u>	<u>16,974,998</u>
Total assets	<u>3,843,917</u>	<u>2,087,449</u>	<u>13,170,021</u>	<u>19,101,387</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	124,994	-	56,418	181,412
Total deferred outflows of resources	<u>124,994</u>	<u>-</u>	<u>56,418</u>	<u>181,412</u>
LIABILITIES				
Current liabilities:				
Accounts payable	209,002	2,208	29,454	240,664
Salaries payable	6,815	-	2,329	9,144
Accrued interest payable	-	8,754	4,944	13,698
Due to other funds	595,052	402,763	-	997,815
Advances from other funds	-	134,641	-	134,641
Compensated absences, due within one year	21,234	-	7,699	28,933
Long-term debt, due within one year	-	278,400	22,547	300,947
Total current liabilities	<u>832,103</u>	<u>826,766</u>	<u>66,973</u>	<u>1,725,842</u>
Noncurrent liabilities:				
Net pension liability	443,860	-	199,339	643,199
Long-term debt, due in more than one year	-	1,368,100	101,500	1,469,600
Total noncurrent liabilities	<u>443,860</u>	<u>1,368,100</u>	<u>300,839</u>	<u>2,112,799</u>
Total liabilities	<u>1,275,963</u>	<u>2,194,866</u>	<u>367,812</u>	<u>3,838,641</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	1,388	-	676	2,064
Deferred service concession arrangement receipts	-	50,000	-	50,000
Total deferred inflows of resources	<u>1,388</u>	<u>50,000</u>	<u>676</u>	<u>52,064</u>
NET POSITION				
Net investment in capital assets	3,021,391	382,361	11,800,699	15,204,451
Unrestricted	(329,831)	(539,778)	1,057,252	187,643
Total net position	<u>\$ 2,691,560</u>	<u>\$ (157,417)</u>	<u>\$ 12,857,951</u>	<u>\$ 15,392,094</u>

**CITY OF MADERA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities			Total Nonmajor Enterprise Funds
	Local Transit Fund	Golf Course Fund	Airport Fund	
Operating revenues:				
Charges for services	\$ 119,063	\$ 100,469	\$ 560,620	\$ 780,152
Other	448	-	-	448
Total operating revenues	<u>119,511</u>	<u>100,469</u>	<u>560,620</u>	<u>780,600</u>
Operating expenses:				
Salaries and benefits	338,680	-	141,157	479,837
General and administrative	1,082,243	64,083	191,515	1,337,841
Supplies and miscellaneous	504,045	-	146,019	650,064
Parts and supplies	-	35,135	329,664	364,799
Utilities	-	-	37,143	37,143
Depreciation	241,325	-	298,717	540,042
Total operating expenses	<u>2,166,293</u>	<u>99,218</u>	<u>1,144,215</u>	<u>3,409,726</u>
Operating income (loss)	<u>(2,046,782)</u>	<u>1,251</u>	<u>(583,595)</u>	<u>(2,629,126)</u>
Nonoperating revenues (expenses):				
Investment income	2,116	592	651	3,359
Property taxes	-	-	97,053	97,053
Operating grants	1,383,125	-	-	1,383,125
Capital grants	618,289	-	477,412	1,095,701
Interest expense	-	(36,014)	(11,062)	(47,076)
Other nonoperating expense	-	(63,780)	-	(63,780)
Total nonoperating revenues (expenses)	<u>2,003,530</u>	<u>(99,202)</u>	<u>564,054</u>	<u>2,468,382</u>
Income (loss) before capital contributions and transfers	<u>(43,252)</u>	<u>(97,951)</u>	<u>(19,541)</u>	<u>(160,744)</u>
Capital contributions	143,171	-	-	143,171
Transfers in	-	247,083	-	247,083
Transfers out	(61,338)	-	(3,294)	(64,632)
Change in net position	38,581	149,132	(22,835)	164,878
Net position - beginning (restated)	<u>2,652,979</u>	<u>(306,549)</u>	<u>12,880,786</u>	<u>15,227,216</u>
Net position - ending	<u>\$ 2,691,560</u>	<u>\$ (157,417)</u>	<u>\$ 12,857,951</u>	<u>\$ 15,392,094</u>

CITY OF MADERA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	Business-Type Activities			Total Nonmajor Enterprise Funds
	Local Transit Fund	Golf Course Fund	Airport Fund	
Cash flows from operating activities:				
Receipts from customers and users	\$ 119,063	\$ 100,693	\$ 298,475	\$ 518,231
Payments to suppliers	(1,553,536)	(101,009)	(761,512)	(2,416,057)
Payments to employees	(275,264)	-	(155,405)	(430,669)
Receipts from other operating activities	448	-	-	448
Net cash provided (used) by operating activities	<u>(1,709,289)</u>	<u>(316)</u>	<u>(618,442)</u>	<u>(2,328,047)</u>
Cash flows from noncapital financing activities:				
Transfers from (to) other funds	(61,338)	247,083	(3,294)	182,451
Loans from (to) other funds	289,830	66,534	-	356,364
Property taxes	-	-	97,053	97,053
Operating grants	1,096,400	-	-	1,096,400
Other nonoperating revenues	-	(63,780)	-	(63,780)
Net cash provided (used) by noncapital financing activities	<u>1,324,892</u>	<u>249,837</u>	<u>93,759</u>	<u>1,668,488</u>
Cash flows from capital and related financing activities:				
Capital grants	618,289	-	477,412	1,095,701
Acquisition and construction of capital assets	(239,531)	-	(5,001)	(244,532)
Proceeds from issuance of bonds	-	1,657,100	-	1,657,100
Principal paid on long-term debt	-	(2,185,600)	(21,518)	(2,207,118)
Interest paid	-	(30,293)	(11,920)	(42,213)
Net cash provided (used) by capital and related financing activities	<u>378,758</u>	<u>(558,793)</u>	<u>438,973</u>	<u>258,938</u>
Cash flows from investing activities:				
Investment income	2,116	592	651	3,359
Net cash provided (used) by investing activities	<u>2,116</u>	<u>592</u>	<u>651</u>	<u>3,359</u>
Net increase (decrease) in cash and cash equivalents	(3,523)	(308,680)	(85,059)	(397,262)
Cash and cash equivalents - beginning	<u>3,523</u>	<u>308,680</u>	<u>984,211</u>	<u>1,296,414</u>
Cash and cash equivalents - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 899,152</u>	<u>\$ 899,152</u>

**CITY OF MADERA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities			Total Nonmajor Enterprise Funds
	Local Transit Fund	Golf Course Fund	Airport Fund	
Reconciliation of operating income (loss) to cash provided (used) by operating activities:				
Operating income (loss)	\$ (2,046,782)	\$ 1,251	\$ (583,595)	\$ (2,629,126)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	241,325	-	298,717	540,042
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) decrease in accounts receivable	-	40,224	(262,145)	(221,921)
(Increase) decrease in prepaid expense	(877)	-	-	(877)
(Increase) decrease in deferred outflows of resources from pensions	(37,613)	-	(3,480)	(41,093)
Increase (decrease) in accounts payable	33,629	(1,791)	(57,171)	(25,333)
Increase (decrease) in salaries payable	224	-	(1,837)	(1,613)
Increase (decrease) in net pension liability	107,124	-	(4,664)	102,460
Increase (decrease) in compensated absences	616	-	(889)	(273)
Increase (decrease) in deferred inflows of resources from pensions	(6,935)	-	(3,378)	(10,313)
Increase (decrease) in service concession arrangement	-	(40,000)	-	(40,000)
Net cash provided (used) by operating activities	<u>\$ (1,709,289)</u>	<u>\$ (316)</u>	<u>\$ (618,442)</u>	<u>\$ (2,328,047)</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments - unrestricted	\$ -	\$ -	\$ 899,152	\$ 899,152
Total cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 899,152</u>	<u>\$ 899,152</u>
Noncash investing, capital, and financing activities:				
Developer and other capital contributions	<u>\$ 143,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,171</u>

**CITY OF MADERA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>Payroll Tax/Withholding Trust</u>				
ASSETS				
Cash and investments	\$ 346,808	\$ 29,060,041	\$ 29,523,447	\$ (116,598)
Accounts receivable, net	26	1,242	221	1,047
Prepaid items	-	252,315	-	252,315
Total assets	\$ 346,834	\$ 29,313,598	\$ 29,523,668	\$ 136,764
LIABILITIES				
Accounts payable	\$ 51,914	\$ 7,631,970	\$ 7,661,956	\$ 21,928
Accrued liabilities	294,920	79,488,932	79,669,016	114,836
Total liabilities	\$ 346,834	\$ 87,120,902	\$ 87,330,972	\$ 136,764
<u>General Trust Fund</u>				
ASSETS				
Cash and investments	\$ 817,581	\$ 468,007	\$ 251,893	\$ 1,033,695
Total assets	\$ 817,581	\$ 468,007	\$ 251,893	\$ 1,033,695
LIABILITIES				
Accounts payable	\$ (19,149)	\$ 306,251	\$ 281,691	\$ 5,411
Deposit payable	12,048	25,940	22,990	14,998
Due to other governments	824,682	697,324	508,719	1,013,287
Total liabilities	\$ 817,581	\$ 1,029,515	\$ 813,400	\$ 1,033,696
<u>Community Facilities Districts</u>				
ASSETS				
Cash and investments	\$ 308,539	\$ 382,517	\$ 369,104	\$ 321,952
Accounts receivable, net	1,688	1,845	2,265	1,268
Restricted cash and investments with fiscal agents	261,744	5,634,285	5,848,643	47,386
Prepaid items	-	825	-	825
Total assets	\$ 571,971	\$ 6,019,472	\$ 6,220,012	\$ 371,431
LIABILITIES				
Accounts payable	\$ 35	\$ 11,102	\$ 10,799	\$ 338
Due to bondholders	571,936	3,657,646	3,858,490	371,092
Total liabilities	\$ 571,971	\$ 3,668,748	\$ 3,869,289	\$ 371,430

CITY OF MADERA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>Total - All Agency Funds</u>				
ASSETS				
Cash and investments	\$ 1,472,928	\$ 29,910,565	\$ 30,144,444	\$ 1,239,049
Accounts receivable, net	1,714	3,087	2,486	2,315
Prepaid items	-	253,140	-	253,140
Restricted cash and investments with fiscal agents	<u>261,744</u>	<u>5,634,285</u>	<u>5,848,643</u>	<u>47,386</u>
 Total assets	 <u>\$ 1,736,386</u>	 <u>\$ 35,801,077</u>	 <u>\$ 35,995,573</u>	 <u>\$ 1,541,890</u>
LIABILITIES				
Accounts payable	\$ 32,800	\$ 7,949,323	\$ 7,954,446	\$ 27,677
Accrued liabilities	294,920	79,488,932	79,669,016	114,836
Deposit payable	12,048	25,940	22,990	14,998
Due to other governments	824,682	697,324	508,719	1,013,287
Due to bondholders	<u>571,936</u>	<u>3,657,646</u>	<u>3,858,490</u>	<u>371,092</u>
 Total liabilities	 <u>\$ 1,736,386</u>	 <u>\$ 91,819,165</u>	 <u>\$ 92,013,661</u>	 <u>\$ 1,541,890</u>