AGENDA
CITY COUNCIL/ SUCCESSOR
AGENCY TO THE FOUNTAIN
VALLEY AGENCY
FOR COMMUNITY DEVELOPMENT/
FOUNTAIN VALLEY HOUSING AUTHORITY
Closed Session 5:15 p.m.
Regular Meeting 6:00 p.m.
Tuesday, January 21, 2020
Council Chambers
10200 Slater Avenue
Fountain Valley, CA 92708
http://www.fountainvalley.org

MEETING ASSISTANCE: In compliance with the Americans with Disabilities Act, anyone needing special assistance to participate in a meeting of the government bodies listed herein should contact the City Clerk’s Office at (714) 593-4445. Notification 72 hours prior to the meeting allows the City to make reasonable arrangements to ensure accessibility to the meeting.

AGENDA COMMUNICATIONS: All revised or additional documents and writings related to an item on this agenda provided to all or a majority of the government body members after distribution of the agenda packet, are available for public inspection (1) in the City Clerk’s Office at 10200 Slater Avenue, Fountain Valley, CA 92708 during normal business hours; and (2) in the Council Chambers at the time of the meeting. Unless directed otherwise by a government body listed herein all actions shall be based on/memorialized by the latest document submitted as a late communication.

PUBLIC COMMENTS/PUBLIC HEARINGS: Persons wishing to address the City Council or other government body listed complete a speaker card and give it to the City Clerk prior to the public comment period. Requests to speak will not be accepted after the public comment session begins without permission of the Mayor/Chair. Speakers must limit remarks to a total of (3) three minutes and address the City Council through the Mayor. Comments to individuals or staff are not permitted. Scheduled Matters, including Public Hearings: Indicate on the card what item you want to address. Unscheduled Matters: Indicate on the card what subject matter you want to address. Comments must be related to issues that are within the jurisdiction of the governing body listed on the agenda. Pursuant to the Brown Act, the governing body may not enter into discussion regarding items not on the agenda.

CONSENT CALENDAR: All matters listed under the Consent Calendar are considered by the governing bodies listed herein to be routine and will be enacted on simultaneously with one motion without discussion unless separate action and/or discussion is requested by a governing body member, staff, or a member of the public.

PUBLIC HEARINGS: Persons wishing to speak in favor of or in opposition to a proposal are given an opportunity to do so during the public hearing. Those wishing to address a governing body during the hearing are requested to complete the speaker card and submit it to the City Clerk prior to the hearing. If a proposed action is challenged in court, there may be a limitation to
raising only those issues raised during the hearing or in written correspondence received by the
governing body at or before the hearing.

**Note:** The Fountain Valley City Council serves as the Successor Agency to the Fountain Valley
Agency for Community Development (Successor Agency), the Fountain Valley
Housing Authority, and the Fountain Valley Finance Authority. The Actions of the
Successor Agency are separate and apart from the actions of the City Council.

**CLOSED SESSION**

**CALL TO ORDER**

5:15 p.m.

**PUBLIC COMMENTS**

(Closed Session matters only)

Persons wishing to speak on a Closed Session matter are requested to identify themselves by
completing a blue speaker card indicating the item they want to address and to give the card to the
City Clerk prior to the public comment period.

1. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION
   Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9: (1 potential
case)

2. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION Significant exposure to
   litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9: (1 potential case) SoCal
   Gas has threatened to sue the City regarding encroachment fees.

3. CONFERENCE WITH LABOR NEGOTIATORS Pursuant to Government Code §54957.6.
   Agency Designated Representatives: City Manager, Rob Houston, Finance Director, Jason Al-
   Imam, Human Resources Director, Chelsea Phebus
   Employee Organizations: Police Officers’ Association (POA), Police Officers’ Management Unit
   (POMU), Fire Association (FVFA), Fountain Valley Municipal Employees Association (Field
   Services unit), Fountain Valley General Employees Association (FVG EA) and Fountain Valley
   Professional and Technical Employees (P&T)

**OPEN SESSION**

**CALL TO ORDER**

6:00 p.m.

**INVOCATION**

Pastor Kene Panas

**SALUTE TO THE FLAG**

Mayor Cheryl Brothers

**CITY COUNCIL/SUCCESSOR AGENCY/HOUSING AUTHORITY/ ROLL CALL**

Council Members: Constantine, Harper, Nagel, Mayor Pro Tem/Vice Chair Vo, Mayor/Chair Brothers

**ANNOUNCEMENT OF SUPPLEMENTAL COMMUNICATIONS**
PRESENTATIONS

- Update on Medical Incident that took place during Christmas Tree lighting presented by Rob Frizzelle, Community Services Director, Ron Cookston, Fire Chief and Matt Sheppard, Police Chief

PUBLIC COMMENTS (Scheduled Matters Only)

Persons wishing to speak on Agenda item(s) are requested to identify themselves by completing a blue speaker card indicating the item they want to address and to give the card to the City Clerk prior to the public comment period. Each person will be given up to 3 minutes to speak on the entire Consent Calendar, 3 minutes to speak on each item pulled from the consent calendar, and 3 minutes to speak on any agendized item(s) not appearing on the Consent Calendar.

CONSENT CALENDAR

Consent Calendar 4 – 9 Items will be approved simultaneously with one motion, unless separate action/or discussion is requested.

4. Draft Minutes of the December 17, 2019 Regular City Council Meeting Page 6

   Recommended Action: Receive and File

   a. Draft Minutes

5. Fiscal Year 2018/19 Audit Reports Page 14

   Recommended Action: Receive and File

   a. Staff Report
   b. Attachment 1 – CAFR
   c. Attachment 2 – HH Report
   d. Attachment 3 – Internal Control
   e. Attachment 4 – Appropriation Limit
   f. Attachment 5 – Audit Comm. Ltr

6. (1) Second Reading of an Ordinance Revising Chapter 14.12 of the Fountain Valley Municipal Code, which modifies the City’s Policy on Discontinuation of Residential Water Service for Nonpayment; and (2) Adoption of the Policy on Residential Water Service Page 183

   Recommended Action: Approve

   a. Staff Report
   b. Attachment 1 – Ordinance
   c. Attachment 2 – Tracked Changes
   d. Attachment 3 – Res. Water Policy
7. Adoption of the City of Fountain Valley Six Month Strategic Objectives for 11-19-2019 through 4-15-2020 Page 213

Recommended Action: Approve for Adoption

a. Staff Report
b. Strategic Plan Grid

8. Authorization to Renew Contract 11-09 with CARE Ambulance, Inc. for One Year or Until the Commencement of an Updated Contract or Further Agreement, Whichever Comes First Page 220

Recommended Action: Approve

a. Staff Report
b. Contract
c. Insurance Documents

9. 1) Waive the Bidding Requirements Pursuant to FVMC 2.36.070 and Award a Contract to Charles Abbott Associates, Inc. for Continued Public Works Project Management Services in an Amount Not to Exceed $230,000; and 2) Amend the 2019/20 Budget in the Amount of $180,000 Page 228

Recommended Action: Approve

a. Staff Report
b. Attachment 1 – Agreement

PUBLIC HEARINGS
Each person will have up to 3 minutes to speak on each Public Hearing.


Recommended Action: Approve

a. Staff Report
b. Attachment 1
c. Attachment 2
d. Attachment 3
e. Attachment 4

ADMINISTRATIVE ITEMS

11. Authorization of Distribution of a Proposition 218 Notification Regarding a Proposed Residential Trash Collection Rate Increase Report by Loriana Hornik, Environmental Services Manager Page 274
Recommended Action: Approve

a. Staff Report
b. Draft Proposition 218 Notice
c. Letter from Republic Services

12. Opposition to the Modified Regional Housing Needs Assessment Approved by the SCAG Regional Council on November 7, 2019, and by the State Department of Housing and Community Development on January 13, 2020. Report by Brian James, Planning / Building Director Page 280

Recommended Action: Approve

a. Staff Report
b. Resolution
c. Letter to California Department of Housing and Community Development

COUNCIL MEMBER ITEMS FOR FUTURE CONSIDERATION

CITY COUNCIL/ SUCCESSOR AGENCY/ HOUSING AUTHORITY/ PUBLIC COMMENTS
(Unscheduled Matters Only)

Persons wishing to speak on an unscheduled matter are requested to identify themselves by completing a blue speaker and to give the card to the City Clerk. Each person will have up to 3 minutes to speak. The City Clerk will call upon those that wish to speak.

APPOINTMENTS

13. Mayoral Appointments of Council Members and Staff to Outside Committees

CITY COUNCIL/SUCCESSOR AGENCY/HOUSING AUTHORITY AB 1234/GENERAL COMMENTS

ADJOURN THE MEETING OF THE CITY COUNCIL/SUCCESSOR AGENCY/HOUSING AUTHORITY

The next Regular Meeting of the Fountain Valley City Council is February 4, 2020 at 6:00 p.m., in the Fountain Valley Council Chambers, 10200 Slater Avenue, Fountain Valley.
STUDY SESSION

CALL TO ORDER

5:00 p.m.

PUBLIC COMMENTS  (Study Session matters only)

1. Presentation on Recreation Center Interior Improvements presented by Temo Galvez

Deputy Public Works Director Temo Galvez, City Manager Rob Houston and Architect of the project David Goodale presented the updated concepts for the Recreation Center building improvements.

CLOSED SESSION

CALL TO ORDER

5:30 p.m.

PUBLIC COMMENTS  (Closed Session matters only)

2. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of Section 54956.9: (2 potential cases) 1. Orange County Sanitation District Headquarters Expansion and Receipt of a claim for refund of water fees).

In regards to item one of the item the city council took no reportable action. In regards to item 2 of this item, the city council voted 4-0, with Council Member Nagel being absent, to deny the claim.

3. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9: (1 potential cases)

By a vote of 4-0, with councilmember Nagel being absent, the city council approved initiation of litigation on the referenced case.
OPEN SESSION

CALL TO ORDER 6:05 p.m.

INVOCATION Council Member Patrick Harper

SALUTE TO THE FLAG Mayor Pro Tem Michael Vo

CITY COUNCIL/SUCCESSOR AGENCY/HOUSING AUTHORITY/ ROLL CALL

Council Members Present: Constantine, Harper, Mayor Pro Tem/Vice Chair Vo, Mayor/Chair Brothers
Council Members Absent: Nagel

ANNOUNCEMENT OF SUPPLEMENTAL COMMUNICATIONS

None

PRESENTATIONS

- Recognition of Public Works Director Mark Lewis by The American Public Works Association (APWA) Southern California Chapter as Top Leader-Public Sector for 2019

  Chapter President Pat Summerville recognized Mark Lewis for his contributions to the city and being named as the Top Leader – Public Sector for 2019.

- Recognition of Public Works Director Mark Lewis by Orange County Water District

  John Kennedy of OCWD recognized Mark Lewis for his contributions to the city over his 34 year career.

- Recognition of Public Works Director Mark Lewis by Municipal Water District of Orange County

  Bob McVicker of MWDOC recognized Mark Lewis for his contributions to the city over his 34 year career.

- Recognition of Public Works Director Mark Lewis by Orange County Sanitation District

  Carl Sachel of OCSD recognized Mark Lewis for his contributions to the city over his 34 year career.

- Recognition of Public Works Director Mark Lewis by Orange County Transportation District

  Kurt Brodkey of OCTA recognized Mark Lewis for his contributions to the city over his 34 year career.

- Presentation of a Proclamation to Public Works Director Mark Lewis in recognition of his service to the City of Fountain Valley
Mayor Cheryl Brothers recognized Mark Lewis for his contributions to the city and thanked him for being a valued part of the City of Fountain Valley over the past 34 years.

PUBLIC COMMENTS (Scheduled Matters Only)

None

READING ORDINANCES

4. Waive the reading in full of all ordinances under consideration and direct the Mayor to read by titles only.

ACTION: Move to approve waiving the reading in full of all ordinances under consideration and direct the Mayor to read by titles only

MOTION: Vo SECOND: Constantine

AYES: Constantine, Harper, Vo, Brothers
NOES: None
ABSENT: Nagel
ABSTAIN: None

PUBLIC HEARINGS

5. (Council) Introduction and First Reading of an Ordinance Revising Chapter 14.12 of the Fountain Valley Municipal Code, which modifies the City’s Policy on Discontinuation of Residential Water Service for Nonpayment

Public Hearing opened at 6:50 p.m.

There were no public comments

Public Hearing Closed at 6:51 p.m.

ACTION: Move to approve the introduction and First Reading of an Ordinance Revising Chapter 14.12 of the Fountain Valley Municipal Code, which modifies the City’s Policy on Discontinuation of Residential Water Service for Nonpayment

MOTION: Vo SECOND: Harper

AYES: Constantine, Harper, Vo, Brothers
NOES: None
ABSENT: Nagel
ABSTAIN: None
6.  (Council) 1. Amend the FY 19-20 General Fund Budget in the amount of $156,537.37; and  
   2. Rejection of the low bid as non-responsive; and  
   3. Determination that Astra Builders is not a responsible bidder; and,  
   4. Acceptance of remaining bids and award a Construction Contract to Corner Keystone  
      Construction Corporation in the amount of $347,770.37 for the Pre-Fabricated Metal Building  
      Addition at Fire Station No. 2, Project No. GF790  

   Public Hearing opened at 7:01 p.m.  

   There were no public comments  

   Public Hearing Closed at 7:02 p.m.  

   ACTION: Move to approve the following actions:  
      1. Amend the FY 19-20 General Fund Budget in the amount of $156,537.37; and  
      2. Rejection of the low bid as non-responsive; and  
      3. Determination that Astra Builders is not a responsible bidder; and,  
      4. Acceptance of remaining bids and award a Construction Contract to Corner Keystone  
         Construction Corporation in the amount of $347,770.37 for the Pre-Fabricated Metal Building  
         Addition at Fire Station No. 2, Project No. GF790  

   MOTION: Vo  SECOND: Harper  

   AYES: Constantine, Harper, Vo, Brothers  
   NOES: None  
   ABSENT: Nagel  
   ABSTAIN: None  

   CONSENT CALENDAR  
   Consent Calendar Items 7 – 11 will be approved simultaneously with one motion, unless  
   separate action/or discussion is requested.  

   7.  (Council/Successor Agency/Housing Authority) Receive and File the Draft Minutes of the  
       December 3, 2019 Regular City Council Meeting  

   ACTION: Move to Receive and File the Draft Minutes of the December 3, 2019 Regular City  
            Council Meeting  

   MOTION: Vo  SECOND: Harper  

   AYES: Constantine, Harper, Vo, Brothers  
   NOES: None  
   ABSENT: Nagel  
   ABSTAIN: None
8. (Council) Request to Approve Destruction of Police Department Records

ACTION: Move to Approve Destruction of Police Department Records

MOTION: Vo  SECOND: Harper

AYES: Constantine, Harper, Vo, Brothers
NOES: None
ABSENT: Nagel
ABSTAIN: None

9. (Council) Approve an Agreement with CSG Consultants, Inc. for Fire Plan Check Services through December 31, 2022

ACTION: Move to Approve an Agreement with CSG Consultants, Inc. for Fire Plan Check Services through December 31, 2022

MOTION: Vo  SECOND: Harper

AYES: Constantine, Harper, Vo, Brothers
NOES: None
ABSENT: Nagel
ABSTAIN: None


ACTION: Move to Approve the Recognized Obligation Payment Schedule for the 20-21 A-B Fiscal Period of July 1, 2020 to June 30, 2021 ("ROPS 20-21 A-B") and Administrative Budget for Fiscal Year 20-21

MOTION: Vo  SECOND: Harper

AYES: Constantine, Harper, Vo, Brothers
NOES: None
ABSENT: Nagel
ABSTAIN: None

11. (Council) Approval of the Housing Successor Agency Annual Report

ACTION: Move to Approve the Housing Successor Agency Annual Report

MOTION: Vo  SECOND: Harper

AYES: Constantine, Harper, Vo, Brothers
NOES: None
ABSENT: Nagel
12. (Council) Approval of Amendment No. 1 to Memorandum of Understanding (MOU) No. C-6-0834 between Cities of Costa Mesa, Fountain Valley and Huntington Beach and the Orange County Transportation Authority (OCTA) Regarding Agency Responsibilities for Implementing the Consensus Recommendation for the Garfield/Gisler Bridge Crossing Over the Santa Ana River

ACTION: Move to Approve Amendment No. 1 to Memorandum of Understanding (MOU) No. C-6-0834 between Cities of Costa Mesa, Fountain Valley and Huntington Beach and the Orange County Transportation Authority (OCTA) Regarding Agency Responsibilities for Implementing the Consensus Recommendation for the Garfield/Gisler Bridge Crossing Over the Santa Ana River

MOTION: Vo  SECOND: Harper

AYES: Constantine, Harper, Vo, Brothers
NOES: None
ABSENT: Nagel
ABSTAIN: None

13. (Council) Facility Lease Amendment Between the Boys and Girls Clubs of Huntington Valley and the City of Fountain Valley; 1. Approval of Amendment #9 to the Lease Agreement for the use of the Former Community Services Building; 2. Approval of Amendment #3 to the Lease Agreement for the Building Located at 17565 Los Alamos Street.

ACTION: Move to Approve a Facility Lease Amendment Between the Boys and Girls Clubs of Huntington Valley and the City of Fountain Valley; 1. Approval of Amendment #9 to the Lease Agreement for the use of the Former Community Services Building; 2. Approval of Amendment #3 to the Lease Agreement for the Building Located at 17565 Los Alamos Street.

MOTION: Vo  SECOND: Harper

AYES: Constantine, Harper, Vo, Brothers
NOES: None
ABSENT: Nagel
ABSTAIN: None

14. (Council) Approval of a Master License Agreement with New Cingular Wireless PCS, LLC

ACTION: Move to Approve a Master License Agreement with New Cingular Wireless PCS, LLC

MOTION: Vo  SECOND: Harper

AYES: Constantine, Harper, Vo, Brothers
NOES: None
ABSENT: Nagel
ABSTAIN: None
15. (Council) Approval of a Three Year Agreement with MDKT Inc. for Concession Operations at the Fountain Valley Sports Park

ACTION: Move to Approve a Three Year Agreement with MDKT Inc. for Concession Operations at the Fountain Valley Sports Park

MOTION: Vo  SECOND: Harper

AYES: Constantine, Harper, Vo, Brothers
NOES: None
ABSENT: Nagel
ABSTAIN: None

COUNCIL MEMBER ITEMS FOR FUTURE CONSIDERATION

Mayor Brothers requested that the Public Works Department work on tree identification throughout the city, and to begin at the sports park. The item was seconded by Mayor Pro Tem Vo.

CITY COUNCIL/ SUCCESSOR AGENCY/ HOUSING AUTHORITY/ PUBLIC COMMENTS
(Unscheduled Matters Only)

There were no Public Comments

APPOINTMENTS

16. Mayoral Appointments of Council Members and Staff to Outside Committees

This item was continued to the January 21, 2020 City Council Meeting.

CITY COUNCIL/SUCCESSOR AGENCY/HOUSING AUTHORITY AB 1234/GENERAL COMMENTS

Council Member Constantine

December 4  Attended the Annual MHET Holiday Luncheon
December 5  Attended the CA Apartment Association Annual Holiday Breakfast and Economic Outlook
December 6  Attended the 9th Annual Caterina’s Club Pastathon for Bruno Serato’s charity
December 7  Attended the Annual Tree Lighting at the Sports Park
December 11  Attended the Annual Employee Recognition and Holiday Luncheon
December 12  Attended the Annual Holiday Luncheon at the Senior Center
December 16  Attended the Annual Fire Department Christmas Luncheon
December 17  Attended the Chamber Board Installation and Holiday Luncheon

Council Member Harper

December 5  Attended the SCAG event in Los Angeles with Council Member Nagel
December 11  Attended the Annual Employee Recognition and Holiday Luncheon
December 14  Attended the Christmas in the Gazebo event

December 16  Attended the Annual Fire Department Christmas Luncheon

**Mayor Pro Tem Vo**

December 11  Attended the Annual Employee Recognition and Holiday Luncheon

December 17  Attended the Chamber Board Installation and Holiday Luncheon

**Mayor Brothers**

December 4  Attended the Annual MHET Holiday Luncheon

December 5  Attended the CA Apartment Association event, the MVCDOC Building Commission and met with the developers of the property next to Palm Island regarding the block wall

December 6  Attended the Met Water District Tour

December 7  Attended the Tree Lighting ceremony in the sports park

December 8  Attended the Rotary Holiday Party

December 9  Attended the Recreation Center kitchen remodel review and an event held by the gas company

December 11  Attended the Annual Employee Recognition and Holiday Luncheon

December 12  Attended the Annual Holiday Luncheon at the Senior Center and the ACCOC / OCBC / OCAR Holiday receptions

December 13  Attended the CaLAFCO Board Meeting in Sacramento

December 14  Attended the Christmas in the Gazebo event

December 16  Attended the Annual Fire Department Christmas Luncheon

December 17  Attended the Rotary Most Improved Student event and the Chamber Board Installation and Holiday Lunch

**ADJOURN THE MEETING OF THE CITY COUNCIL/SUCCESSOR AGENCY/HOUSING AUTHORITY**

Mayor Brothers adjourned the meeting at 7:35 pm to the next Regular Meeting of the Fountain Valley City Council on January 21, 2020 at 6:00 p.m., in the Fountain Valley Council Chambers, 10200 Slater Avenue, Fountain Valley.

Cheryl Brothers, Mayor

Attest:

Rick Miller, City Clerk
EXECUTIVE SUMMARY:

Each year an independent audit of the City is conducted in conformity with generally accepted auditing standards (GAAS). Those standards require that an independent Certified Public Accountant plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The auditor also expresses an opinion on the fairness of the presentation of the financial position and the results of operations of the government's basic financial statements in conformity with generally accepted accounting principles (GAAP). The financial statement audit for the 2018/19 fiscal year has been completed by Davis Farr LLP, which reflects an "unmodified", or clean, opinion that the City's financial statements for the fiscal year are presented fairly.

DISCUSSION:

The City’s financial statements reflects the results of the budgetary process and the strategic decisions made and implemented during the fiscal year. Total General Fund revenues (including transfers in and proceeds from the sale of capital assets) amounted to approximately $66 million, which includes $13.3 million associated with Measure HH revenue from the one-percent transactions and use (i.e. “sales”) tax. In accordance with the Responsible Spending Pledge, $1.2 million was used to fund essential city services such as public safety and senior and youth programs. $680,451 was used to fund capital improvements including residential road rehabilitation and park improvements to Harper Park and Allan Park. An additional payment of $2 million was made to CalPERS consistent with the City’s 20-Year Financial Plan where the goal is to payoff all debt by 2037 when Measure HH sunsets. The balance of Measure HH revenue in the amount of $9.4 million (71% of Measure HH revenue) was set-aside for reserves.

The scope of work performed by the independent auditors also included an examination of Measure HH revenues and expenditures and an opinion on compliance with the Appropriations (Gann) Limit. The independent audit is usually part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The City of Fountain Valley was not required, this year, to have an annual Single Audit.

The auditors issued a Report on Internal Control Over Financial Reporting, Compliance and Other Matters ("Report on Internal Control"), which outlines the auditors consideration of internal control in connection with planning and performing the audit. The auditor’s Report on Internal Control indicates that no deficiencies in internal control were identified that were
considered material weaknesses or significant deficiencies in internal control. However, the auditors have recommended a change in the City’s procurement procedures related to Uniform Cost Accounting, which will enhance the City’s internal controls. City staff agrees with the auditor’s recommendation and has taken steps to incorporate the recommended changes.

Jennifer Farr, an audit partner from Davis Farr LLP, will meet with the Measure HH Advisory Oversight Committee on January 23, 2020 to discuss the results of the Measure HH audit. Thereafter, the Oversight Committee will provide a report to the City Council on its review of the audit of Measure HH revenues and expenditures.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This was the fourth year that the City received this prestigious award, which is the highest form of recognition in the area of governmental accounting and financial reporting. The award is valid for a period of one year only. Staff believes the current CAFR for the fiscal year ended June 30, 2019 continues to meet the award program’s requirements and was submitted again to the GFOA upon completion of the audit.

**FINANCIAL ANALYSIS**

There is no direct cost to the City associated with receiving and filing the annual reports.

**ALTERNATIVES**

**Alternative No.1:** Receive and file the following reports issued in connection with the audit for the fiscal year 2018/19:
- Comprehensive Annual Financial Report
- Report on Measure HH Revenues and Expenditures
- Report on Internal Control Over Financial Reporting, Compliance and Other Matters
- Report on Appropriations Limit Calculation
- Audit Communication Letter

**Alternative No. 2:** There are no viable alternatives.

**RECOMMENDATION**

Staff recommends Alternative No. 1.

Prepared By: Jason Al-Imam, Finance Director/Treasurer

Approved By: Rob Houston, City Manager

Attachments:
1. Comprehensive Annual Financial Report
2. Report on Measure HH Revenues and Expenditures
4. Report on Appropriations Limit Calculation
5. Audit Communication Letter
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FISCAL YEAR ENDED
JUNE 30, 2019

PREPARED BY THE FINANCE DEPARTMENT

JASON AL-IMAM, DIRECTOR OF FINANCE/CITY TREASURER
AND
TERESA GONZALEZ, ACCOUNTING MANAGER
# CITY OF FOUNTAIN VALLEY
### Comprehensive Annual Financial Report
#### Year Ended June 30, 2019

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December 18, 2019

Honorable Mayor,
Members of the City Council,
and Citizens of the City of Fountain Valley

Transmitted Through the City Manager:

The Comprehensive Annual Financial Report (CAFR) of the City of Fountain Valley for the fiscal year ended June 30, 2019, is hereby submitted. These statements have been prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants. The report was prepared in accordance with the guidelines set forth by the Governmental Accounting Standards Board (GASB).

REPORT PURPOSE AND ORGANIZATION

Purpose and Management Responsibility - The report consists of management’s representation concerning the finances of the City of Fountain Valley. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with the Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City’s framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

As management, we assert that, to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City of Fountain Valley. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

Audited Financial Statements - The City of Fountain Valley’s financial statements have been audited by Davis Farr LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City’s financial statements for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Fountain Valley’s financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.
**Single Audit** – The independent audit of the financial statements of the City of Fountain Valley is usually a part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The City of Fountain Valley is not required, this year, to have an annual single audit.

**Transmittal Letter** - GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the Independent Auditors Report.

**Reporting Entities** - the reporting entities (the City of Fountain Valley) financial statements includes all funds and account groups of the primary government (i.e. the City of Fountain Valley, as legally defined) as well as all its component units. Component units are legally separate entities for which the primary government is financially accountable.

The City’s component units are the Fountain Valley Public Financing Authority and the Fountain Valley Housing Authority. Since the City Council serves as the governing board for these component units, although legally separate entities are, in substance, part of the primary government’s operations. According, the component unit’s financial activities have been included in the appropriate combining schedules.

Under ABX1 26 that was approved by the legislature on June 28, 2011, all redevelopment agencies were eliminated effective February 1, 2012, and the Successor Agency was constituted. The City of Fountain Valley became the Successor Agency to the former Community Redevelopment Agency. The Successor Agency’s assets and liabilities are reported under the City’s Trust/Agency funds.

**PROFILE OF THE CITY OF FOUNTAIN VALLEY**

**Governmental Profile** - The City of Fountain Valley, incorporated June 13, 1957, has an estimated population of 55,814 and has a land area of 9.75 square miles. It is located in the northern tip of Orange County, California and is bordered by the cities of Santa Ana, Costa Mesa, Huntington Beach, and Westminster. The City is roughly 30 miles southeast of Los Angeles and 90 miles northwest of San Diego. One of the greatest features of the City is Mile Square Park with its three golf courses; large passive park area, Boys and Girls Club, and City run Recreation Center and Sports Park.

The City has operated under a council-manager form of government since incorporation. Policy making and legislative authority are vested in the City Council, which is comprised of five members elected at large, on a non-partisan basis, for staggered four-year terms of office. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing members to commissions and committees, and hiring the City Manager and Attorney for the City. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City and appointing the City’s department heads. Commissions and Advisory Committees play an integral role in the governmental structure of Fountain Valley and provide opportunities for citizens to participate in community affairs.

As a full-service City, Fountain Valley offers its residents a complete range of municipal services that include; Public Safety in the form of Police, Fire protection, and Building & Safety; environmental services such as a water delivery system, sewer and storm drain maintenance; park and median landscaping; and repairs of streets and sidewalks; development services for land use planning, and zoning; housing and community development; a full range of recreation and cultural activities; as well as legislative, legal, financial and general administrative support.
ECONOMIC OVERVIEW

The City of Fountain Valley is a well-planned, suburban community, with a great balance of land uses located in the heart of Orange County on the I-405 Freeway, minutes from points of interest such as Disneyland, Knott’s Berry Farm, famous beaches, the Honda Center, Angel Stadium, John Wayne Airport, and world-class shopping.

The State of California and the City have continued to see the overall economy improving including increasing housing values in Fountain Valley and sales tax revenue trends that have improved over the last several years. The City’s labor market continues to remain strong with unemployment below 5%.

On November 8, 2016 the residents of Fountain Valley approved Measure HH, a one-percent transactions and use (i.e. “sales”) tax, which provided additional tax revenue in the amount of approximately $13.3 million in Fiscal Year 2018/19. Without Measure HH, the General Fund’s operating deficit for Fiscal Year 2018/19 would have been $1,918,098. In accordance with the Responsible Spending Pledge, $1.2 million was used to fund essential city services such as public safety and senior and youth programs. $680,451 was used to fund capital improvements including residential road rehabilitation and park improvements to Harper Park and Allan Park. An additional payment of $2 million was made to CalPERS consistent with the City’s 20-Year Financial Plan where the goal is to payoff all debt by 2037 when Measure HH sunsets. The balance of Measure HH revenue in the amount of $9.4 million (71% of Measure HH revenue) was set-aside for reserves.

The City of Fountain Valley is a premier Orange County City that has the reputation of being “A Nice Place to Live”, as the environment is designed to provide a residential oasis within the hectic sprawl of metropolitan Orange County. This ambiance is by design and we are mindful of the residential predominance when ascertaining the level of service that will be provided to the community each year.

ECONOMIC DEVELOPMENT ACTIVITIES

Fountain Valley Crossings – In 2018, the City Council approved the Fountain Valley Crossings Specific Plan to guide the transformation of 162 acres in the southeastern portion of the City from a largely light industrial area into an integrated district of new retailers, entertainment, restaurants, offices, and housing. The transformation began in late 2019 with the opening of Planet Granite, a new rock climbing gym, which opened in what was once a furniture warehouse.

Under-Utilized Commercial Centers – The City is targeting under-utilized commercial centers to encourage property owners to reinvest in Fountain Valley with some success. Mile Square Plaza, constructed in 1972, and Fountain Valley Square, constructed in 1969, modernized and upgraded and are now sources of community pride. The City Council also created the Commercial Property and Business Improvement Loan Program in 2017 to support existing property owners to upgrade the commercial centers through a low interest rate loan to update and improve existing commercial properties in the community. For program details, businesses can visit the City’s website.

General Plan – In a largely built-out community, planning to meet the challenges of housing and economic development while enhancing quality of life and services and infrastructure requires careful thought. To that end, the City is working on updating its General Plan, which last received a comprehensive update in 1995. The General Plan is a long-range policy document that will guide the City’s growth for the next 20 years. The update effort kicked off in late 2018 and is expected to be completed by 2021.

LONG-TERM FINANCIAL PLANNING

The City’s fiscal policy is guided by the 20-Year Financial Plan, which is encompasses the long-term operating and capital needs of the General Fund. The long-term goal is to achieve fiscal sustainability with a balanced operating budget when Measure HH sunsets in 2037. Additional payments are projected to be made to CalPERS over the next twenty years, which is in addition to
the amounts required annually by CalPERS. In addition, the City plans to continue to make additional contributions to the City’s Pension Trust, which is designed to mitigate against CalPERS investment risk. In 2037 the City’s pension liability is expected to be paid off along with all other long-term debt. This 20-Year Financial Plan is utilized and integrated into the City’s annual budget and semi-annual strategic planning process.

RELEVANT FINANCIAL POLICIES

The City has adopted prudent fiscal policies to help assist the City Council and staff in making sound financial decisions. Several of the policies that had a signification impact on the current financial statements and the 2019-20 budget were the following key policies concerning investments, budget administration, long range financial planning and fund balance reserve policies.

CITY VISION AND GOALS

The City’s Mission Statement is to deliver cost-effective quality public services to provide a safe and desirable community that enriches its residents and businesses. The City goals are to:

- Enhance economic development
- Achieve financial stability
- Attract, develop and retain quality staff within financial constraints
- Maintain and enhance infrastructure and facilities
- Enhance community outreach and engagement

AWARDS AND ACKNOWLEDGEMENTS

Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the Fiscal Year ended June 30, 2018. This was the fourth year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements – The preparation of the Comprehensive Annual Financial Report is made possible by the dedicated efforts of the Finance Department staff with special thanks to Teresa Gonzalez, Accounting Manager, and David Faraone, Budget Analyst. Their dedicated efforts in the preparation of the final financial documents are reflected in the quality of this report. In addition, appreciation is extended to our independent auditors, Davis Farr, for their expertise and advice in preparing this year’s financial report.

In closing, without the leadership and support of the City Council, City Manager and each operating department, it would not have been possible to conduct the financial operation of the City in the responsible and progressive manner in which it has been managed.

Respectfully submitted,

Director of Finance / City Treasurer
Maya
Steve Nagel

Council Members
Mayor Pro Tempore.................................................................Cheryl Brothers
Council Member......................................................................Kim Constantine
Council Member ......................................................................Patrick Harper
Council Member .....................................................................Michael Vo

City Officials
City Manager ...........................................................................Rob Houston
Chief of Police .........................................................................Kevin Childe
Director of Finance/Treasurer ....................................................Jason Al-Imam
Director of Human Resources ..................................................Chelsea Phebus
Director of Planning/Building & Safety ......................................Brian James
Director of Public Works/City Engineer ......................................Mark Lewis
Fire Chief ..................................................................................Ron Cookston

Council meetings are held on the 1st & 3rd Tuesday of the month at 6:00 p.m. and are located in the City Hall Council Chambers
Certificate of Achievement for Excellence in Financial Reporting

Presented to
City of Fountain Valley
California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill
Executive Director/CEO
Independent Auditor’s Report

City Council
City of Fountain Valley
Fountain Valley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fountain Valley, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Fountain Valley’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

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 of Fountain Valley, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2019 reflect certain prior period adjustments as described further in note 13 to the financial statements. As described further in note 1 to the financial statements, during the year ended June 30, 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 89. Our opinion is not modified with respect to this matter.

As discussed in Note 7 to the financial statements, the net OPEB liability is reported in the Statement of Net Position in the amount of $23,603,913 as of the measurement date. The City hired a qualified actuary to evaluate the Net OPEB Liability as of the measurement date as required by GASB Statement No. 75. The Net OPEB Liability is calculated by actuaries using estimates and actuarial techniques from actuarial valuation as of June 30, 2018. The actuary applied the Section 3.7.7(c)(4) of the ASOP No. 6, as revised, and determined age-adjusted rates are not necessary and therefore, the Implicit Rate Subsidy is not applicable in calculating the total projection of benefits payments. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, budgetary comparison information for the General Fund and each major special revenue fund, schedule of proportionate share of net pension liability during the measurement period, schedule of contributions, annual money-weighted rate of return on investments, and schedule of changes in the net other post-employment liability and related ratios 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.
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fountain Valley’s basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the introductory section and the statistical section 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 and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2019 on our consideration of the City of Fountain Valley’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Fountain Valley’s internal control over financial reporting and compliance.

Dennis Lam

Irvine, California
December 18, 2019
MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the City of Fountain Valley (the City), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City of Fountain Valley for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the accompanying basic financial statements.

Financial Highlights

During the fiscal year ended June 30, 2019, the City continued to maintain its stable financial position, enabling delivery of appropriate services to the community and undertaking necessary economic development and infrastructure projects. The City’s fiscal policy is guided by the 20-Year Financial Plan. The City is on a solid path towards long-term fiscal sustainability.

- At June 30, 2019, the City’s governmental activities total assets and deferred outflows of resources were $223.7 million and total liabilities and deferred inflows were $155.8 million, resulting in net positions of $67.9 million. Net position consists of $101.1 million net investment in capital assets, $34.0 million in restricted net position and a $67.2 million deficit in unrestricted net position. The deficit balance associated with unrestricted net position primarily relates to long-term liabilities such as the City’s net pension and net OPEB liabilities, which will be paid from resources received over the next twenty years. The City’s total net position increased by $7.8 million or 13% from the restated prior fiscal year balance.

- The net position of the City’s governmental activities increased by $7.8 million. This increase is mainly attributable to a $1.2 million proceeds for the sale of land to the Orange County Transportation Authority (OCTA) for the I-405 expansion and a $2.5 million decrease to other post-employment benefits liability related to the GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”.

- Total revenues from all sources of the City’s governmental activities were $71.0 million as compared to the cost for all City programs of $63.2 million.

- The business-type activities revenue totaled $22.7 million as compared to $21.2 million in 2018, or a 7.2 percent increase over the prior year; expenses totaled $16.6 million as compared to $20.4 million in 2018, or an 18.6 percent decrease over the prior year. The result produced an increase in business-type net position of 3.4 million as compared to an increase of $566 thousand in the prior year.

- As of June 30, 2019, the City’s governmental funds reported combined ending fund balances of $86.6 million. Non-spendable was $0.1 million, restricted was $41.7 million, committed was $14.2 million, assigned was $30.8 million, and unassigned a $0.2 million deficit, resulting from a timing difference between the capital expenditure and the transferring of unspent construction funds.
As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of $86.6 million, an increase of $10.7 million from the prior year balance of $75.9 million. This net increase is mostly attributable to a strong local economy with a combination of better than expected operating revenues and expenditure savings. The combined property and sales tax revenues increased $3.6 million from the prior year amounts and in addition, the City had an unanticipated sale of land to the Orange County Transportation Authority for the I-405 expansion project in an amount of $1.2 million.

Overview of the Financial Statements
This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements
The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information to show how the government’s net position changed during the most recent fiscal year. All changes in 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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Fountain Valley include general government, public safety, transportation, community development, community services, and interest on long-term debt. The business-type activities of the City are comprised of water, sewer and solid waste funds.

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Fountain Valley Housing Authority, and the Fountain Valley Public Financing Authority that function as integral parts of the primary government and have been included in these financial statements.

The government-wide financial statements can be found immediately following this discussion and analysis.
Fund Financial Statements
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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided 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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for 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 a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Housing Authority which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets elsewhere in this report.

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

Proprietary Funds
The City maintains three different types of proprietary (Enterprise) funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer and solid waste operations.

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 the water, sewer and solid waste funds.
The basic proprietary fund financial statements can be found immediately following the governmental funds financial statements.

**Fiduciary Funds**
The fiduciary fund financial statements include the private-purpose trust funds, other post employment benefit (OPEB) trust fund and agency funds of the City. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City’s own programs.

The basic fiduciary fund financial statements can be found immediately following the proprietary fund financial statements.

**Notes to the Financial Statements**
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fiduciary funds financial statements.

**Other Information**
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s proportionate share of the net pension liability, contributions to the CalPERS pension plans, annual money-weighted rate of return on investments – OPEB, changes in the net OPEB liability and related ratios and budget to actual comparisons for major funds, and disclosure information pertaining to the use of the Modified Approach with infrastructure. Required supplementary information can be found immediately following the notes to the basic financial statement.

The combining statements referred to earlier in connection with non-major governmental funds are presented for all non-major Special Revenue Funds, non-major Capital Projects Funds and all non-major Debt Service Funds. These combining and individual fund statements and schedules can be found immediately following the notes to the required supplementary information.

**Government-Wide Financial Analysis**
As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. This analysis addresses the financial statements of the City as a whole.
### SUMMARY OF NET POSITION

#### (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current and other assets</td>
<td>$ 90,201</td>
<td>$ 85,518</td>
<td>$ 29,389</td>
</tr>
<tr>
<td>Capital assets</td>
<td>113,619</td>
<td>110,496</td>
<td>30,609</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>203,820</td>
<td>196,014</td>
<td>59,998</td>
</tr>
<tr>
<td>Deferred outflow of resources</td>
<td>19,867</td>
<td>25,567</td>
<td>1,950</td>
</tr>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>$ 3,870</td>
<td>$ 13,623</td>
<td>$ 4,219</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>131,390</td>
<td>144,042</td>
<td>22,368</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>135,260</td>
<td>157,665</td>
<td>26,587</td>
</tr>
<tr>
<td>Deferred inflows of resources</td>
<td>20,572</td>
<td>3,821</td>
<td>2,702</td>
</tr>
<tr>
<td><strong>Net position:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>101,064</td>
<td>97,952</td>
<td>22,721</td>
</tr>
<tr>
<td>Restricted</td>
<td>33,995</td>
<td>35,437</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(67,204)</td>
<td>(73,294)</td>
<td>9,938</td>
</tr>
<tr>
<td><strong>Total net position, as restated</strong></td>
<td>$ 67,855</td>
<td>$ 60,095</td>
<td>$ 32,659</td>
</tr>
</tbody>
</table>

The City’s Government-wide total net position was $100.5 million, with total assets and deferred outflows of resources of $285.6 million, and total liabilities and deferred inflows of resources of $185.1 million. The net investment in capital assets was $123.8 million. Another portion of the City’s net position, $34.0 million, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of $57.3 million represents unrestricted net position. The negative balance in unrestricted net position is primarily related to long-term liabilities such as the City’s net pension and net OPEB liabilities, which will be paid from resources received over the next twenty years.

The largest portion of the City’s net position ($123.8 million) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Governmental Activities**

- Governmental activities increased the City’s net position by $7.8 million. This increase is mainly attributable to the proceeds for the sale of land in the amount of $1.2 million to OCTA for the I-405 expansion and a $2.5 million decrease to other post-employment benefits liability.
## Changes in Net Position

(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$8,215</td>
<td>$7,353</td>
<td>$21,795</td>
</tr>
<tr>
<td>Operating grants</td>
<td>6,665</td>
<td>4,403</td>
<td>-</td>
</tr>
<tr>
<td>Capital grants</td>
<td>46</td>
<td>-</td>
<td>189</td>
</tr>
<tr>
<td><strong>General Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>19,652</td>
<td>18,807</td>
<td>-</td>
</tr>
<tr>
<td>Sales taxes</td>
<td>13,560</td>
<td>12,369</td>
<td>-</td>
</tr>
<tr>
<td>Sales taxes - Measure HH</td>
<td>13,287</td>
<td>11,742</td>
<td>-</td>
</tr>
<tr>
<td>Franchise taxes</td>
<td>1,976</td>
<td>1,920</td>
<td>-</td>
</tr>
<tr>
<td>Other taxes</td>
<td>1,442</td>
<td>3,228</td>
<td>-</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>221</td>
<td>-</td>
<td>59</td>
</tr>
<tr>
<td>Investment income</td>
<td>1,831</td>
<td>517</td>
<td>725</td>
</tr>
<tr>
<td>Gain on sale of capital assets</td>
<td>1,284</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>129</td>
<td>20</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>68,308</td>
<td>60,359</td>
<td>22,709</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>6,368</td>
<td>5,355</td>
<td>-</td>
</tr>
<tr>
<td>Public safety</td>
<td>36,295</td>
<td>35,670</td>
<td>-</td>
</tr>
<tr>
<td>Transportation</td>
<td>11,110</td>
<td>8,613</td>
<td>-</td>
</tr>
<tr>
<td>Community development</td>
<td>5,159</td>
<td>5,307</td>
<td>-</td>
</tr>
<tr>
<td>Community services</td>
<td>3,729</td>
<td>3,424</td>
<td>-</td>
</tr>
<tr>
<td>Interest charges</td>
<td>549</td>
<td>641</td>
<td>-</td>
</tr>
<tr>
<td>Water</td>
<td>-</td>
<td>-</td>
<td>12,060</td>
</tr>
<tr>
<td>Sewer</td>
<td>-</td>
<td>-</td>
<td>1,266</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>63,210</td>
<td>59,010</td>
<td>16,633</td>
</tr>
<tr>
<td><strong>Transfers</strong></td>
<td>2,662</td>
<td>195</td>
<td>(2,662)</td>
</tr>
<tr>
<td><strong>Change in net position</strong></td>
<td>7,760</td>
<td>1,544</td>
<td>3,414</td>
</tr>
<tr>
<td>Net position - beginning of year, as restated</td>
<td>60,095</td>
<td>58,551</td>
<td>29,245</td>
</tr>
<tr>
<td><strong>Net position - ending of year</strong></td>
<td>$67,855</td>
<td>$60,095</td>
<td>32,659</td>
</tr>
</tbody>
</table>
Financial Analysis of the Government Funds

As noted earlier, the City uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds

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

As of the close of the current fiscal year, the City’s governmental funds reported combined ending fund balances of $86.6 million an increase of $10.7 million from the prior year balances. The net increase is mostly attributable to a strong local economy with a combination of better than expected operating revenues and expenditure savings and an unanticipated sale of land to the Orange County Transportation Authority. Approximately 0.2% of this amount, $136 thousand, is not available for spending, $41.7 million, or 48.1% is considered restricted, $14.2 million, or 16.4% is committed, $30.8 million, or 35.5% is assigned and a deficit of $163 thousand is unassigned.

At the end of the current fiscal year, the general fund’s total fund balance was $58.5 million. The general fund balance increased $9.8 million from the 2018 fiscal year.

There are two major funds within the governmental fund accounts. They include the General Fund, and the Fountain Valley Housing Authority. The Fountain Valley Housing Authority was established in 2011 to preserve the ability to provide affordable housing uses and activities. The fund balance in the Housing Authority Fund at June 30, 2019, was $18.3 million, an increase of $198 thousand; this increase is mainly related to interest earnings.
Proprietary Funds
The City’s proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. There are currently three funds in this group, the water utility, sewer and solid waste funds.

Total net position for the Water Utility Fund increased by $2.5 million and totaled $20.5 million at June 30, 2019, of this amount an unrestricted net position amounted to $4.7 million.

Total net position for the Sewer Fund increased by $868 thousand and totaled $11.2 million at June 30, 2019; of this amount the unrestricted net position amounted to $4.3 million.

Total net position for the Solid Waste Fund increased by $92 thousand and totaled $940 thousand at June 30, 2019; the entire amount was unrestricted net position.

General Fund Budgetary Highlights
A detailed budgetary comparison schedule for the year ended June 30, 2019, is presented as required supplementary information following the notes to the financial statements. Revenues and transfers in were $64.7 million, 2.7% higher than the City’s final budget of $63.0 million. Significant revenues over budget were largely due to Sales & Use Tax (including Measure HH Transaction Tax), which amounted to $1.3 million higher than final budget. At mid-year, sales and use tax revenue was projected to be up approximately 5.6% over the prior fiscal year. However, sales and use tax revenue was up 11.5% over the prior year, which is largely due to very strong growth in general consumer goods, restaurants and hotels, fuel and service stations and business and industry. Expenditures and transfers out were lower by $13.2 million than the final budget of $69.4 million, or 19.1% under budget. The primary differences between actual expenditures and final budget is due to the carry-over of transfers out in the amount of $2.4 to the Drainage Fund for the Walnut Pump Station rehabilitation project and carryover of funds for various capital projects such as: General Plan Update project ($1.2 million), Fire Station No. 1 Remodel ($750 thousand), Median Landscape project ($1.5 million), and I-405 Improvement cooperative reimbursement in the amount of $2.1 million. Included in the proceeds from sale of capital assets is a $1.2 million from the Orange County Transportation Authority for the I-405 expansion. The sale of capital assets is found in the final actual but not reflected in the original and final budgets.

Differences between the original and final revenue budget reflect an increase of $2.6 million or 4.5%. The most notable adjustments were a $459 thousand increase for a higher than expected property tax revenue, a $871 thousand increase for sales & use tax (including Measure HH transaction tax) due to strong economic growth and timing of receipts from the State of California. In addition the fire department’s functional revenue had a budget adjustment in the amount of $297 thousand for anticipated mutual aid reimbursement from the California Governor’s Office of Emergency Services (Cal OES).

Differences between the original and final total expenditures budget reflect an increase of $9.7 million or 17.7%. The most notable adjustments were a $2.0 million appropriation for the transfer out of capital reserves for construction of the Walnut Pump Station project and a $1.9 million increased appropriation for the I-405 Improvement project. In addition, the final budget included a $6.5 million increase for carryover capital projects funds from fiscal year 2017-2018.

The following summarizes the General Fund’s original budget, final budget and actual results for 2019 revenues, expenditures and transfers:
GENERAL FUND BUDGETARY COMPARISON

<table>
<thead>
<tr>
<th></th>
<th>Original Budget</th>
<th>Final Budget</th>
<th>Actual Amount</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$ 56,843</td>
<td>$ 59,429</td>
<td>$ 61,381</td>
<td>$ 1,952</td>
</tr>
<tr>
<td>Expenditures</td>
<td>(55,088)</td>
<td>(64,836)</td>
<td>(54,491)</td>
<td>10,345</td>
</tr>
<tr>
<td>Other Financing Sources (Uses)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>1,639</td>
<td>3,553</td>
<td>3,277</td>
<td>(276)</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(2,333)</td>
<td>(4,574)</td>
<td>(1,696)</td>
<td>2,878</td>
</tr>
<tr>
<td>Proceeds from Sale of Capital Assets</td>
<td>26</td>
<td>54</td>
<td>1,310</td>
<td>1,256</td>
</tr>
<tr>
<td>Net Change in Fund Balance</td>
<td>$ 1,087</td>
<td>(6,374)</td>
<td>9,781</td>
<td>16,155</td>
</tr>
</tbody>
</table>

CAPITAL ASSET AND DEBT ADMINISTRATION

The City’s investment in capital assets for its governmental and business type activities as of June 30, 2019, amounts to $144.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, construction in progress, improvements other than buildings, vehicles and equipment, park facilities, roads, highway, and sidewalks/curbs/gutters. The total increase in the City’s investment in capital assets for the current fiscal year was $3.8 million or 2.7%. The major additions were construction costs in the amount of $1.5 million for the construction and rehabilitation of Reservoir No. 2, $2.1 million for the acquisition and retrofit of streetlights purchased from Southern California Edison, and $930 thousand for the Walnut Storm Drain Pump rehabilitation project.

CAPITAL ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Land</td>
<td>$ 3,863</td>
<td>$ 3,885</td>
<td>$ 123</td>
<td>$ 123</td>
</tr>
<tr>
<td>Vehicles and equipment</td>
<td>4,858</td>
<td>4,171</td>
<td>94</td>
<td>115</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>5</td>
<td>6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Buildings</td>
<td>8,393</td>
<td>7,854</td>
<td>12,403</td>
<td>12,181</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>1,710</td>
<td>1,544</td>
<td>2,395</td>
<td>1,179</td>
</tr>
<tr>
<td>Improvements other than structures</td>
<td>7,040</td>
<td>6,728</td>
<td>15,594</td>
<td>16,304</td>
</tr>
<tr>
<td>Rights of Way</td>
<td>17,948</td>
<td>17,948</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>69,802</td>
<td>68,360</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net capital assets</td>
<td>$ 113,619</td>
<td>$ 110,496</td>
<td>$ 30,609</td>
<td>$ 29,902</td>
</tr>
</tbody>
</table>

The City elected to use the modified approach in reporting its street pavement infrastructure network. The condition of the City’s roadway pavement is measured using the Carte Graph Pavement Management System. The system uses a measurement scale that is based on a Pavement Condition Index (PCI) ranging from zero for a very poor pavement to 100 for a pavement in very good condition. The overall condition of the City’s pavement network based on the most recent complete assessment performed in the fiscal year 2018 was “Very Good” with a weighted average PCI of 86.1 based on the surface area of each segment. There have
been no significant changes in the assessed condition of the infrastructure assets from the last fiscal year. The current condition of these assets complies with the condition levels adopted by the City. Variances in budgeted versus actual expenditures is due to timing of project completion. The arterial pavement improvement project for Newhope Street Arterial Rehabilitation had a budget of $1.9 million and actual expenditures of $77 thousand. The expected completion date for this rehabilitation project is in fiscal year 2019-20. The Residential Road Rehabilitation had a budget of $1.8 million and actual expenditures of $1.5 million. Additional information on the City’s capital assets can be found in Note 4 in the Financial Section of this report.

**OUTSTANDING DEBT AS OF JUNE 30, 2019 AND 2018**

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Revenue bonds</td>
<td>$</td>
<td>-</td>
<td>$12,847</td>
</tr>
<tr>
<td>Lease Revenue bonds</td>
<td>15,080</td>
<td>15,661</td>
<td>15,080</td>
</tr>
<tr>
<td>Taxable Pension Obligation bonds</td>
<td>15,204</td>
<td>15,697</td>
<td>15,204</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>2,101</td>
<td>2,162</td>
<td>2,320</td>
</tr>
<tr>
<td>Claims payable</td>
<td>4,389</td>
<td>4,034</td>
<td>4,389</td>
</tr>
<tr>
<td>Other post-employment benefits</td>
<td>20,500</td>
<td>36,114</td>
<td>23,604</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>74,116</td>
<td>74,131</td>
<td>6,198</td>
</tr>
<tr>
<td><strong>Total Long Term Liabilities</strong></td>
<td><strong>$131,390</strong></td>
<td><strong>$147,799</strong></td>
<td><strong>$22,368</strong></td>
</tr>
</tbody>
</table>

At year-end, the City had total long-term debt outstanding of $153.4 million; this is a decrease of $18.5 million. The net decrease is mostly attributable to a decrease of $15.2 million for Other Post-Employment Pension Benefits (OPEB) as a result of changes to several actuarial assumptions, with the key change being the reduction of the medical trend from 7.5% to 4.0%.

Additional information on the City’s long-term liabilities can be found in Note 5 in the Financial Section of this report.

**FISCAL YEAR 2019-2020 OPERATING BUDGET AND ENTERPRISE RATES**

The City Council adopted the fiscal year 2019-2020 Budget with total appropriations of $117.8 million and projected revenues of $108.6 million.

The General Fund fiscal year 2019-2020 estimated revenues are $59.5 million and budgeted appropriations are $62.2 million. The General Fund include a substantial amount of one-time capital improvement projects that utilize reserves which are legally required to be spent on specific capital projects. The General Fund Operating Budget is balanced with a healthy surplus of $6.7 million, which will be used to make additional payments to CalPERS towards unfunded pension liabilities and to build and maintain reserves. Measure HH provides the necessary funding to maintain essential city services and funds capital improvements, pays
down debt and restores reserves. The City’s fiscal policy is guided by the 20-Year Financial Plan with the goal of being debt free in 2037 when Measure HH sunsets. The City is on a solid path towards long-term fiscal sustainability.

The fiscal year 2019-2020 budget includes an approved increase of 7.3 percent to water rates and 4.0 percent to sewer rates.

Requests for Information
This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Fountain Valley, Finance Department, 10200 Slater Avenue, Fountain Valley, California 92708.
## Statement of Net Position

### June 30, 2019

<table>
<thead>
<tr>
<th>ASSETS:</th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>$64,632,175</td>
<td>20,429,200</td>
<td>85,061,375</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>2,525,016</td>
<td>4,959,115</td>
<td>7,484,131</td>
</tr>
<tr>
<td>Restricted cash and investments - pension</td>
<td>7,675,627</td>
<td>-</td>
<td>7,675,627</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts</td>
<td>7,555,069</td>
<td>3,557,893</td>
<td>11,112,962</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>388,558</td>
<td>-</td>
<td>388,558</td>
</tr>
<tr>
<td>Loans</td>
<td>7,288,107</td>
<td>-</td>
<td>7,288,107</td>
</tr>
<tr>
<td>Inventories</td>
<td>14,617</td>
<td>280,000</td>
<td>294,617</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>121,616</td>
<td>162,569</td>
<td>284,185</td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not being depreciated</td>
<td>87,069,717</td>
<td>2,518,348</td>
<td>89,588,065</td>
</tr>
<tr>
<td>Being depreciated, net</td>
<td>26,549,228</td>
<td>28,090,578</td>
<td>54,639,806</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>203,819,730</strong></td>
<td><strong>59,997,703</strong></td>
<td><strong>263,817,433</strong></td>
</tr>
</tbody>
</table>

| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred amounts from OPEB plan | 2,926,471 | 443,068 | 3,369,539 |
| Deferred amounts from pension plans | 16,940,146 | 1,506,702 | 18,446,848 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | **19,866,617** | **1,949,770** | **21,816,387** |

| LIABILITIES: | | | |
| Accounts payable | 2,473,104 | 3,808,251 | 6,281,355 |
| Accrued wages payable | 1,002,141 | - | 1,002,141 |
| Accrued interest payable | 305,842 | 247,416 | 553,258 |
| Deposits payable | 88,271 | 163,688 | 251,959 |
| Long-term liabilities: | | | |
| Due within one year | 3,890,858 | 727,250 | 4,618,108 |
| Due in more than one year: | | | |
| Other long-term liabilities | 32,883,637 | 12,338,974 | 45,222,611 |
| Net OPEB liability | 20,500,181 | 3,103,732 | 23,603,913 |
| Net pension liability | 74,115,502 | 6,197,507 | 80,313,009 |
| **TOTAL LIABILITIES** | **135,259,536** | **26,586,818** | **161,846,354** |

| DEFERRED INFLOWS OF RESOURCES: | | | |
| Deferred amounts from OPEB plan | 12,526,329 | 1,896,489 | 14,422,818 |
| Deferred amounts from pension plans | 8,045,751 | 805,194 | 8,850,945 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | **20,572,080** | **2,701,683** | **23,273,763** |

| NET POSITION: | | | |
| Net investment in capital assets | 101,064,072 | 22,720,616 | 123,784,688 |
| Restricted for: | | | |
| Public safety | 1,202,202 | - | 1,202,202 |
| Transportation | 7,957,750 | - | 7,957,750 |
| Housing | 18,665,999 | - | 18,665,999 |
| Community development | 5,427,423 | - | 5,427,423 |
| Capital projects | 439,773 | - | 439,773 |
| Other | 301,831 | - | 301,831 |
| Unrestricted | (67,204,319) | 9,938,356 | (57,265,963) |
| **TOTAL NET POSITION** | **$67,854,731** | **32,658,972** | **100,513,703** |

See accompanying notes to the basic financial statements.
CITY OF FOUNTAIN VALLEY

Statement of Activities

Year ended June 30, 2019

<table>
<thead>
<tr>
<th>Functions/programs</th>
<th>Expenses</th>
<th>Charges for Services</th>
<th>Operating Grants and Contributions</th>
<th>Capital Grants and Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>$6,367,611</td>
<td>1,709,408</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public safety</td>
<td>36,295,298</td>
<td>2,590,953</td>
<td>338,581</td>
<td>-</td>
</tr>
<tr>
<td>Transportation</td>
<td>11,109,470</td>
<td>-</td>
<td>4,960,036</td>
<td>46,100</td>
</tr>
<tr>
<td>Community development</td>
<td>5,159,303</td>
<td>1,922,787</td>
<td>835,059</td>
<td>-</td>
</tr>
<tr>
<td>Community services</td>
<td>3,728,605</td>
<td>1,991,614</td>
<td>531,062</td>
<td>-</td>
</tr>
<tr>
<td>Interest on long term debt</td>
<td>549,006</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total governmental activities</td>
<td>63,209,293</td>
<td>8,214,762</td>
<td>6,664,738</td>
<td>46,100</td>
</tr>
</tbody>
</table>

Business-type activities:

| Water                  | 12,060,429| 16,240,470 | - | 189,259 |
| Sewer                  | 1,265,982 | 2,164,911 | - | - |
| Solid waste            | 3,307,447 | 3,389,777 | - | - |
| Total business-type activities | 16,633,858| 21,795,158 | - | 189,259 |

Total | $79,843,151| 30,009,920 | 6,664,738 | 235,359 |

General revenues:
Taxes:
- Property taxes
- Sales taxes
- Sales taxes - Measure HH
- Franchise taxes
- Other taxes
- Investment income
- Miscellaneous
- Gain on sale of capital assets
- Intergovernmental
- Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, as restated

Net position - end of year

See accompanying notes to the basic financial statements.
<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(4,658,203)</td>
<td>-</td>
<td>(4,658,203)</td>
</tr>
<tr>
<td></td>
<td>(33,365,764)</td>
<td>-</td>
<td>(33,365,764)</td>
</tr>
<tr>
<td></td>
<td>(6,103,334)</td>
<td>-</td>
<td>(6,103,334)</td>
</tr>
<tr>
<td></td>
<td>(2,401,457)</td>
<td>-</td>
<td>(2,401,457)</td>
</tr>
<tr>
<td></td>
<td>(1,205,929)</td>
<td>-</td>
<td>(1,205,929)</td>
</tr>
<tr>
<td></td>
<td>(549,006)</td>
<td>-</td>
<td>(549,006)</td>
</tr>
<tr>
<td>(48,283,693)</td>
<td>-</td>
<td>4,369,300</td>
<td>4,369,300</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>898,929</td>
<td>898,929</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>82,330</td>
<td>82,330</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>5,350,559</td>
<td>5,350,559</td>
</tr>
<tr>
<td>(48,283,693)</td>
<td>5,350,559</td>
<td>(42,933,134)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>19,651,638</td>
<td>-</td>
<td>19,651,638</td>
</tr>
<tr>
<td></td>
<td>13,559,781</td>
<td>-</td>
<td>13,559,781</td>
</tr>
<tr>
<td></td>
<td>13,287,116</td>
<td>-</td>
<td>13,287,116</td>
</tr>
<tr>
<td></td>
<td>1,975,656</td>
<td>-</td>
<td>1,975,656</td>
</tr>
<tr>
<td></td>
<td>1,442,220</td>
<td>-</td>
<td>1,442,220</td>
</tr>
<tr>
<td></td>
<td>1,830,759</td>
<td>725,277</td>
<td>2,556,036</td>
</tr>
<tr>
<td></td>
<td>129,255</td>
<td>-</td>
<td>129,255</td>
</tr>
<tr>
<td></td>
<td>1,284,231</td>
<td>-</td>
<td>1,284,231</td>
</tr>
<tr>
<td></td>
<td>221,349</td>
<td>-</td>
<td>221,349</td>
</tr>
<tr>
<td></td>
<td>2,661,845</td>
<td>(2,661,845)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>56,043,850</td>
<td>(1,936,568)</td>
<td>54,107,282</td>
</tr>
<tr>
<td></td>
<td>7,760,157</td>
<td>3,413,991</td>
<td>11,174,148</td>
</tr>
<tr>
<td></td>
<td>60,094,574</td>
<td>29,244,981</td>
<td>89,339,555</td>
</tr>
<tr>
<td>$ 67,854,731</td>
<td>32,658,972</td>
<td>100,513,703</td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes to the basic financial statements.
CITY OF FOUNTAIN VALLEY

Balance Sheet - Governmental Funds

June 30, 2019

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>General</th>
<th>Housing Authority</th>
<th>Other Governmental Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>$46,940,736</td>
<td>11,309,302</td>
<td>6,382,137</td>
<td>64,632,175</td>
</tr>
<tr>
<td>Restricted cash and investments</td>
<td>888</td>
<td>-</td>
<td>2,524,128</td>
<td>2,525,016</td>
</tr>
<tr>
<td>Restricted cash and investments - pension</td>
<td>7,675,627</td>
<td>-</td>
<td>-</td>
<td>7,675,627</td>
</tr>
</tbody>
</table>

| Receivables: | | | | |
| Accounts | 6,320,766 | - | 1,234,303 | 7,555,069 |
| Accrued interest | 388,558 | - | 388,558 | |
| Loans | 375 | 7,059,302 | 228,430 | 7,288,107 |
| Due from other funds | 38,413 | - | 72,414 | 110,827 |
| Inventories | 14,617 | - | - | 14,617 |
| Prepaid items | 121,616 | - | - | 121,616 |
| TOTAL ASSETS | $61,501,596 | 18,368,604 | 10,441,412 | 90,311,612 |

| LIABILITIES AND FUND BALANCES | | | | |
| Accounts payable | $2,008,850 | 14,359 | 449,895 | 2,473,104 |
| Accrued wages payable | 1,002,141 | - | - | 1,002,141 |
| Deposits payable | - | - | 88,271 | 88,271 |
| Due to other funds | - | - | 110,827 | 110,827 |
| TOTAL LIABILITIES | 3,010,991 | 14,359 | 648,993 | 3,674,343 |

| FUND BALANCES: | | | | |
| Nonspendable: | | | | |
| Inventories | 14,617 | - | - | 14,617 |
| Prepaid items | 121,616 | - | - | 121,616 |
| Restricted: | | | | |
| Public safety | - | - | 1,202,202 | 1,202,202 |
| Transportation | 2,238,242 | - | 5,719,508 | 7,957,750 |
| Housing | - | 18,354,245 | 311,754 | 18,665,999 |
| Community development | 2,702,921 | - | 2,724,502 | 5,427,423 |
| Capital projects | 439,773 | - | - | 439,773 |
| Other purposes | 300,895 | - | - | 300,895 |
| Debt service | 888 | - | 48 | 936 |
| Pension | 7,677,406 | - | - | 7,677,406 |
| Committed: | | | | |
| Emergencies | 14,200,000 | - | - | 14,200,000 |
| Assigned: | | | | |
| Fleet replacement | 3,622,830 | - | - | 3,622,830 |
| Information technology replacement | 1,170,370 | - | - | 1,170,370 |
| Major facility replacement | 2,899,395 | - | - | 2,899,395 |
| Employee benefits | 1,491,987 | - | - | 1,491,987 |
| Self insurance | 2,654,577 | - | - | 2,654,577 |
| Capital equipment | 1,460,472 | - | - | 1,460,472 |
| Capital projects | 14,492,204 | - | - | 14,492,204 |
| Economic development | 2,500,000 | - | - | 2,500,000 |
| Contingency reserves | 500,000 | - | - | 500,000 |
| Unassigned | 2,412 | - | (165,595) | (163,183) |
| TOTAL FUND BALANCES | 58,490,605 | 18,354,245 | 9,792,419 | 86,637,269 |
| TOTAL LIABILITIES AND FUND BALANCES | $61,501,596 | 18,368,604 | 10,441,412 | 90,311,612 |

See accompanying notes to the basic financial statements.
CITY OF FOUNTAIN VALLEY

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position

June 30, 2019

Fund balances - total governmental funds $ 86,637,269

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

Capital assets, net of depreciation, have not been included as financial resources in government fund activities:
   Capital assets 149,376,732
   Accumulated depreciation (35,757,787)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities consist of the following:
   2015A Taxable Pension Obligation Bonds (15,485,000)
   Bond discount 281,077
   2016A Lease Revenue Bonds (11,580,000)
   Bond premium (778,226)
   2017 Clean Renewable Energy Bond (2,721,663)
   Compensated absences (2,101,825)
   Liability for claims and judgments (4,388,858)

OPEB and pension related debt applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to OPEB and pensions are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities.
   Deferred outflows of resources - OPEB plan 2,926,471
   Deferred inflows of resources - OPEB plan (12,526,329)
   Net OPEB liability (20,500,181)
   Deferred outflows of resources - pension plans 16,940,146
   Deferred inflows of resources - pension plans (8,045,751)
   Net pension liability (74,115,502)

Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds. (305,842)

Net position of governmental activities $ 67,854,731

See accompanying notes to the basic financial statements.
CITY OF FOUNTAIN VALLEY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year ended June 30, 2019

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>General</th>
<th>Special Revenue Fund</th>
<th>Other Governmental Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Housing</td>
<td>Authority</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$ 49,916,411</td>
<td>-</td>
<td>-</td>
<td>49,916,411</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>1,988,757</td>
<td>-</td>
<td>-</td>
<td>1,988,757</td>
</tr>
<tr>
<td>Fines and penalties</td>
<td>651,129</td>
<td>-</td>
<td>-</td>
<td>651,129</td>
</tr>
<tr>
<td>Investment income</td>
<td>1,630,558</td>
<td>474,848</td>
<td>98,866</td>
<td>2,404,272</td>
</tr>
<tr>
<td>Rental income</td>
<td>1,145,604</td>
<td>-</td>
<td>-</td>
<td>1,145,604</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>848,549</td>
<td>-</td>
<td>4,940,641</td>
<td>5,789,190</td>
</tr>
<tr>
<td>Charges for services</td>
<td>2,693,580</td>
<td>-</td>
<td>111,999</td>
<td>2,805,579</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>2,306,085</td>
<td>46</td>
<td>16,301</td>
<td>2,322,432</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>61,380,673</td>
<td>474,894</td>
<td>5,167,807</td>
<td>67,023,374</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>General</th>
<th>Special Revenue Fund</th>
<th>Other Governmental Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Housing</td>
<td>Authority</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>3,679,299</td>
<td>-</td>
<td>-</td>
<td>3,679,299</td>
</tr>
<tr>
<td>Public safety</td>
<td>32,243,256</td>
<td>-</td>
<td>293,180</td>
<td>32,536,436</td>
</tr>
<tr>
<td>Transportation</td>
<td>5,906,522</td>
<td>-</td>
<td>2,910,947</td>
<td>8,817,469</td>
</tr>
<tr>
<td>Community development</td>
<td>3,612,354</td>
<td>276,602</td>
<td>296,348</td>
<td>4,185,304</td>
</tr>
<tr>
<td>Community services</td>
<td>3,200,064</td>
<td>-</td>
<td>6,711</td>
<td>3,206,775</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>5,334,364</td>
<td>-</td>
<td>932,469</td>
<td>6,266,831</td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>510,000</td>
<td>-</td>
<td>536,105</td>
<td>1,046,105</td>
</tr>
<tr>
<td>Interest</td>
<td>5,669</td>
<td>-</td>
<td>546,379</td>
<td>552,048</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>54,491,526</td>
<td>276,602</td>
<td>5,522,139</td>
<td>60,290,267</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>General</th>
<th>Special Revenue Fund</th>
<th>Other Governmental Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Housing</td>
<td>Authority</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</strong></td>
<td>6,889,147</td>
<td>198,292</td>
<td>(354,332)</td>
<td>6,733,107</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>General</th>
<th>Special Revenue Fund</th>
<th>Other Governmental Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Housing</td>
<td>Authority</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES (USES):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>3,277,105</td>
<td>-</td>
<td>4,656,460</td>
<td>7,933,565</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(1,696,032)</td>
<td>-</td>
<td>(3,575,688)</td>
<td>(5,271,720)</td>
</tr>
<tr>
<td>Proceeds from sale of capital assets</td>
<td>1,310,417</td>
<td>-</td>
<td>-</td>
<td>1,310,417</td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING SOURCES (USES)</strong></td>
<td>2,891,490</td>
<td>-</td>
<td>1,080,772</td>
<td>3,972,262</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>General</th>
<th>Special Revenue Fund</th>
<th>Other Governmental Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Housing</td>
<td>Authority</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET CHANGE IN FUND BALANCES</strong></td>
<td>9,780,637</td>
<td>198,292</td>
<td>726,440</td>
<td>10,705,369</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>General</th>
<th>Special Revenue Fund</th>
<th>Other Governmental Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Housing</td>
<td>Authority</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</strong></td>
<td>48,709,968</td>
<td>18,155,953</td>
<td>9,065,979</td>
<td>75,931,900</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>General</th>
<th>Special Revenue Fund</th>
<th>Other Governmental Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Housing</td>
<td>Authority</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FUND BALANCES - END OF YEAR</strong></td>
<td>$ 58,490,605</td>
<td>18,354,245</td>
<td>9,792,419</td>
<td>86,637,269</td>
</tr>
</tbody>
</table>

See accompanying notes to the basic financial statements.
CITY OF FOUNTAIN VALLEY

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2019

Net change in fund balances - total governmental funds $ 10,705,369

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital outlay</td>
<td>5,655,640</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(2,506,775)</td>
</tr>
<tr>
<td>Disposal of capital assets</td>
<td>(26,186)</td>
</tr>
</tbody>
</table>

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in the governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the Statement of Net Position. The amounts are the net effect of these differences in the treatment of long-term debt:

- Repayment of principal $1,046,105

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in compensated absences</td>
<td>60,656</td>
</tr>
<tr>
<td>Change in the liability for claims and judgments</td>
<td>(355,141)</td>
</tr>
<tr>
<td>Change in accrued interest on long-term debt</td>
<td>(24,469)</td>
</tr>
<tr>
<td>Amortization of bond premium</td>
<td>44,897</td>
</tr>
<tr>
<td>Amortization of bond discount</td>
<td>(17,386)</td>
</tr>
</tbody>
</table>

OPEB expense reported in the governmental funds includes the insurance premiums paid. In the Statement of Activities, OPEB expense includes the change in the net OPEB liability, and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources.

- 2,462,961

Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources

- (9,285,514)

Change in net position of governmental activities $ 7,760,157

See accompanying notes to the basic financial statements.
### CITY OF FOUNTAIN VALLEY

**Statement of Net Position**

**Proprietary Funds**

**June 30, 2019**

#### Business-Type Activities

<table>
<thead>
<tr>
<th></th>
<th>Water Utility</th>
<th>Sewer</th>
<th>Solid Waste</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CURRENT ASSETS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNRESTRICTED ASSETS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$13,458,923</td>
<td>6,297,694</td>
<td>672,583</td>
<td>20,429,200</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>2,707,764</td>
<td>321,430</td>
<td>528,699</td>
<td>3,557,893</td>
</tr>
<tr>
<td>Inventory</td>
<td>280,000</td>
<td>-</td>
<td>-</td>
<td>280,000</td>
</tr>
<tr>
<td>Prepaid items</td>
<td>-</td>
<td>162,569</td>
<td>-</td>
<td>162,569</td>
</tr>
<tr>
<td>TOTAL UNRESTRICTED ASSETS</td>
<td>16,609,256</td>
<td>6,619,124</td>
<td>1,201,282</td>
<td>24,429,662</td>
</tr>
<tr>
<td>RESTRICTED ASSETS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>4,959,115</td>
<td>-</td>
<td>-</td>
<td>4,959,115</td>
</tr>
<tr>
<td>TOTAL CURRENT ASSETS</td>
<td>21,568,371</td>
<td>6,619,124</td>
<td>1,201,282</td>
<td>29,388,777</td>
</tr>
<tr>
<td>NONCURRENT ASSETS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not being depreciated</td>
<td>2,380,388</td>
<td>137,960</td>
<td>-</td>
<td>2,518,348</td>
</tr>
<tr>
<td>Being depreciated, net</td>
<td>21,352,766</td>
<td>6,737,812</td>
<td>-</td>
<td>28,090,578</td>
</tr>
<tr>
<td>TOTAL NONCURRENT ASSETS</td>
<td>23,733,154</td>
<td>6,875,772</td>
<td>-</td>
<td>30,608,926</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>45,301,525</td>
<td>13,494,896</td>
<td>1,201,282</td>
<td>59,997,703</td>
</tr>
<tr>
<td>DEFERRED OUTFLOWS OF RESOURCES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred amounts from OPEB plan</td>
<td>332,839</td>
<td>110,229</td>
<td>-</td>
<td>443,068</td>
</tr>
<tr>
<td>Deferred amounts from pension plans</td>
<td>1,227,929</td>
<td>278,773</td>
<td>-</td>
<td>1,506,702</td>
</tr>
<tr>
<td>TOTAL DEFERRED OUTFLOWS OF RESOURCES</td>
<td>1,560,768</td>
<td>389,002</td>
<td>-</td>
<td>1,949,770</td>
</tr>
<tr>
<td>LIABILITIES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CURRENT LIABILITIES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>3,498,066</td>
<td>48,520</td>
<td>261,665</td>
<td>3,808,251</td>
</tr>
<tr>
<td>Deposits payable</td>
<td>163,688</td>
<td>-</td>
<td>-</td>
<td>163,688</td>
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<tr>
<td>Interest payable</td>
<td>247,416</td>
<td>-</td>
<td>-</td>
<td>247,416</td>
</tr>
<tr>
<td>Compensated absences, current portion</td>
<td>113,094</td>
<td>59,156</td>
<td>-</td>
<td>172,250</td>
</tr>
<tr>
<td>Bonds payable, current portion</td>
<td>555,000</td>
<td>-</td>
<td>-</td>
<td>555,000</td>
</tr>
<tr>
<td>TOTAL CURRENT LIABILITIES</td>
<td>4,577,264</td>
<td>107,676</td>
<td>261,665</td>
<td>4,946,605</td>
</tr>
<tr>
<td>NONCURRENT LIABILITIES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated absences, net</td>
<td>30,563</td>
<td>15,986</td>
<td>-</td>
<td>46,549</td>
</tr>
<tr>
<td>Bonds payable, net</td>
<td>12,292,425</td>
<td>-</td>
<td>-</td>
<td>12,292,425</td>
</tr>
<tr>
<td>Net OPEB liability</td>
<td>2,331,567</td>
<td>772,165</td>
<td>-</td>
<td>3,103,732</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>5,050,832</td>
<td>1,146,675</td>
<td>-</td>
<td>6,197,507</td>
</tr>
<tr>
<td>TOTAL NONCURRENT LIABILITIES</td>
<td>19,705,387</td>
<td>1,934,826</td>
<td>-</td>
<td>21,640,213</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>24,282,651</td>
<td>2,042,502</td>
<td>261,665</td>
<td>26,586,818</td>
</tr>
<tr>
<td>DEFERRED INFLOWS OF RESOURCES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred amounts from OPEB plan</td>
<td>1,424,669</td>
<td>471,820</td>
<td>-</td>
<td>1,896,489</td>
</tr>
<tr>
<td>Deferred amounts from pension plans</td>
<td>656,215</td>
<td>148,979</td>
<td>-</td>
<td>805,194</td>
</tr>
<tr>
<td>TOTAL DEFERRED INFLOWS OF RESOURCES</td>
<td>2,080,884</td>
<td>620,799</td>
<td>-</td>
<td>2,701,683</td>
</tr>
<tr>
<td>NET POSITION:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>15,844,844</td>
<td>6,875,772</td>
<td>-</td>
<td>22,720,616</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>4,653,914</td>
<td>4,344,825</td>
<td>939,617</td>
<td>9,938,356</td>
</tr>
<tr>
<td>TOTAL NET POSITION</td>
<td>$ 20,498,758</td>
<td>11,220,597</td>
<td>939,617</td>
<td>32,658,972</td>
</tr>
</tbody>
</table>

See accompanying notes to the basic financial statements.
CITY OF FOUNTAIN VALLEY

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds

Year ended June 30, 2019

<table>
<thead>
<tr>
<th>Business-Type Activities</th>
<th>Water Utility</th>
<th>Sewer</th>
<th>Solid Waste</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING REVENUES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$ 15,998,975</td>
<td>2,164,911</td>
<td>3,389,777</td>
<td>21,553,663</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>241,495</td>
<td>-</td>
<td>-</td>
<td>241,495</td>
</tr>
<tr>
<td>TOTAL OPERATING REVENUES</td>
<td>16,240,470</td>
<td>2,164,911</td>
<td>3,389,777</td>
<td>21,795,158</td>
</tr>
<tr>
<td>OPERATING EXPENSES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution maintenance</td>
<td>529,463</td>
<td>-</td>
<td>-</td>
<td>529,463</td>
</tr>
<tr>
<td>Utility administration</td>
<td>808,382</td>
<td>796,434</td>
<td>-</td>
<td>1,604,816</td>
</tr>
<tr>
<td>Contract services</td>
<td>-</td>
<td>142,163</td>
<td>3,307,447</td>
<td>3,449,610</td>
</tr>
<tr>
<td>Pumping and maintenance</td>
<td>1,170,769</td>
<td>29,830</td>
<td>-</td>
<td>1,200,599</td>
</tr>
<tr>
<td>Water treatment</td>
<td>8,043,079</td>
<td>-</td>
<td>-</td>
<td>8,043,079</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,071,577</td>
<td>297,555</td>
<td>-</td>
<td>1,369,132</td>
</tr>
<tr>
<td>TOTAL OPERATING EXPENSES</td>
<td>11,623,270</td>
<td>1,265,982</td>
<td>3,307,447</td>
<td>16,196,699</td>
</tr>
<tr>
<td>OPERATING INCOME</td>
<td>4,617,200</td>
<td>898,929</td>
<td>82,330</td>
<td>5,598,459</td>
</tr>
<tr>
<td>NONOPERATING REVENUES (EXPENSES):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>538,070</td>
<td>177,507</td>
<td>9,700</td>
<td>725,277</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>189,259</td>
<td>-</td>
<td>-</td>
<td>189,259</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(437,159)</td>
<td>-</td>
<td>-</td>
<td>(437,159)</td>
</tr>
<tr>
<td>TOTAL NONOPERATING REVENUES (EXPENSES)</td>
<td>290,170</td>
<td>177,507</td>
<td>9,700</td>
<td>477,377</td>
</tr>
<tr>
<td>INCOME BEFORE TRANSFERS</td>
<td>4,907,370</td>
<td>1,076,436</td>
<td>92,030</td>
<td>6,075,836</td>
</tr>
<tr>
<td>TRANSFERS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers out</td>
<td>(2,452,932)</td>
<td>(208,913)</td>
<td>-</td>
<td>(2,661,845)</td>
</tr>
<tr>
<td>TOTAL TRANSFERS</td>
<td>(2,452,932)</td>
<td>(208,913)</td>
<td>-</td>
<td>(2,661,845)</td>
</tr>
<tr>
<td>CHANGES IN NET POSITION</td>
<td>2,454,438</td>
<td>867,523</td>
<td>92,030</td>
<td>3,413,991</td>
</tr>
<tr>
<td>NET POSITION - BEGINNING OF YEAR, AS RESTATED</td>
<td>18,044,320</td>
<td>10,353,074</td>
<td>847,587</td>
<td>29,244,981</td>
</tr>
<tr>
<td>NET POSITION - END OF YEAR</td>
<td>$ 20,498,758</td>
<td>11,220,597</td>
<td>939,617</td>
<td>32,658,972</td>
</tr>
</tbody>
</table>

See accompanying notes to the basic financial statements.

Page 54
## Statement of Cash Flows
### Proprietary Funds

Year ended June 30, 2019

### Business-Type Activities

<table>
<thead>
<tr>
<th></th>
<th>Water Utility</th>
<th>Sewer</th>
<th>Solid Waste</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from customers</td>
<td>16,253,387</td>
<td>2,150,599</td>
<td>3,359,321</td>
<td>21,763,307</td>
</tr>
<tr>
<td>Cash payments to suppliers of goods and services</td>
<td>(6,512,705)</td>
<td>(652,409)</td>
<td>(3,300,569)</td>
<td>(10,465,683)</td>
</tr>
<tr>
<td>Cash payments to employees for services</td>
<td>(2,501,823)</td>
<td>(151,169)</td>
<td>-</td>
<td>(2,652,992)</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED BY OPERATING ACTIVITIES</strong></td>
<td>7,238,859</td>
<td>1,347,021</td>
<td>58,752</td>
<td>8,644,632</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** |       |       |             |          |
| Cash received from grants | 189,259 | -   | -          | 189,259 |
| Cash paid to other funds | (2,766,932) | (208,913) | -          | (2,975,845) |
| **NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES** | (2,577,673) | (208,913) | -          | (2,786,586) |

| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** |       |       |             |          |
| Cash paid for acquisition and construction of capital assets | (1,937,655) | (137,960) | -          | (2,075,615) |
| Principal paid on debt | (535,000) | -   | -          | (535,000) |
| Interest paid on debt | (522,532) | -   | -          | (522,532) |
| **NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES** | (2,995,187) | (137,960) | -          | (3,133,147) |

| **CASH FLOWS FROM INVESTING ACTIVITIES:** |       |       |             |          |
| Investment income | 538,070 | 177,507 | 9,700 | 725,277 |
| **NET CASH PROVIDED BY INVESTING ACTIVITIES** | 538,070 | 177,507 | 9,700 | 725,277 |

| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** |       |       |             |          |
| Cash and cash equivalents - beginning of year | 16,213,969 | 5,120,039 | 604,131 | 21,938,139 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $18,418,038 | 6,297,694 | 672,583 | 25,388,315 |

See accompanying notes to the basic financial statements.
CITY OF FOUNTAIN VALLEY

Statement of Cash Flows
Proprietary Funds
(Continued)

Year ended June 30, 2019

<table>
<thead>
<tr>
<th>Business-Type Activities</th>
<th>Water Utility</th>
<th>Sewer</th>
<th>Solid Waste</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>$ 4,617,200</td>
<td>898,929</td>
<td>82,330</td>
<td>5,598,459</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,071,577</td>
<td>297,555</td>
<td>-</td>
<td>1,369,132</td>
</tr>
<tr>
<td>Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in accounts receivable</td>
<td>(63,583)</td>
<td>(14,312)</td>
<td>(30,456)</td>
<td>(108,351)</td>
</tr>
<tr>
<td>(Increase) decrease in prepaid items</td>
<td>(162,569)</td>
<td>-</td>
<td>-</td>
<td>(162,569)</td>
</tr>
<tr>
<td>(Increase) decrease in deferred outflows of resources from OPEB plan</td>
<td>(216,839)</td>
<td>(100,229)</td>
<td>-</td>
<td>(317,068)</td>
</tr>
<tr>
<td>(Increase) decrease in deferred outflows of resources from pension plans</td>
<td>(365,388)</td>
<td>(82,953)</td>
<td>-</td>
<td>(448,341)</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable</td>
<td>1,512,257</td>
<td>43,092</td>
<td>6,878</td>
<td>1,562,227</td>
</tr>
<tr>
<td>Increase (decrease) in deposits payable</td>
<td>76,500</td>
<td>-</td>
<td>-</td>
<td>76,500</td>
</tr>
<tr>
<td>Increase (decrease) in compensated absences</td>
<td>4,670</td>
<td>(9,292)</td>
<td>-</td>
<td>(4,622)</td>
</tr>
<tr>
<td>Increase (decrease) in net OPEB liability</td>
<td>349,567</td>
<td>70,165</td>
<td>-</td>
<td>419,732</td>
</tr>
<tr>
<td>Increase (decrease) in net pension liability</td>
<td>(1,565,752)</td>
<td>(355,468)</td>
<td>-</td>
<td>(1,921,220)</td>
</tr>
<tr>
<td>Increase (decrease) in deferred inflows of resources from OPEB plan</td>
<td>1,424,669</td>
<td>471,820</td>
<td>-</td>
<td>1,896,489</td>
</tr>
<tr>
<td>Increase (decrease) in deferred inflows of resources from pension plans</td>
<td>562,550</td>
<td>127,714</td>
<td>-</td>
<td>690,264</td>
</tr>
</tbody>
</table>

NET CASH PROVIDED BY OPERATING ACTIVITIES: | $ 7,238,859 | 1,347,021 | 58,752 | 8,644,632 |

CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION: | | | | |
| Cash and cash equivalents | $ 13,458,923 | 6,297,694 | 672,583 | 20,429,200 |
| Restricted cash and cash equivalents | 4,959,115 | - | - | 4,959,115 |

TOTAL CASH AND CASH EQUIVALENTS: | $ 18,418,038 | 6,297,694 | 672,583 | 25,388,315 |

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES: | | | | |
| Amortization of bond premium | $ 74,674 | - | - | 74,672 |

See accompanying notes to the basic financial statements.
CITY OF FOUNTAIN VALLEY

Statement of Fiduciary Net Position

June 30, 2019

<table>
<thead>
<tr>
<th>Private-Purpose Trust Funds</th>
<th>Other Post-Employment Benefit (OPEB) Trust Fund</th>
<th>Agency Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$ 783,943</td>
<td>$ 339,346</td>
</tr>
<tr>
<td>Cash and investments held by trust:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market mutual funds</td>
<td>-</td>
<td>349,424</td>
</tr>
<tr>
<td>Mutual funds - equity</td>
<td>-</td>
<td>5,753,328</td>
</tr>
<tr>
<td>Mutual funds - fixed income</td>
<td>-</td>
<td>5,210,687</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>783,943</td>
<td>11,313,439</td>
</tr>
</tbody>
</table>

| LIABILITIES:                |                                                 |             |
| Accounts payable            | 119,686                                         | $           |
| Deposits payable            | -                                               | -           | 339,346     |
| TOTAL LIABILITIES           | 119,686                                         | -           | $ 339,346   |

| NET POSITION:               |                                                 |             |
| Held in trust for Successor Agency | 664,257         | -           |
| Restricted for OPEB         | -                                               | 11,313,439  |
| TOTAL NET POSITION          | $ 664,257                                       | 11,313,439  |

See accompanying notes to the basic financial statements.
CITY OF FOUNTAIN VALLEY

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2019

<table>
<thead>
<tr>
<th></th>
<th>Private-Purpose Benefit (OPEB)</th>
<th>Other Post-Employment Benefit (OPEB)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trust Funds</td>
<td>Trust Fund</td>
</tr>
<tr>
<td><strong>ADDITIONS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$ 80,000</td>
<td>-</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>-</td>
<td>1,740,597</td>
</tr>
<tr>
<td>Net investment income</td>
<td>4,966</td>
<td>709,117</td>
</tr>
<tr>
<td><strong>TOTAL ADDITIONS</strong></td>
<td>84,966</td>
<td>2,449,714</td>
</tr>
<tr>
<td><strong>DEDUCTIONS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative expense</td>
<td>19,782</td>
<td>44,630</td>
</tr>
<tr>
<td>Community development</td>
<td>265,792</td>
<td>-</td>
</tr>
<tr>
<td>OPEB reimbursements outside of trust</td>
<td>-</td>
<td>1,740,597</td>
</tr>
<tr>
<td><strong>TOTAL DEDUCTIONS</strong></td>
<td>285,574</td>
<td>1,785,227</td>
</tr>
<tr>
<td><strong>CHANGE IN NET POSITION</strong></td>
<td>(200,608)</td>
<td>664,487</td>
</tr>
<tr>
<td><strong>NET POSITION - BEGINNING OF YEAR</strong></td>
<td>864,865</td>
<td>10,648,952</td>
</tr>
<tr>
<td><strong>NET POSITION - END OF YEAR</strong></td>
<td>$ 664,257</td>
<td>11,313,439</td>
</tr>
</tbody>
</table>

See accompanying notes to the basic financial statements.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Fountain Valley, California (City) have been prepared in accordance with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City’s significant accounting policies.

a. Reporting Entity

The City of Fountain Valley is a general law city governed by an elected five-member city council. As required by generally accepted accounting principles, these financial statements present the City of Fountain Valley (the primary government) and its component units. The component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relationship with the City. These entities are legally separate from the City. However, the City’s elected officials have a continuing full or partial accountability for fiscal matters of the other entities.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, a component unit’s balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit’s governing body is substantially the same as the City’s or the component unit provides services almost entirely to the City and the City either has a financial benefit or burden relationship or has operational responsibility for the component unit. The component units discussed below have governing bodies substantially the same as the City and the City has operational responsibility for them. Therefore, these component units of the City are blended within the financial statements of the City.

The Fountain Valley Housing Authority (Housing Authority) was established in 2011 to preserve the ability to provide affordable housing activities. The City provides management assistance to the Housing Authority and the members of the City Council also act as the Housing Authority’s governing body. The activities of the Housing Authority are reported in the Housing Authority Special Revenue Fund. Separate financial statements are not prepared for this blended component unit.

The Fountain Valley Public Financing Authority (Authority) was established on August 19, 2014, for the purpose of issuing tax exempt obligations for the water utility proprietary fund (2014 Revenue Bond) and for the City’s governmental activities (Lease Revenue Bond, Series 2016A and Clean Renewable Energy Bonds). The activities of the Authority are reported in the Water Utility Proprietary Fund and the Fountain Valley Public Financing Authority Debt Service Fund. Separate financial statements are not prepared for this blended component unit.

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

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to basic financial statements
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. In the government-wide financial statements, 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.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Accrual basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under 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. Revenue from property taxes is recognized in the fiscal year which the taxes are levied. Grants and similar items are recognized as revenues as soon as the eligibility requirements imposed by the provider have been satisfied. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories:

1. Charges for services,
2. Operating grants and contributions
3. Capital grants and contributions.

Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenses. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government’s Water Utility, Sewer, and Solid Waste functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity (net position), revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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.

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 fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities 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 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 are reported at gross amounts as transfers in/out. While this is the reporting method for the 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.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds

In the fund financial statements, governmental funds are presented using the modified-accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collected 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 and claims and judgments, 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.

Sales taxes, property taxes, franchise taxes, intergovernmental, rental income, transient occupancy taxes and special assessments are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period to the extent normally collected within the availability period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end for all revenue except for grant revenue for which the availability period is 180 days). Other revenue items are considered to be measurable and available when cash is received by the government.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally included on their balance sheets. The reported fund balance is considered to be a measure of “available spendable resources”. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds

Proprietary fund types are accounted for using the economic resources measurement focus and accrual basis of accounting. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with the activity are included on the statement of net position. Their reported fund equity presents total net position. The operating statement of the proprietary fund presents increases (revenues) and decreases (expenses) in total net position. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 water utility, sewer, and solid waste funds are charges to customers for sales and services. Operating expenses for proprietary funds include all cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City's Fiduciary private-purpose trust funds and OPEB trust fund are accounted for using the economic resources measurement focus and accrual basis of accounting. The private-purpose trust funds account for the assets held by the City for the Successor Agency to the Fountain Valley Agency for Community Development. The OPEB trust fund accounts for the activities of the City’s plan for post-retirement medical benefits. The City's Fiduciary agency funds have no measurement focus but utilize the accrual basis for reporting its assets and liabilities. The City uses agency funds to account for the collection and disbursement of funds for special deposits, and reimbursement agreements collected by the City on behalf of others. Because these funds are not available for use by the City, fiduciary funds are not included in the governmental-wide statements.

c. Fund Classifications

The City reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the City. It accounts for all activities of the general government, except those required to be accounted for in another fund.

**Housing Authority Special Revenue Fund** - This special revenue fund is used to account for the housing activities of the former Fountain Valley Agency for Community Development. Funding sources consists primarily of loan repayments and corresponding interest that are used to increase, improve, and preserve the community’s supply of low and moderate income housing.

The City of Fountain Valley reports the following major enterprise funds:

**Water Utility Fund** - This enterprise fund is used to account for the provision of water to the residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operation, maintenance, construction, financing and related debt service.

**Sewer Utility Fund** - This enterprise fund is used to account for fees and services for sewer activities.

**Solid Waste Fund** - This enterprise fund accounts for fees and services for trash disposal.
Additionally, the government reports the following fund types:

The **Special Revenue Funds** are used to account for proceeds of specific revenue sources that are legally restricted or otherwise assigned for specific purposes.

The **Debt Service Funds** are used to account for resources restricted or assigned for expenditure of principal and interest.

The **Capital Projects Funds** are used to account for resources restricted or assigned for capital improvements.

The **Private-Purpose Trust Fiduciary Funds** account for the activities of the Successor Agency of the former Fountain Valley Agency for Community Development.

The **Other Post-Employment Benefit (OPEB) Trust Fiduciary Fund** accounts for resources of the trust fund established for the purpose of pre-funding pension obligations.

The **Agency Fiduciary Funds** account for special deposits and reimbursement agreements collected by the City on behalf of others.

d. Accounting Changes

New Governmental Accounting Standards Implemented for the Year Ended June 30, 2019:


- GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period, effective for periods beginning after December 15, 2019.

Upcoming Governmental Accounting Standards Implementation:

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:


NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)


e. Cash and Investments

Investments are reported in the accompanying basic financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments in external pools are valued based on the stated fair value represented by the external pool.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of 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.

f. Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of 3 months or less. Cash equivalents represent the proprietary funds’ share in the cash and investment pool of the City of Fountain Valley.

g. Inventories

Inventories are stated at average cost. Physical counts of inventory are taken on a cyclical basis during each fiscal year with perpetual records adjusted to actual at that time. The City uses the consumption method of accounting for inventories.

h. Prepaid Items

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid expenses in both government-wide and fund financial statements utilizing the consumption method.

i. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at acquisition value on the date of donation. Capital assets subject to lease obligations are valued at the present value of future lease payments at the inception of the lease.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation of all exhaustible capital assets used by the governmental and business-type activities is charged as an expense against their operations. Accumulated depreciation is reported on the statement of net position.

Depreciation has been calculated using the straight-line method over the following estimated useful lives:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>25 - 40 years</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>10 - 50 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>3 - 25 years</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>10 years</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>10 years</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>20 - 50 years</td>
</tr>
<tr>
<td>Reservoirs</td>
<td>60 years</td>
</tr>
<tr>
<td>Wells, pumps and mains</td>
<td>25 - 75 years</td>
</tr>
<tr>
<td>Water meters and hydrants</td>
<td>30 years</td>
</tr>
<tr>
<td>Other water equipment</td>
<td>6 - 25 years</td>
</tr>
</tbody>
</table>

Depreciation has been calculated using the straight-line method over the following estimated useful lives (continued):

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reservoirs</td>
<td>60 years</td>
</tr>
<tr>
<td>Wells, pumps and mains</td>
<td>25 - 75 years</td>
</tr>
<tr>
<td>Water meters and hydrants</td>
<td>30 years</td>
</tr>
<tr>
<td>Other water equipment</td>
<td>6 - 25 years</td>
</tr>
</tbody>
</table>

The following schedule shows the minimum threshold at which the various types of asset purchases are capitalized when the estimated useful life is in excess of one year:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Capitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land/land improvements</td>
<td>Capitalize All</td>
</tr>
<tr>
<td>Buildings</td>
<td>$ 50,000</td>
</tr>
<tr>
<td>Building improvements</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>Structures and improvements other than buildings</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>Equipment and vehicles</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>$ 100,000</td>
</tr>
</tbody>
</table>

The City has reported all capital assets including infrastructure in the government-wide statement of net position. The City has elected to use the depreciation approach using the straight-line depreciation method for some of the infrastructure assets and the modified approach for others, in which the City agrees to maintain those assets at a specified level of maintenance. Those assets reported using the depreciation method are traffic signals, sewers, and storm drains. Those assets reported using the modified approach are arterial pavement, local pavement, curbs and gutters and sidewalks.

j. 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 that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Deferred outflows related to OPEB and pension plans equal to employer contributions made after the measurement date of the net OPEB liability and the net pension liability.

- Deferred outflows related to OPEB and pensions for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

- Deferred outflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.

- Deferred outflows related to pensions resulting from the difference between projected and actual earnings on plan investments of the pension plans fiduciary net position. These amounts are amortized over five years.

- Deferred outflows related to pension plans for the changes in the employer’s proportion and differences between the employer’s contributions and the employer’s proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

In addition to liabilities, the statement of net position and governmental funds balance sheet 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 that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from unavailable revenues, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Deferred inflows related to pensions for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.

- Deferred inflows from OPEB and pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the plans.

- Deferred inflows related to pensions for the changes in employer’s proportion and differences between the employer’s contributions and the employer’s proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Deferred inflows related to OPEB resulting from the difference between projected and actual earnings on plan investments of the OPEB plan’s fiduciary net position. These amounts are amortized over five years.

k. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities based on complex formulas. Accordingly, the City of Fountain Valley accrues only those taxes which are received within 60 days after year-end.

The property tax calendar is as follows:
- Lien Date: January 1
- Levy Date: July 1
- Due Date: First Installment - November 1
- Second Installment - February 1
- Delinquent Date: First Installment - December 10
- Second Installment - April 10

l. Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability (including incurred but not reported) has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in the government-wide financial statements and has typically been paid from the City’s general fund.

m. Employee Leave Benefits

A liability is recorded for unused vacation and similar compensatory leave balances since the employees’ entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

A liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

If material, a proprietary fund liability is accrued for all leave benefits relating to the operations of the proprietary funds. A current liability is accrued in the governmental funds for material leave benefits due on demand to governmental fund employees that have terminated prior to year-end. All other amounts are recorded in the government-wide financial statements. These non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Net Position

The government-wide financial statements, proprietary fund statements and fiduciary fund statements utilize a net position presentation. Net position is classified in the following categories:

Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - This amount is restricted by enabling legislation (such as external creditors, grantors, contributors, or laws or regulations of other governments) and includes unspent proceeds of bonds issued to acquire or construct capital assets.

Unrestricted net position - This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

o. Net Position Flow Assumption:

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s practice to consider restricted net position to have been depleted before unrestricted net position is applied, unless otherwise directed by Council.

p. Fund Balances

Fund balances are reported in the fund statements in the following classifications:

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

Restricted Fund Balance - this includes amounts that can be spent only for specific purposes stipulated by legal requirements imposed by other governments, external resource providers, or creditors. City Council imposed restrictions do not create restricted fund balance unless the legal document that initially authorized the revenue (associated with that portion of fund balance) also included language that specified the limited use for which the authorized revenues were to be expended.

Committed Fund Balance - this includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (for example, resolution, ordinance, minutes action, etc.) that it employed to previously commit those amounts. If the Council action that limits the use of the funds was separate from the action that initially created the revenues that form the basis for the fund balance, then the resultant fund balance is considered to be committed, not restricted. The City considers a resolution to constitute the highest formal action of City Council for the purposes of establishing committed fund balance.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned Fund Balance - this includes amounts that are intended to be used for specific purposes as indicated either by City Council or by persons to whom City Council has delegated the authority to assign amounts for specific purposes. City Council has not delegated this authority.

Unassigned Fund Balance - this includes the remaining spendable amounts which are not included in one of the other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Only the General Fund shows a positive unassigned fund balance.

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

The emergencies stabilization arrangement amount of $14,200,000 is presented as committed fund balance in the General Fund and has been formally approved by the City Council. This balance is to be utilized when the City Council declares an emergency for natural disasters or financial emergencies. A financial emergency is considered when annual general fund operating revenues decrease or expenditures increase by 5% or more. City Council authorization, through the declaration of an emergency is required for use of this amount.

q. OPEB

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s OPEB Plan and additions to/deductions from the OPEB Plans’ fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the City’s OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

r. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ 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.

s. Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
NOTE 2 - CASH AND INVESTMENTS

Cash and Investments

Cash and investments as of June 30, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:
Cash and investments $ 89,218,074
Restricted cash and investments 3,327,432
Restricted cash and investments - pension 7,675,627

Statement of Fiduciary Net Position:
Cash and investments 1,123,289
Cash and investments held by trust 11,313,439

Total cash and investments $ 112,657,861

Cash and investments held by the City at June 30, 2019 consisted of the following:

Cash on hand $ 43,025
Deposits with financial institutions 17,814,142
Investments 94,800,694

Total cash and investments $ 112,657,861

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.
NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City or the investment of the funds within the pooled trusts with PARS and CERBT that are governed by the agreements between the City and the trustee, rather than the general provisions of the California Government Code or the City’s investment policy.

<table>
<thead>
<tr>
<th>Investment Types Authorized by State Law</th>
<th>Authorized by Investment Policy</th>
<th>Maximum Maturity*</th>
<th>Maximum Percentage of Portfolio*</th>
<th>Maximum Investment in One Issuer*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Bonds</td>
<td>Yes</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Treasury Obligations</td>
<td>Yes</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>U.S. Government Sponsored Agency Securities</td>
<td>Yes</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Banker’s Acceptances</td>
<td>Yes</td>
<td>180 days</td>
<td>40%</td>
<td>5%</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>Yes</td>
<td>270 days</td>
<td>25%</td>
<td>5%</td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>Yes</td>
<td>5 years</td>
<td>30%</td>
<td>5%</td>
</tr>
<tr>
<td>Repurchase Agreements</td>
<td>Yes</td>
<td>1 year</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Medium-Term Notes</td>
<td>Yes</td>
<td>5 years</td>
<td>30%</td>
<td>5%</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>Yes</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>Yes</td>
<td>N/A</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>Mortgage Pass-Through Securities</td>
<td>Yes</td>
<td>5 years</td>
<td>20%</td>
<td>5%</td>
</tr>
<tr>
<td>Local Agency Investment Funds</td>
<td>Yes</td>
<td>N/A</td>
<td>$50 million</td>
<td>None</td>
</tr>
<tr>
<td>JPA Pools (other investment pools)</td>
<td>Yes</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Supranational Investments</td>
<td>Yes</td>
<td>5 years</td>
<td>30%</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Based on state law requirements or the City’s investment policy requirements, whichever is more restrictive.
N/A - Not Applicable

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 flows and liquidity needed for operations.
Disclosures Relating to Interest Rate Risk

Information about the sensitivity of the fair values of the City’s investments (including those held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity. For purposes of the schedule shown below, any callable securities are assumed to be held to maturity.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>12 Months or Less</th>
<th>13 to 24 Months</th>
<th>25 to 60 Months</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund</td>
<td>$ 3,070,929</td>
<td>-</td>
<td>-</td>
<td>3,070,929</td>
</tr>
<tr>
<td>U.S. Government Sponsored Agency Securities</td>
<td>2,292,817</td>
<td>8,800,772</td>
<td>3,799,661</td>
<td>14,983,250</td>
</tr>
<tr>
<td>U.S. Treasury Notes</td>
<td>423,041</td>
<td>5,243,292</td>
<td>5,612,173</td>
<td>11,278,506</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>139,377</td>
<td>-</td>
<td>-</td>
<td>139,377</td>
</tr>
<tr>
<td>Medium-Term Notes</td>
<td>999,518</td>
<td>3,856,044</td>
<td>5,537,955</td>
<td>10,393,517</td>
</tr>
<tr>
<td>Mortgage Pass-Through Securities</td>
<td>4,461</td>
<td>1,140,004</td>
<td>1,458,200</td>
<td>2,602,665</td>
</tr>
<tr>
<td>Supranational Investments</td>
<td>499,459</td>
<td>1,281,974</td>
<td>324,520</td>
<td>2,105,953</td>
</tr>
<tr>
<td>Held by Fiscal Agent:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>3,327,432</td>
<td>-</td>
<td>-</td>
<td>3,327,432</td>
</tr>
<tr>
<td>Held by Trust:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PARS Pooled Trust - OPEB:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>349,424</td>
<td>-</td>
<td>-</td>
<td>349,424</td>
</tr>
<tr>
<td>Mutual Funds - Equity</td>
<td>5,753,328</td>
<td>-</td>
<td>-</td>
<td>5,753,328</td>
</tr>
<tr>
<td>Mutual Funds - Fixed Income</td>
<td>5,210,687</td>
<td>-</td>
<td>-</td>
<td>5,210,687</td>
</tr>
<tr>
<td>PARS Pooled Trust - Pension:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>254,730</td>
<td>-</td>
<td>-</td>
<td>254,730</td>
</tr>
<tr>
<td>Mutual Funds - Equity</td>
<td>3,179,479</td>
<td>-</td>
<td>-</td>
<td>3,179,479</td>
</tr>
<tr>
<td>Mutual Funds - Fixed Income</td>
<td>4,241,417</td>
<td>-</td>
<td>-</td>
<td>4,241,417</td>
</tr>
<tr>
<td>Total</td>
<td>$ 57,746,099</td>
<td>20,322,086</td>
<td>16,732,509</td>
<td>94,800,694</td>
</tr>
</tbody>
</table>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented on the following page is the minimum rating required by (where applicable) the California Government Code, the City’s investment policy, or debt agreements, and the Standard and Poor’s actual rating as of fiscal year end for each investment type.
NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The ratings for the “Other” category above are as follows:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Total as of June 30, 2019</th>
<th>AA</th>
<th>AA-</th>
<th>A+</th>
<th>A</th>
<th>A-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Agency Investment Fund</td>
<td>N/A</td>
<td>$31,070,929</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>31,070,929</td>
</tr>
<tr>
<td>U.S. Government Sponsored Agency Securities</td>
<td>N/A</td>
<td>14,893,250</td>
<td>14,893,250</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S. Treasury Notes</td>
<td>N/A</td>
<td>11,278,506</td>
<td>11,278,506</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>A</td>
<td>139,377</td>
<td>139,377</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Medium-Term Notes</td>
<td>A</td>
<td>10,393,517</td>
<td>361,892</td>
<td>515,057</td>
<td>9,516,568</td>
<td>-</td>
</tr>
<tr>
<td>Mortgage Pass-Through Securities</td>
<td>AA</td>
<td>2,602,665</td>
<td>2,602,665</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Supranational Investments</td>
<td>AA</td>
<td>2,105,953</td>
<td>2,105,953</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Held by Fiscal Agent:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>A</td>
<td>3,327,432</td>
<td>3,327,432</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Held by Trust:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PARS Pooled Trust - OPEB:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>N/A</td>
<td>349,424</td>
<td>349,424</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mutual Funds - Equity</td>
<td>N/A</td>
<td>5,753,328</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,753,328</td>
</tr>
<tr>
<td>Mutual Funds - Fixed Income</td>
<td>N/A</td>
<td>5,210,687</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,210,687</td>
</tr>
<tr>
<td>PARS Pooled Trust - Pension:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market Mutual Funds</td>
<td>N/A</td>
<td>254,730</td>
<td>254,730</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mutual Funds - Equity</td>
<td>N/A</td>
<td>3,179,479</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,179,479</td>
</tr>
<tr>
<td>Mutual Funds - Fixed Income</td>
<td>N/A</td>
<td>4,241,417</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,241,417</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$94,800,694</td>
<td>24,034,723</td>
<td>11,793,563</td>
<td>9,516,568</td>
<td>49,455,840</td>
</tr>
</tbody>
</table>

The ratings for the “Other” category above are as follows:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Total as of June 30, 2019</th>
<th>AA</th>
<th>AA-</th>
<th>A+</th>
<th>A</th>
<th>A-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-Term Notes</td>
<td>$9,516,568</td>
<td>1,576,930</td>
<td>497,469</td>
<td>794,960</td>
<td>5,599,772</td>
<td>1,047,437</td>
</tr>
</tbody>
</table>

Concentration of Credit Risk

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Investment Type</th>
<th>Reported Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Home Loan Bank</td>
<td>U.S. Government Sponsored Agency Securities</td>
<td>5,848,360</td>
</tr>
</tbody>
</table>
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. At June 30, 2019, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law.

For investments identified herein as held by bond trustee, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the City.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not rated.

Cash and Investments - OPEB and Pension Trusts

The City pre-funds the City’s pension plans and OPEB health plan through tax qualified irrevocable trusts, organized under Internal Revenue Code Section 115. OPEB and Pension trust fund assets are held on behalf of the City by the Public Agency Retirement Services (PARS). The City provides investment direction and determines the amount and timing of disbursements for PARS trust fund assets.
NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Those guidelines are as follows:

Risk Tolerance  Moderate

Risk Management  The portfolio is constructed to control risk through four layers of diversification - asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

Investment Objective  To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.

Strategic Ranges

**OPEB**
- 0% - 10% Cash
- 40% - 60% Fixed Income
- 40% - 60% Equity

**Pension**
- 0% - 10% Cash
- 45% - 65% Fixed Income
- 30% - 50% Equity

**Fair Value Measurements**

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets, and Level 3 inputs are significant unobservable inputs.
NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

The City has the following recurring fair value measurements as of June 30, 2019:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Quoted Prices</th>
<th>Observable Inputs</th>
<th>Unobservable Inputs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
<td></td>
</tr>
<tr>
<td>U.S. Government Sponsored</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agency Securities</td>
<td>$</td>
<td>14,893,250</td>
<td>-</td>
<td>14,893,250</td>
</tr>
<tr>
<td>U.S. Treasury Notes</td>
<td>-</td>
<td>11,278,506</td>
<td>-</td>
<td>11,278,506</td>
</tr>
<tr>
<td>Medium-Term Notes</td>
<td>-</td>
<td>10,393,517</td>
<td>-</td>
<td>10,393,517</td>
</tr>
<tr>
<td>Mortgage Pass-Through Securities</td>
<td>-</td>
<td>2,602,665</td>
<td>-</td>
<td>2,602,665</td>
</tr>
<tr>
<td>Supranational Investments</td>
<td>-</td>
<td>2,105,953</td>
<td>-</td>
<td>2,105,953</td>
</tr>
<tr>
<td>Held by Trust:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PARS Pooled Trust - OPEB:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual Funds - Equity</td>
<td>5,753,328</td>
<td>-</td>
<td>-</td>
<td>5,753,328</td>
</tr>
<tr>
<td>Mutual Funds - Fixed Income</td>
<td>5,210,687</td>
<td>-</td>
<td>-</td>
<td>5,210,687</td>
</tr>
<tr>
<td>PARS Pooled Trust - Pension:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual Funds - Equity</td>
<td>3,179,479</td>
<td>-</td>
<td>-</td>
<td>3,179,479</td>
</tr>
<tr>
<td>Mutual Funds - Fixed Income</td>
<td>4,241,417</td>
<td>-</td>
<td>-</td>
<td>4,241,417</td>
</tr>
<tr>
<td>Total Leveled Investments</td>
<td>$ 18,384,911</td>
<td>41,273,891</td>
<td>-</td>
<td>59,658,802</td>
</tr>
<tr>
<td>Local Agency Investment Fund *</td>
<td></td>
<td></td>
<td></td>
<td>31,070,929</td>
</tr>
<tr>
<td>Money Market Mutual Funds *</td>
<td></td>
<td></td>
<td></td>
<td>139,377</td>
</tr>
<tr>
<td>Held by Fiscal Agent:</td>
<td></td>
<td></td>
<td></td>
<td>3,327,432</td>
</tr>
<tr>
<td>Money Market Mutual Funds *</td>
<td></td>
<td></td>
<td></td>
<td>349,424</td>
</tr>
<tr>
<td>Held by Trust:</td>
<td></td>
<td></td>
<td></td>
<td>254,730</td>
</tr>
<tr>
<td>PARS Pooled Trust - OPEB:</td>
<td></td>
<td></td>
<td></td>
<td>94,800,694</td>
</tr>
<tr>
<td>Money Market Mutual Funds *</td>
<td></td>
<td></td>
<td></td>
<td>31,070,929</td>
</tr>
<tr>
<td>Money Market Mutual Funds *</td>
<td></td>
<td></td>
<td></td>
<td>139,377</td>
</tr>
<tr>
<td>Money Market Mutual Funds *</td>
<td></td>
<td></td>
<td></td>
<td>3,327,432</td>
</tr>
<tr>
<td>Money Market Mutual Funds *</td>
<td></td>
<td></td>
<td></td>
<td>349,424</td>
</tr>
<tr>
<td>Total Investment Portfolio</td>
<td></td>
<td></td>
<td></td>
<td>254,730</td>
</tr>
</tbody>
</table>

* Not subject to fair value measurement hierarchy

NOTE 3 - INTERFUND ACTIVITY

The following represents the interfund activity of the City for the fiscal year ended June 30, 2019.

Due to/From Other Funds

<table>
<thead>
<tr>
<th>Receivable Fund</th>
<th>Payable Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>Other Governmental Funds</td>
<td>$38,413</td>
</tr>
<tr>
<td>Other Governmental Funds</td>
<td>Other Governmental Funds</td>
<td>72,414</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$110,827</td>
</tr>
</tbody>
</table>

Current interfund balances arise in the normal course of business and to assist funds with negative cash balance at fiscal year-end. They are expected to be repaid shortly after the end of the fiscal year.
TRANSFERS IN/OUT

The following schedule summarizes the City’s transfer activity:

<table>
<thead>
<tr>
<th>Transfers In</th>
<th>Transfers Out</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>Other Governmental Funds (a)</td>
<td>725,770</td>
</tr>
<tr>
<td>Water Utility Fund (b)</td>
<td>Sewer Fund (b)</td>
<td>2,383,252</td>
</tr>
<tr>
<td></td>
<td></td>
<td>168,083</td>
</tr>
<tr>
<td>Other Governmental Funds</td>
<td>General Fund (c)</td>
<td>1,696,032</td>
</tr>
<tr>
<td>Water Utility Fund (e)</td>
<td>Sewer Fund (f)</td>
<td>69,680</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40,830</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7,933,565</td>
</tr>
</tbody>
</table>

(a) Transfers into the General Fund include $398,108 from Other Government Fund to fund HUT 2107 Pass-Thru to General Fund, $159,310 from the Measure M2 Special Revenue Fund for funding assistance for the Senior Mobility Program, $106,815 from the AQMD Fund for the purchase of three vehicles, and $61,537 from the Federal Asset Seizure Fund for the partial purchase of a SWAT vehicle.

(b) Transfers into the General Fund include $540,344 from the Water Utility Fund for OPEB Charges by fund and for UAL Charges by fund, $168,083 to the General Fund from Sewer Fund to fund certain projects and OPEB Charges. Additionally, $1,842,908 was transferred from the Water Fund to the General Fund to pay for the use of land and buildings and administrative services.

(c) Transfers out of the General Fund include $1,082,304 to the Fountain Valley Public Financing Authority Debt Service Fund for debt service payments on the Lease Revenue Bonds, Series 2016A and the 2017 Clean Revenue Renewal Energy Bonds, $613,728 to the Gas Tax fund for residential road rehabilitation.

(d) Transfers out of the Measure M2 Special Revenue Fund into the Traffic Improvement Fund for $983,645 for funding assistance for various capital projects. Transfers out Road Maintenance and Rehabilitation (SB1) Fund for $945,134 into the Gas Tax Fund for residential road rehabilitation. Transfers out of the Road Maintenance and Rehabilitation (SB1) Fund into the Traffic Improvement Fund for $320,000 for the Euclid St. Rehabilitation. Transfers out of the Fountain Valley Public Financing Authority Capital Projects Fund into the Drainage Capital Projects Fund for $601,139 to fund storm drain pump station projects.

(e) Transfers out of the Water Utility Proprietary Fund into Traffic Improvement Fund for $14,000 to fund water related expenses incurred by project TI271 Euclid St. Rehabilitation, and into the Gas Tax Fund for $55,680 to fund water related expenses incurred by residential road rehabilitation projects.

(f) Transfers out of the Water Utility Proprietary Fund into Traffic Improvement Fund for $15,000 to fund water related expenses incurred by project TI271 Euclid St. Rehabilitation, and into the Gas Tax Fund for $25,830 to fund water related expenses incurred by residential road rehabilitation projects.
## NOTE 4 - CAPITAL ASSETS

### Governmental Activities

Changes in capital assets for governmental activities for the year ended June 30, 2019 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance at</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance at</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July 1, 2018</td>
<td></td>
<td></td>
<td>June 30, 2019</td>
</tr>
<tr>
<td>Capital assets, not depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Modified approach)</td>
<td>$63,548,697</td>
<td>-</td>
<td>-</td>
<td>63,548,697</td>
</tr>
<tr>
<td>Land</td>
<td>3,885,105</td>
<td>-</td>
<td>(22,514)</td>
<td>3,862,591</td>
</tr>
<tr>
<td>Right of way</td>
<td>17,948,464</td>
<td>-</td>
<td>-</td>
<td>17,948,464</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,543,810</td>
<td>3,964,304</td>
<td>(3,798,149)</td>
<td>1,709,965</td>
</tr>
<tr>
<td>Total capital assets, not depreciated</td>
<td>86,926,076</td>
<td>3,964,304</td>
<td>(3,820,663)</td>
<td>87,069,717</td>
</tr>
<tr>
<td>Capital assets, being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>17,992,149</td>
<td>958,394</td>
<td>-</td>
<td>18,950,543</td>
</tr>
<tr>
<td>Improvements</td>
<td>8,486,888</td>
<td>802,984</td>
<td>-</td>
<td>9,289,872</td>
</tr>
<tr>
<td>Vehicles and equipment</td>
<td>11,226,860</td>
<td>1,649,833</td>
<td>(959,943)</td>
<td>11,916,750</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>20,302</td>
<td>-</td>
<td>-</td>
<td>20,302</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>20,051,275</td>
<td>2,078,273</td>
<td>-</td>
<td>22,129,548</td>
</tr>
<tr>
<td>(Depreciation approach)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total capital assets, being depreciated</td>
<td>57,777,474</td>
<td>5,489,484</td>
<td>(959,943)</td>
<td>62,307,015</td>
</tr>
<tr>
<td>Less accumulated depreciation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>(10,138,436)</td>
<td>(418,780)</td>
<td>-</td>
<td>(10,557,216)</td>
</tr>
<tr>
<td>Improvements</td>
<td>(1,759,193)</td>
<td>(490,308)</td>
<td>-</td>
<td>(2,249,501)</td>
</tr>
<tr>
<td>Vehicles and equipment</td>
<td>(7,055,299)</td>
<td>(960,262)</td>
<td>956,272</td>
<td>(7,059,289)</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>(14,126)</td>
<td>(1,373)</td>
<td>-</td>
<td>(15,499)</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>(15,240,230)</td>
<td>(636,052)</td>
<td>-</td>
<td>(15,876,282)</td>
</tr>
<tr>
<td>(Depreciation approach)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total accumulated depreciation</td>
<td>(34,207,284)</td>
<td>(2,506,775)</td>
<td>956,272</td>
<td>(35,757,787)</td>
</tr>
<tr>
<td>Total capital assets, being depreciated, net</td>
<td>23,570,190</td>
<td>2,982,709</td>
<td>(3,671)</td>
<td>26,549,228</td>
</tr>
<tr>
<td>Governmental activities capital assets, net</td>
<td>$110,496,266</td>
<td>6,947,013</td>
<td>(3,824,334)</td>
<td>113,618,945</td>
</tr>
</tbody>
</table>
**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

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

<table>
<thead>
<tr>
<th>Function</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>$ 302,536</td>
</tr>
<tr>
<td>Transportation</td>
<td>696,977</td>
</tr>
<tr>
<td>Public safety</td>
<td>2,273</td>
</tr>
<tr>
<td>Community development</td>
<td>977,983</td>
</tr>
<tr>
<td>Community services</td>
<td>527,006</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,506,775</strong></td>
</tr>
</tbody>
</table>

### Business-type Activities

Changes in capital assets for business-type activities for the fiscal year ended June 30, 2019 were as follows:

<table>
<thead>
<tr>
<th>Function</th>
<th>Balance at July 1, 2018</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance at June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital assets, not depreciated:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 123,076</td>
<td>-</td>
<td>-</td>
<td>123,076</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,179,294</td>
<td>2,075,615</td>
<td>(859,637)</td>
<td>2,395,272</td>
</tr>
<tr>
<td><strong>Total capital assets, not depreciated</strong></td>
<td>1,302,370</td>
<td>2,075,615</td>
<td>(859,637)</td>
<td>2,518,348</td>
</tr>
<tr>
<td><strong>Capital assets, being depreciated:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>21,757,419</td>
<td>729,723</td>
<td>-</td>
<td>22,487,142</td>
</tr>
<tr>
<td>Improvements</td>
<td>28,389,940</td>
<td>129,914</td>
<td>-</td>
<td>28,519,854</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>252,088</td>
<td>-</td>
<td>-</td>
<td>252,088</td>
</tr>
<tr>
<td><strong>Total capital assets, being depreciated</strong></td>
<td>50,399,447</td>
<td>859,637</td>
<td>-</td>
<td>51,259,084</td>
</tr>
<tr>
<td><strong>Less accumulated depreciation:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>(9,576,877)</td>
<td>(507,777)</td>
<td>-</td>
<td>(10,084,654)</td>
</tr>
<tr>
<td>Improvements</td>
<td>(12,085,534)</td>
<td>(840,393)</td>
<td>-</td>
<td>(12,925,927)</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>(136,963)</td>
<td>(20,962)</td>
<td>-</td>
<td>(157,925)</td>
</tr>
<tr>
<td><strong>Total accumulated depreciation</strong></td>
<td>(21,799,374)</td>
<td>(1,369,132)</td>
<td>-</td>
<td>(23,168,506)</td>
</tr>
<tr>
<td><strong>Total capital assets, being depreciated, net</strong></td>
<td>28,600,073</td>
<td>(509,495)</td>
<td>-</td>
<td>28,090,578</td>
</tr>
<tr>
<td><strong>Business-type activities capital assets, net</strong></td>
<td>$ 29,902,443</td>
<td>1,566,120</td>
<td>(859,637)</td>
<td>30,608,926</td>
</tr>
</tbody>
</table>

Depreciation expense in the amount of $1,071,577 and $297,555 was charged to the Water Utility and Sewer Funds, respectively.
NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the governmental activities for the year ended June 30, 2019 (including unamortized discounts and refunding costs) are as follows:

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>Balance at July 1, 2018</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance at June 30, 2019</th>
<th>Due within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable Pension Obligation Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2015A</td>
<td>$15,995,000</td>
<td>-</td>
<td>(510,000)</td>
<td>15,485,000</td>
<td>570,000</td>
</tr>
<tr>
<td>Less: Unamortized Bond Discount</td>
<td>(298,463)</td>
<td>-</td>
<td>17,386</td>
<td>(281,077)</td>
<td>-</td>
</tr>
<tr>
<td>Lease Revenue Bonds, Series 2016A</td>
<td>12,030,000</td>
<td>-</td>
<td>(450,000)</td>
<td>11,580,000</td>
<td>465,000</td>
</tr>
<tr>
<td>Add: Unamortized Bond Premium</td>
<td>823,123</td>
<td>-</td>
<td>(44,897)</td>
<td>778,226</td>
<td>-</td>
</tr>
<tr>
<td>2017 Clean Renewable Energy Bonds</td>
<td>2,807,768</td>
<td>-</td>
<td>(86,105)</td>
<td>2,721,663</td>
<td>103,981</td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>2,162,481</td>
<td>2,362,371</td>
<td>(2,423,027)</td>
<td>2,101,825</td>
<td>1,654,662</td>
</tr>
<tr>
<td>Claims and Judgements (Note 6)</td>
<td>4,033,717</td>
<td>2,212,358</td>
<td>(1,857,217)</td>
<td>4,388,858</td>
<td>1,097,215</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$37,553,626</strong></td>
<td><strong>4,574,729</strong></td>
<td><strong>(5,353,860)</strong></td>
<td><strong>36,774,495</strong></td>
<td><strong>3,890,858</strong></td>
</tr>
</tbody>
</table>

2017 Clean Renewable Energy Bonds

On January 7, 2017, the Fountain Valley Public Financing Authority issued $2,843,166 in Clean Renewable Energy bonds for the financing of the City’s energy efficiency project including the acquisition, construction, and installation of solar photovoltaic systems. The bonds are payable from Lease Payments to be made by the City to the Fountain Valley Public Financing Authority. The bonds bear interest of 4.44%, payable semiannually on March 1 and September 1, commencing September 1, 2017. The amount of bonds outstanding at June 30, 2019 is $2,721,663.

Future debt service principal and interest payments on the 2017 Clean Renewable Energy Bonds are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30,</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$103,981</td>
<td>119,716</td>
<td>223,697</td>
</tr>
<tr>
<td>2021</td>
<td>109,205</td>
<td>115,042</td>
<td>224,247</td>
</tr>
<tr>
<td>2022</td>
<td>114,607</td>
<td>110,135</td>
<td>224,742</td>
</tr>
<tr>
<td>2023</td>
<td>120,193</td>
<td>104,985</td>
<td>225,178</td>
</tr>
<tr>
<td>2024</td>
<td>125,968</td>
<td>99,586</td>
<td>225,554</td>
</tr>
<tr>
<td>2025-2029</td>
<td>723,515</td>
<td>407,573</td>
<td>1,131,088</td>
</tr>
<tr>
<td>2030-2034</td>
<td>899,808</td>
<td>229,884</td>
<td>1,129,692</td>
</tr>
<tr>
<td>2035-2037</td>
<td>524,386</td>
<td>35,400</td>
<td>559,786</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,721,663</strong></td>
<td><strong>1,222,321</strong></td>
<td><strong>3,943,984</strong></td>
</tr>
</tbody>
</table>
NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Taxable Pension Obligation Bonds Series 2015A

On August 19, 2015, the City issued $15,995,000 in Taxable Pension Obligation bonds for the financing of the City’s outstanding side fund obligation to CalPERS with respect to its Tier I Safety Plan (3% @ 50) and Tier I Miscellaneous Plan (2.5% @ 55). The bonds are obligations imposed by law payable from any source of funds to be appropriated by the City pursuant to Retirement Law. The City will deposit with the Trustee on or before August 1 of each Fiscal Year the amount which, together with excess moneys remaining in the bond fund after the last interest payment date of each fiscal year, is sufficient to pay the City’s debt service obligations on the bonds payable during such fiscal year. The bonds bear interest ranging from 3.33% to 6.39%, payable semiannually on March 1 and September 1, commencing March 1, 2016.

The bonds maturing on September 1, 2035 are subject to mandatory sinking fund redemption on September 1 in each year, commencing September 1, 2030, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, in the aggregate principal amounts ranging from $650,000 to $1,020,000.

The amount of bonds outstanding at June 30, 2019 is $15,485,000.

Future debt service principal and interest payments on the Taxable Pension Obligation Bonds Series 2015A are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$ 570,000</td>
<td>582,750</td>
<td>1,152,750</td>
</tr>
<tr>
<td>2021</td>
<td>630,000</td>
<td>569,213</td>
<td>1,199,213</td>
</tr>
<tr>
<td>2022</td>
<td>690,000</td>
<td>551,382</td>
<td>1,241,382</td>
</tr>
<tr>
<td>2023</td>
<td>765,000</td>
<td>529,079</td>
<td>1,294,079</td>
</tr>
<tr>
<td>2024</td>
<td>840,000</td>
<td>503,476</td>
<td>1,343,476</td>
</tr>
<tr>
<td>2025-2029</td>
<td>5,580,000</td>
<td>1,964,996</td>
<td>7,544,996</td>
</tr>
<tr>
<td>2030-2034</td>
<td>4,450,000</td>
<td>867,926</td>
<td>5,317,926</td>
</tr>
<tr>
<td>2035-2036</td>
<td>1,960,000</td>
<td>87,501</td>
<td>2,047,501</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$15,485,000</strong></td>
<td><strong>5,656,323</strong></td>
<td><strong>21,141,323</strong></td>
</tr>
</tbody>
</table>

Lease Revenue Bonds, Series 2016A

On January 27, 2016, the Fountain Valley Public Financing Authority issued $12,895,000 in Lease Revenue Bonds for the purpose of refunding the 2003 Certificates of Participation and financing the improvement of two storm water pump stations of the City. The issuance of the Lease Revenue Bonds, Series 2016A resulted in the full repayment of the 2003 Certificates of Participation in the fiscal year ended June 30, 2016. The bonds are payable from Lease Payments to be made by the City to the Fountain Valley Public Financing Authority. The bonds bear interest ranging from 3.00% to 3.125%, payable semiannually on May 1 and November 1, commencing May 1, 2016.

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NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

The amount of bonds outstanding at June 30, 2019 is $11,580,000.

Future debt service principal and interest payments on the Lease Revenue Bonds, Series 2016A are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$465,000</td>
<td>408,775</td>
<td>873,775</td>
</tr>
<tr>
<td>2021</td>
<td>475,000</td>
<td>394,675</td>
<td>869,675</td>
</tr>
<tr>
<td>2022</td>
<td>490,000</td>
<td>377,750</td>
<td>867,750</td>
</tr>
<tr>
<td>2023</td>
<td>515,000</td>
<td>357,650</td>
<td>872,650</td>
</tr>
<tr>
<td>2024</td>
<td>535,000</td>
<td>336,650</td>
<td>871,650</td>
</tr>
<tr>
<td>2025-2029</td>
<td>2,980,000</td>
<td>1,341,350</td>
<td>4,321,350</td>
</tr>
<tr>
<td>2030-2034</td>
<td>3,640,000</td>
<td>695,575</td>
<td>4,335,575</td>
</tr>
<tr>
<td>2035-2037</td>
<td>2,480,000</td>
<td>117,469</td>
<td>2,597,469</td>
</tr>
<tr>
<td>Total</td>
<td>$11,580,000</td>
<td>4,029,894</td>
<td>15,609,894</td>
</tr>
</tbody>
</table>

Compensated Absences

Governmental compensated absences are generally liquidated by the general fund.

Business-type Activities

Changes in long-term liabilities for business-type activities for the year ended June 30, 2019 are as follows:

<table>
<thead>
<tr>
<th>Business-Type Activities:</th>
<th>Balance at July 1, 2018</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance at June 30, 2019</th>
<th>Due within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014A Revenue Bond</td>
<td>$12,225,000</td>
<td>-</td>
<td>(535,000)</td>
<td>11,690,000</td>
<td>555,000</td>
</tr>
<tr>
<td>Add: Unamortized Bond Premium</td>
<td>1,232,099</td>
<td>-</td>
<td>(74,674)</td>
<td>1,157,425</td>
<td>-</td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>223,420</td>
<td>213,050</td>
<td>(217,671)</td>
<td>218,799</td>
<td>172,250</td>
</tr>
<tr>
<td>Total</td>
<td>$13,680,519</td>
<td>213,050</td>
<td>(827,345)</td>
<td>13,066,224</td>
<td>727,250</td>
</tr>
</tbody>
</table>

2014A Revenue Bonds

On December 17, 2014, the Fountain Valley Public Financing Authority (the Authority) issued approximately $13,695,000 in Revenue bonds for the financing of the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its water system (the 2014 Project) and to refinance the Orange County Water District Note Payable. The Bonds are special limited obligation of the Authority payable solely from Authority revenues, which consist of installment payments to be made by the City to the Authority pursuant to an installment purchase agreement, dated as of December 1, 2014 by and between the City and the Authority. The Bonds are secured by installment payments to be made pursuant to an Installment Purchase Agreement, by and between the City and the Authority.
NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

The 2014A Revenue Bonds were issued to provide for the refinancing of the OCWD Well Loan and the financing of the 2014 Project, which installment payments will be payable from net revenues of the City’s water system. The Installment Purchase Agreement also requires the water fund to fix, prescribe and collect rates and charges for the water service which will be at least sufficient to yield during each fiscal year net revenues equal to 120% of the debt service for such fiscal year. For fiscal year 2018-2019, the net revenues equal 368% of the debt service. Total interest expense for the 2014A bonds was $516,231 for the year ended June 30, 2019. Unspent proceeds total $4,959,115 as of June 30, 2019 and are reported as restricted cash and cash equivalents in the proprietary fund statement of net position.

Future requirements to amortize outstanding 2014A Revenue Bonds as of June 30, 2019 are as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30,</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$ 555,000</td>
<td>494,831</td>
<td>1,049,831</td>
</tr>
<tr>
<td>2021</td>
<td>580,000</td>
<td>472,631</td>
<td>1,052,631</td>
</tr>
<tr>
<td>2022</td>
<td>600,000</td>
<td>449,431</td>
<td>1,049,431</td>
</tr>
<tr>
<td>2023</td>
<td>630,000</td>
<td>425,431</td>
<td>1,055,431</td>
</tr>
<tr>
<td>2024</td>
<td>595,000</td>
<td>393,931</td>
<td>988,931</td>
</tr>
<tr>
<td>2025-2029</td>
<td>3,460,000</td>
<td>1,492,406</td>
<td>4,952,406</td>
</tr>
<tr>
<td>2030-2034</td>
<td>4,315,000</td>
<td>630,019</td>
<td>4,945,019</td>
</tr>
<tr>
<td>2035</td>
<td>955,000</td>
<td>32,231</td>
<td>987,231</td>
</tr>
<tr>
<td>Total</td>
<td>$11,690,000</td>
<td>4,390,911</td>
<td>16,080,911</td>
</tr>
</tbody>
</table>

Compensated Absences

Business-type compensated absences are generally liquidated by the Water Utility and Sewer Funds.

NOTE 6 - CLAIMS AND JUDGMENTS

Self-Insurance

At June 30, 2019, the City was self-insured for workers’ compensation, employee long-term disability, and earthquake and flood insurance. Additionally, the City has purchased coverage for individual workers’ compensation claims in excess of $750,000 for general employees and $1,000,000 for public safety. The City has also purchased coverage for individual earthquake and flood claims in excess of $50,000 up to a limit of $10,000,000 per occurrence.

Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City’s general and auto liability self-insurance retention is $350,000, and the balance extending to $50,000,000 is covered by the use of pooling maintained through the California State Association of Counties Excess Insurance Authority (CSAC-EIA). The City also purchases commercial insurance for other risks of loss, including pollution, property loss, fidelity and vehicle physical damage.
NOTE 6 - CLAIMS AND JUDGMENTS (CONTINUED)

The City is a member of the California State Association of Counties Excess Insurance Authority (Insurance Authority). The Insurance Authority is composed of 283 California public entities, including 55 of 58 California Counties, and is organized under a joint power’s agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The Insurance Authority began covering claims of its members in 1979. The Insurance Authority has 55 County Board Members, appointed by the Board of Supervisors of each participating County. Additionally, the Insurance Authority has 10 Public Entity Board Members, including 3 alternates, appointed by the public entity membership. The Board operates through an eleven-member Executive Committee, and a nine-member Finance Committee.

Self-Insurance Programs of the Insurance Authority

The City pays an annual basic premium for excess coverage and is assessed an annual risk premium based on an actuarial review that estimates each of the program participant’s ultimate liabilities. Should actual losses among participants be greater than anticipated, the City will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the City will be refunded its pro rata share of the excess.

Primary Liability Program

In the primary liability program claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $30,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from $30,000 to $750,000 for each occurrence and is evaluated as a percentage of the pool’s total incurred costs within the second layer. (4) Incurred costs from $750,000 to $50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is $50 million per occurrence. Subsidence losses have a sub-limit of $40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: https://cjbia.org/protection/coverage-programs.

Purchased Insurance

Pollution Legal Liability Insurance

The City of Fountain Valley participates in the pollution legal liability insurance program which is available through the Insurance Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a $75,000 deductible and a coverage limit of $10 million per occurrence or $50 million in aggregate.
NOTE 6 - CLAIMS AND JUDGMENTS (CONTINUED)

Property Insurance

The City participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Insurance Authority. The City property currently has all-risk property insurance protection in the amount of $800 million. There is a $10,000 deductible per occurrence.

Crime Insurance

The City of Fountain Valley purchases crime insurance coverage in the amount of $1,000,000 with a $2,500 deductible. The fidelity coverage is provided through the Insurance Authority.

Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2018-19.

Changes in Claims and Judgments Payable

Changes in claims and judgments payable amounts for the past two fiscal years are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Beginning Balance</th>
<th>Incurred and Changes in Estimates</th>
<th>Claim Payments</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-2018</td>
<td>$3,954,266</td>
<td>529,475</td>
<td>(450,024)</td>
<td>4,033,717</td>
</tr>
<tr>
<td>2018-2019</td>
<td>4,033,717</td>
<td>2,212,358</td>
<td>(1,857,217)</td>
<td>4,388,858</td>
</tr>
</tbody>
</table>

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS

a. Plan Description

The City administers a single-employer other post-employment benefit (OPEB) plan that provides eligible retirees and qualified family members with a subsidy towards medical and dental insurance premiums. Benefits vary by hire date, employment status and employment classification. Benefits continue to the surviving spouses.

In 2010, the City established a trust with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for the City’s OPEB plan under Section 115 of the Internal Revenue Code. Contributions to the OPEB Trust and earnings on those contributions are irrevocable.

The PARS OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request. Copies of PARS’s annual financial report may be obtained from its executive office at 4350 Von Karman Ave. Suite 100, Newport Beach, California 92660.

The City’s OPEB Plan does not issue a separate financial report.
NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

For all covered employees with effective dates of retirement after October 1, 1980 and a minimum of 10-20 years of continuous service, the City contributes the actual cost of insurance up to the amount contributed for active employees. For general, professional and technical employees hired prior to February 16, 1986, insurance with the City will be supplemental to Medicare upon reaching the age of 65.

For employees hired after February 16, 1986, benefits with the City will terminate upon reaching age 65. For fire employees hired prior to August 10, 1985, insurance with the City will be supplemental to Medicare upon reaching the age of 65. For fire employees hired after August 10, 1985, benefits with the City will terminate upon reaching age 65. For police employees, insurance with the City will be supplemental to Medicare upon reaching the age of 65. Department Directors receive paid supplemental coverage after the age of 65.

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 5 years of service, and are eligible for a CalPERS pension.

Employees Covered

As of measurement date June 30, 2018, the following current and former employees were covered by the benefit terms under the plan:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inactive employees or beneficiaries currently receiving benefits</td>
<td>173</td>
</tr>
<tr>
<td>Inactive employees or beneficiaries entitled to but not yet receiving benefits</td>
<td>-</td>
</tr>
<tr>
<td>Active employees</td>
<td>214</td>
</tr>
<tr>
<td>Total</td>
<td>387</td>
</tr>
</tbody>
</table>

Contributions

The benefit provisions and contribution requirements of plan members and the City are established and may be amended through agreements and memorandums of understanding between the City, its employees, and unions representing the City’s employees. Administrative costs of the OPEB plan are financed through investment earnings. The contribution required to be made under City Council and labor agreements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year ending June 30, 2019, the City contributed $1,740,597 for current premiums. No contributions were made to the PARS OPEB Trust for the fiscal year ended June 30, 2019; however, during year the City closed its CERBT Trust Fund with a transfer of all funds into the PARS account. The contributions to the OPEB plan are generally made from the general fund. The water utility and sewer proprietary funds are responsible for the pay-as-you-go amounts for their respective employees.
NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Method Used to Value Investments

Investments are reported at fair value, which is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

b. Total OPEB liability

The City’s total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date: June 30, 2018
Measurement Date: June 30, 2018
Actuarial Cost Method: Entry age normal, level percentage of payroll

Actuarial Assumptions:
- Discount Rate: 6.10%
- Long-Term Expected Rate of Return on Investments: 6.10%
- Inflation: 2.75%
- Healthcare Trend Rates: 4%
- Mortality, Retirement, Disability, Termination: 2014 CalPERS Mortality for Safety and Miscellaneous Employees
- Salary Increases: 2.75%

The long-term expected rate of return estimates are presented as geometric means developed by the actuary over a 27-year period. The long-term expected real rates of return for each major asset class included in the OPEB plan’s target asset allocation for the PARS OPEB Trust as of June 30, 2018, are summarized in the following table:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Percentage of Portfolio</th>
<th>Assumed Gross Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Equities</td>
<td>60%</td>
<td>7.80%</td>
</tr>
<tr>
<td>Long-Term Corporate Bonds</td>
<td>5%</td>
<td>5.30%</td>
</tr>
<tr>
<td>Intermediate-Term Government Bonds</td>
<td>30%</td>
<td>4.50%</td>
</tr>
<tr>
<td>Short-Term Gov’t Fixed</td>
<td>5%</td>
<td>3.25%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
**NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.1%. The projection of cash flows used to determine the discount rate assumed that the City would make benefit payments outside of the trust. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the PARS OPEB was applied to all periods of the projected benefit payments to determine the total OPEB liability.

c. Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

<table>
<thead>
<tr>
<th>Balance at June 30, 2017 (Measurement Date)</th>
<th>Total Plan Net</th>
<th>OPEB Fiduciary Position</th>
<th>Liability Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 47,238,000</td>
<td>8,434,000</td>
<td>38,804,000</td>
</tr>
</tbody>
</table>

**Changes in the Year:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Total Plan Net</th>
<th>OPEB Fiduciary Position</th>
<th>Liability Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Cost</td>
<td>806,490</td>
<td>-</td>
<td>806,490</td>
</tr>
<tr>
<td>Interest on Total OPEB Liability</td>
<td>2,792,205</td>
<td>-</td>
<td>2,792,205</td>
</tr>
<tr>
<td>Expected Investment Income</td>
<td>-</td>
<td>555,665</td>
<td>(555,665)</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>-</td>
<td>(45,829)</td>
<td>45,829</td>
</tr>
<tr>
<td>Employer Contributions to Trust</td>
<td>-</td>
<td>1,700,000</td>
<td>(1,700,000)</td>
</tr>
<tr>
<td>Employer Contributions as Benefit Payments</td>
<td>-</td>
<td>2,256,000</td>
<td>(2,256,000)</td>
</tr>
<tr>
<td>Actual Benefit Payments from Employer</td>
<td>(2,256,000)</td>
<td>(2,256,000)</td>
<td>-</td>
</tr>
<tr>
<td>Expected Minus Actual Benefit Payments</td>
<td>47,000</td>
<td>-</td>
<td>47,000</td>
</tr>
<tr>
<td>Experience Gains/Losses</td>
<td>1,808,185</td>
<td>-</td>
<td>1,808,185</td>
</tr>
<tr>
<td>Changes in Assumptions</td>
<td>(16,183,013)</td>
<td>-</td>
<td>(16,183,013)</td>
</tr>
<tr>
<td>Investment Gains/Losses</td>
<td>-</td>
<td>5,118</td>
<td>(5,118)</td>
</tr>
<tr>
<td><strong>Net Changes</strong></td>
<td>(12,985,133)</td>
<td>2,214,954</td>
<td>(15,200,087)</td>
</tr>
</tbody>
</table>

**Balance at June 30, 2018 (Measurement Date)**

|                                            | $ 34,252,867  | 10,648,954             | 23,603,913             |

**Change of Assumptions**

The financial reporting discount rate and Long-Term Expected Rate of Return on Investments was increased from 6.00% to 6.10%. The Salary Increases Rate was reduced from 3% to 2.75%. The Non-Medicare Healthcare Trend Rate from prior year of 7.5% for 2019, decreasing to 4.0% in 2076 and later years, was reduced to 4.0%. The Medicare Healthcare Trend Rate from prior year of 6.5% for 2019, decreasing to 4.0% in 2076 and later years, was reduced to 4.0%. 

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**NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.10%) or 1-percentage point higher (7.10%) than the current discount rate:

<table>
<thead>
<tr>
<th>Discount Rate</th>
<th>Net OPEB Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>(5.10%)</td>
<td>$ 28,366,728</td>
</tr>
<tr>
<td>(6.10%)</td>
<td>$ 23,603,913</td>
</tr>
<tr>
<td>(7.10%)</td>
<td>$ 19,736,938</td>
</tr>
</tbody>
</table>

**Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates**

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower and 1-percentage point higher than the current medical trend rate:

<table>
<thead>
<tr>
<th>Cost Trend Rate</th>
<th>Net OPEB Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.00%</td>
<td>$ 19,648,481</td>
</tr>
<tr>
<td>4.00%</td>
<td>$ 23,603,913</td>
</tr>
<tr>
<td>5.00%</td>
<td>$ 28,384,396</td>
</tr>
</tbody>
</table>

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

For the year ended June 30, 2019, the City recognized OPEB expense of $1,103,016. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<table>
<thead>
<tr>
<th>Differences between Expected and Actual Experiences</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences Between Projected and Actual Earnings</td>
<td>$ 1,628,942</td>
<td>-</td>
</tr>
<tr>
<td>Contributions Subsequent to the Measurement Date</td>
<td>$ 1,740,597</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,369,539</td>
<td>$ 14,422,818</td>
</tr>
</tbody>
</table>

The differences between projected and actual earnings on plan investments is amortized over five years, while differences between expected and actual experiences, and changes in assumptions are amortized over 8.2 years.
NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

$1,740,597 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30,</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$ (1,818,070)</td>
</tr>
<tr>
<td>2021</td>
<td>(1,818,070)</td>
</tr>
<tr>
<td>2022</td>
<td>(1,818,070)</td>
</tr>
<tr>
<td>2023</td>
<td>(1,748,318)</td>
</tr>
<tr>
<td>2024</td>
<td>(1,747,296)</td>
</tr>
<tr>
<td>Thereafter</td>
<td>(3,844,052)</td>
</tr>
</tbody>
</table>

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CalPERS)

a. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plans are 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.

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 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of services. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 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.

Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.
NOTE 8 - DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED)

The Plans’ provisions and benefits in effect at June 30, 2019, are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Tier I</th>
<th>Tier II</th>
<th>Tier III - PEPRA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hire date</strong></td>
<td>Prior to December 25, 2010</td>
<td>On or After December 25, 2010</td>
<td>On or After January 1, 2013</td>
</tr>
<tr>
<td><strong>Benefit formula</strong></td>
<td>2.5%@55</td>
<td>2%@60</td>
<td>2%@62</td>
</tr>
<tr>
<td><strong>Benefit vesting schedule</strong></td>
<td>5 years of service</td>
<td>5 years of service</td>
<td>5 years of service</td>
</tr>
<tr>
<td><strong>Benefit payments</strong></td>
<td>monthly for life</td>
<td>monthly for life</td>
<td>monthly for life</td>
</tr>
<tr>
<td><strong>Retirement age</strong></td>
<td>50 - 55</td>
<td>50 - 62</td>
<td>52 - 67</td>
</tr>
<tr>
<td><strong>Monthly benefits, as a % of eligible compensation</strong></td>
<td>2.0% to 2.5%</td>
<td>1.092% to 2.418%</td>
<td>1.0% to 2.5%</td>
</tr>
<tr>
<td><strong>Required employee contribution rates</strong></td>
<td>8%</td>
<td>7%</td>
<td>6.25%</td>
</tr>
<tr>
<td><strong>Required employer contribution rates:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normal cost rate</td>
<td>11.419%</td>
<td>7.634%</td>
<td>6.842%</td>
</tr>
<tr>
<td>Payment of unfunded liability</td>
<td>$ 1,670,989</td>
<td>$ 6,389</td>
<td>$ 2,849</td>
</tr>
</tbody>
</table>

Safety - Police

<table>
<thead>
<tr>
<th></th>
<th>Tier I Prior to October 30, 2010</th>
<th>Tier II On or After October 30, 2010</th>
<th>Tier III - PEPRA On or After January 1, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefit formula</strong></td>
<td>3%@50</td>
<td>3%@55</td>
<td>2.7%@57</td>
</tr>
<tr>
<td><strong>Benefit vesting schedule</strong></td>
<td>5 years of service</td>
<td>5 years of service</td>
<td>5 years of service</td>
</tr>
<tr>
<td><strong>Benefit payments</strong></td>
<td>monthly for life</td>
<td>monthly for life</td>
<td>monthly for life</td>
</tr>
<tr>
<td><strong>Retirement age</strong></td>
<td>50</td>
<td>50 - 55</td>
<td>50 - 57</td>
</tr>
<tr>
<td><strong>Monthly benefits, as a % of eligible compensation</strong></td>
<td>0.03</td>
<td>2.4% to 3.0%</td>
<td>2% to 2.7%</td>
</tr>
<tr>
<td><strong>Required employee contribution rates</strong></td>
<td>12%</td>
<td>9%</td>
<td>11.5%</td>
</tr>
<tr>
<td><strong>Required employer contribution rates:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normal cost rate</td>
<td>22.346% (1)</td>
<td>17.614%</td>
<td>12.141%</td>
</tr>
<tr>
<td>Payment of unfunded liability</td>
<td>$ 2,834,418</td>
<td>$ 2,238</td>
<td>$ 938</td>
</tr>
</tbody>
</table>

(1) Members of this plan cover 3% of the City’s actuarially determined rate.

Safety - Fire

<table>
<thead>
<tr>
<th></th>
<th>Tier I Prior to March 31, 2012</th>
<th>Tier II On or After March 31, 2012</th>
<th>Tier III - PEPRA On or After January 1, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefit formula</strong></td>
<td>3%@50</td>
<td>2%@50</td>
<td>2.7%@57</td>
</tr>
<tr>
<td><strong>Benefit vesting schedule</strong></td>
<td>5 years of service</td>
<td>5 years of service</td>
<td>5 years of service</td>
</tr>
<tr>
<td><strong>Benefit payments</strong></td>
<td>monthly for life</td>
<td>monthly for life</td>
<td>monthly for life</td>
</tr>
<tr>
<td><strong>Retirement age</strong></td>
<td>50</td>
<td>50 - 55</td>
<td>50 - 57</td>
</tr>
<tr>
<td><strong>Monthly benefits, as a % of eligible compensation</strong></td>
<td>3.0%</td>
<td>2.0% to 2.7%</td>
<td>2% to 2.7%</td>
</tr>
<tr>
<td><strong>Required employee contribution rates</strong></td>
<td>9%</td>
<td>9%</td>
<td>11.5%</td>
</tr>
<tr>
<td><strong>Required employer contribution rates:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normal cost rate</td>
<td>22.346% (1)</td>
<td>15.719%</td>
<td>12.141%</td>
</tr>
<tr>
<td>Payment of unfunded liability</td>
<td>$ 2,834,418</td>
<td>$ 1,529</td>
<td>$ 1,628</td>
</tr>
</tbody>
</table>

(1) Members of this plan cover 3% of the City’s actuarially determined rate.
NOTE 8 - DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

Actuarial Assumptions

For the measurement period ended June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability determined in the June 30, 2017 actuarial accounting valuation.

The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>Measurement Date</th>
<th>Actuarial Cost Method</th>
<th>Actuarial Assumptions:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Entry age normal Cost Method</td>
<td>Discount Rate</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Inflation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Salary Increases</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mortality Rate Table</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Post Retirement Benefit Increase</td>
</tr>
</tbody>
</table>

(1) - Varies by entry age and service.

(2) - The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

(3) - Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.
NOTE 8 - DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED)

Change of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as followed:

<table>
<thead>
<tr>
<th>Asset Class a</th>
<th>New Strategic Allocation</th>
<th>Real Return Years 1 - 10 (b)</th>
<th>Real Return Years 11 + (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global equity</td>
<td>50.00%</td>
<td>4.80%</td>
<td>5.98%</td>
</tr>
<tr>
<td>Fixed income</td>
<td>28.00%</td>
<td>1.00%</td>
<td>2.62%</td>
</tr>
<tr>
<td>Inflation assets</td>
<td>0.00%</td>
<td>0.77%</td>
<td>1.81%</td>
</tr>
<tr>
<td>Private equity</td>
<td>8.00%</td>
<td>6.30%</td>
<td>7.23%</td>
</tr>
<tr>
<td>Real assets</td>
<td>13.00%</td>
<td>3.75%</td>
<td>4.93%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>1.00%</td>
<td>0.00%</td>
<td>-0.92%</td>
</tr>
</tbody>
</table>

(1) In the System’s CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(2) An expected inflation of 2.00% used for this period
(3) An expected inflation of 2.92% used for this period
NOTE 8 - DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED)

Pension Plans Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

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

The payments for the defined benefit pension plans are generally paid by the general fund, water utility proprietary fund, and sewer proprietary fund.

As of June 30, 2019, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

<table>
<thead>
<tr>
<th>Proportionate Share of Net Pension Liability</th>
<th>Miscellaneous</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>29,356,769</td>
<td>50,956,240</td>
</tr>
<tr>
<td></td>
<td>$ 80,313,009</td>
<td></td>
</tr>
</tbody>
</table>

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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 plans relative to the projected contributions of all participating employers, actuarially determined.

The City’s proportionate share of the net pension liability for each Plan as of the measurement dates ended June 30, 2017 and 2018 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Miscellaneous</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion - June 30, 2017</td>
<td>0.75405%</td>
<td>0.87905%</td>
</tr>
<tr>
<td>Proportion - June 30, 2018</td>
<td>0.77896%</td>
<td>0.86844%</td>
</tr>
<tr>
<td>Change - Increase (Decrease)</td>
<td>0.02491%</td>
<td>-0.01061%</td>
</tr>
</tbody>
</table>
NOTE 8 - DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<table>
<thead>
<tr>
<th></th>
<th>Miscellaneous</th>
<th>Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% Decrease</td>
<td>6.15%</td>
<td>6.15%</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>$43,630,681</td>
<td>$78,398,092</td>
</tr>
<tr>
<td>Current Discount Rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>$29,356,769</td>
<td>$50,956,240</td>
</tr>
<tr>
<td>1% Increase</td>
<td>8.15%</td>
<td>8.15%</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>$17,573,888</td>
<td>$28,472,556</td>
</tr>
</tbody>
</table>

For the year ended June 30, 2019, the City recognized pension expense of $2,549,780 for the miscellaneous plan and $5,097,514 for the safety plan. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<table>
<thead>
<tr>
<th>Miscellaneous</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension contributions subsequent to measurement date</td>
<td>$2,482,065</td>
<td>-</td>
</tr>
<tr>
<td>Differences between actual and expected experience</td>
<td>$1,126,367</td>
<td>$383,296</td>
</tr>
<tr>
<td>Changes in assumptions</td>
<td>$3,346,759</td>
<td>$820,226</td>
</tr>
<tr>
<td>Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions</td>
<td>$36,722</td>
<td>$2,610,575</td>
</tr>
<tr>
<td>Net differences between projected and actual earnings on plan investments</td>
<td>$145,132</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$7,137,045</td>
<td>$3,814,097</td>
</tr>
</tbody>
</table>
NOTE 8 - DEFINED BENEFIT PENSION PLANS (CalPERS) (CONTINUED)

Safety

<table>
<thead>
<tr>
<th></th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension contributions subsequent to measurement date</td>
<td>$4,870,231</td>
<td>-</td>
</tr>
<tr>
<td>Differences between actual and expected experience</td>
<td>1,094,878</td>
<td>4,153</td>
</tr>
<tr>
<td>Changes in assumptions</td>
<td>4,999,696</td>
<td>674,548</td>
</tr>
<tr>
<td>Change in employer's proportion and differences</td>
<td>-</td>
<td>4,358,147</td>
</tr>
<tr>
<td>between the employer's contributions and the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>employer's proportionate share of contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net differences between projected and actual</td>
<td>344,998</td>
<td>-</td>
</tr>
<tr>
<td>earnings on plan investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$11,309,803</td>
<td>5,036,848</td>
</tr>
</tbody>
</table>

$2,482,065 and $4,870,231 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the miscellaneous and safety plan, respectively, will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

<table>
<thead>
<tr>
<th>Year Ending June 30,</th>
<th>Miscellaneous</th>
<th>Safety</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$1,167,590</td>
<td>$1,753,596</td>
<td>$2,921,186</td>
</tr>
<tr>
<td>2021</td>
<td>1,117,552</td>
<td>1,785,505</td>
<td>2,903,057</td>
</tr>
<tr>
<td>2022</td>
<td>(1,180,211)</td>
<td>(1,783,429)</td>
<td>(2,963,640)</td>
</tr>
<tr>
<td>2023</td>
<td>(264,047)</td>
<td>(352,949)</td>
<td>(616,996)</td>
</tr>
<tr>
<td>2024</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN (PARS)

As of January 1, 1992, the City implemented a defined contribution pension Plan through PARS for all of its non-regular employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All non-regular employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and City Council has resolved to match the employees’ contributions of 3.75% for employees hired prior to August 29, 2014. Employees hired after August 29, 2014 are required to pay the full 7.5%. The City’s contributions for each employee (and interest earned by the accounts) are fully vested immediately. For the year ended June 30, 2019, the City’s payroll covered by the plan was $603,572 and the City made employer contributions of $3,056 (3.75% of current covered payroll for employees hired before August 29, 2014).
NOTE 10 - LOANS RECEIVABLE

The City has outstanding rehabilitation and first-time home buyer loans receivable totaling $1,471,617 from qualified applicants. Loans receivable of $1,243,187 is recorded in the Housing Authority Fund; $200,423 in the Community Development Block Grant (CDBG) Special Revenue Fund; and $28,007 in the HOME Grant Special Revenue Fund. All housing rehabilitation loans are repaid when title to the property changes or according to payment schedules.

On October 1, 2002, the City entered into an Affordable Housing Agreement with Fountain Valley Partners, L.P. for the development of an apartment complex for seniors. Under the agreement, the City agreed to loan Fountain Valley Housing Partners, L.P. $5,606,071 at an interest rate of 2%. Principal and interest are due at various maturity dates but no later than 55 years from the date of the note. The loan receivable is offset by unearned revenue in the Housing Authority Special Revenue Fund. The amount outstanding at June 30, 2019 is $4,631,115.

On January 22, 2019, the Fountain Valley Housing Authority approved a loan agreement with The Related Companies of California LLC (“Developer”) to assist with the development of a new 50-unit multifamily affordable housing project intended for tenancy by qualified extremely low, very low and low-income persons and families.

Under the loan agreement, the Housing Authority will advance and loan Developer up to $6,443,882 for the sole purposes of acquisition of the property and termination of the billboard lease of the proposed project. The loan will be funded from the Housing Authority Special Revenue Fund utilizing low and moderate housing asset funds of the former Fountain Valley Agency for Community Development. The outstanding principal balance of the loan shall bear simple interest at the rate of zero percent (0%) per annum. The loan will have a 60-year term to be repaid from residual receipts from operation of the proposed project. The amount outstanding at June 30, 2019 is $1,185,000.

NOTE 11 - TAX ABATEMENT

Hotel Incentive Program

In January 2017, the City Council adopted guidelines that established a Hotel Incentive Program (HIP), which provides economic incentives to develop 3 to 5 star quality hotels in the City of Fountain Valley. The City will reimburse up to 50 percent of the total new transient occupancy tax (TOT) each year over a period of 15 years or less for new hotels with 100 or more rooms maintained at 3 to 5 star quality. Reimbursement applies for TOT above a $200,000 revenue requirement. No amounts have been abated under the HIP.

NOTE 12 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Deficit Fund Balances

At June 30, 2019, the following funds had deficit fund balances:

Other Governmental Funds:
Drainage Capital Projects Fund $ (165,595)

Management intends to eliminate these deficits by transferring construction funds from the 2016A Lease Revenue Bonds.
NOTE 13 - RESTATEMENTS

Net Position and Fund Balance was restated as of July 1, 2018 as follows:

<table>
<thead>
<tr>
<th>Statement of Activities</th>
<th>Governmental Activities</th>
<th>Business-type Activities</th>
<th>Housing Authority Special Revenue Fund</th>
<th>Other Governmental Funds</th>
<th>Water Utility Enterprise Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning net position/fund balance, as previously reported</td>
<td>$ 53,776,321</td>
<td>28,964,981</td>
<td>12,032,802</td>
<td>8,870,877</td>
<td>17,764,320</td>
</tr>
<tr>
<td>To remove of unearned revenue for loans receivable</td>
<td>6,318,253</td>
<td>-</td>
<td>6,123,151</td>
<td>195,102</td>
<td>-</td>
</tr>
<tr>
<td>To record water inventory</td>
<td>-</td>
<td>280,000</td>
<td>-</td>
<td>-</td>
<td>280,000</td>
</tr>
<tr>
<td>Beginning net position/fund balance, as restated</td>
<td>$ 60,094,574</td>
<td>29,244,981</td>
<td>18,155,953</td>
<td>9,065,979</td>
<td>18,044,320</td>
</tr>
</tbody>
</table>

NOTE 13 - RESTATEMENTS

On April 30, 2019 and June 11, 2019, the City Council approved the sale and transfer of portions of city-owned property comprising of the Water Tank property and Drainage Channel property to the Orange County Transportation Authority. Both properties are adjacent to the I-405 freeway expansion project. Proceeds for the sale of the Water Tank property in the amount of $2,850,000 were received on 7/15/19. Proceeds for the sale of the Drainage Channel property in the amount of $180,000 were received on 8/16/19.
### CITY OF FOUNTAIN VALLEY

#### Schedule of Proportionate Share of the Net Pension Liability

**Last Ten Fiscal Years**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan's proportion of the net pension liability</td>
<td>0.77896%</td>
<td>0.75405%</td>
<td>0.76029%</td>
<td>1.00465%</td>
<td>0.88131%</td>
</tr>
<tr>
<td>Plan's proportionate share of the net pension liability</td>
<td>$29,356,769</td>
<td>$29,725,101</td>
<td>$26,411,625</td>
<td>$27,562,365</td>
<td>$21,781,373</td>
</tr>
<tr>
<td>Plan's covered payroll</td>
<td>$8,117,618</td>
<td>$8,613,145</td>
<td>$8,337,303</td>
<td>$7,985,207</td>
<td>$7,904,107</td>
</tr>
<tr>
<td>Plan's proportionate share of the net pension liability as percentage of covered payroll</td>
<td>361.64%</td>
<td>345.11%</td>
<td>316.79%</td>
<td>345.17%</td>
<td>275.57%</td>
</tr>
<tr>
<td>Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability</td>
<td>72.18%</td>
<td>71.55%</td>
<td>72.57%</td>
<td>78.40%</td>
<td>76.48%</td>
</tr>
<tr>
<td>Plan's proportionate share of aggregate employer contributions</td>
<td>$2,482,065</td>
<td>$2,828,483</td>
<td>$2,602,305</td>
<td>$2,279,664</td>
<td>$1,915,598</td>
</tr>
</tbody>
</table>

**Notes to Schedule:**

**Changes in Assumptions:**

- **Fiscal year June 30, 2016:**
  - GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.
  - Fiscal year June 30, 2018:
    - The discount rate was reduced from 7.65% to 7.15%.
  - Fiscal year June 30, 2019:
    - Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

* - Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.
## Schedule of Contributions

### Last Ten Fiscal Years*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractually required contribution (actuarially determined)</td>
<td>$2,482,065</td>
<td>2,086,374</td>
<td>1,935,810</td>
<td>2,350,238</td>
<td>1,605,582</td>
</tr>
<tr>
<td>Contributions in relation to the actuarially determined contributions</td>
<td>(2,482,065)</td>
<td>(2,086,374)</td>
<td>(1,935,810)</td>
<td>(8,436,539)</td>
<td>(1,605,582)</td>
</tr>
<tr>
<td>Contribution deficiency (excess)</td>
<td>$-</td>
<td>-</td>
<td>-</td>
<td>(6,086,301)</td>
<td>-</td>
</tr>
<tr>
<td>Covered payroll</td>
<td>$8,846,622</td>
<td>8,117,618</td>
<td>8,613,145</td>
<td>8,337,303</td>
<td>7,985,207</td>
</tr>
<tr>
<td>Contributions as a percentage of covered payroll</td>
<td>28.06%</td>
<td>25.70%</td>
<td>22.48%</td>
<td>101.19%</td>
<td>20.11%</td>
</tr>
</tbody>
</table>

**Notes to Schedule:**

- **Valuation Date:**
  - June 30, 2016
  - June 30, 2015
  - June 30, 2014
  - June 30, 2013
  - June 30, 2012

- **Methods and Assumptions Used to Determine Contribution Rates:**
  - **Valuation Date:** June 30, 2016
  - **Agent employers:** Entry age
  - **Amortization method:** Level percentage of payroll, closed
  - **Asset valuation method:** Market Value
  - **Inflation:** 2.75%
  - **Salary increases:** Depending on age, service, and type of employment
  - **Investment rate of return:** 7.35%, net of pension plan investment expense, including inflation
  - **Retirement age:** 50 for all plans with the exception of 52 for Miscellaneous PEPRA 2% @ 62
  - **Mortality:** Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

(1) Fiscal year 2016 - Contributions in relationship to the actuarially determined contributions includes the City’s pay off of its CalPERS Side Fund liability.
### Schedule of Proportionate Share of the Net Pension Liability

#### Last Ten Fiscal Years*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan's proportion of the net pension liability</td>
<td>0.86844%</td>
<td>0.87905%</td>
<td>0.89557%</td>
<td>1.11371%</td>
<td>1.07112%</td>
</tr>
<tr>
<td>Plan's proportionate share of the net pension liability</td>
<td>$ 50,956,240</td>
<td>$ 52,524,831</td>
<td>$ 46,383,732</td>
<td>$ 45,889,913</td>
<td>$ 40,177,430</td>
</tr>
<tr>
<td>Plan's covered payroll</td>
<td>$ 10,615,883</td>
<td>$ 11,128,552</td>
<td>$ 10,947,647</td>
<td>$ 10,362,480</td>
<td>$ 9,883,584</td>
</tr>
<tr>
<td>Plan's proportionate share of the net pension liability as percentage of covered payroll</td>
<td>480.00%</td>
<td>471.98%</td>
<td>423.69%</td>
<td>442.85%</td>
<td>406.51%</td>
</tr>
<tr>
<td>Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability</td>
<td>74.40%</td>
<td>72.68%</td>
<td>73.89%</td>
<td>78.40%</td>
<td>76.12%</td>
</tr>
<tr>
<td>Plan's proportionate share of aggregate employer contributions</td>
<td>$ 4,870,231</td>
<td>$ 4,823,404</td>
<td>$ 4,535,038</td>
<td>$ 4,005,245</td>
<td>$ 3,624,917</td>
</tr>
</tbody>
</table>

### Notes to Schedule:

**Changes in Assumptions:**
- **Fiscal year June 30, 2016:**
  - GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date.
- **Fiscal year June 30, 2018:**
  - The discount rate was reduced from 7.65% to 7.15%.
- **Fiscal year June 30, 2019:**
  - Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

* - Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.
CITY OF FOUNTAIN VALLEY
Schedule of Contributions
Last Ten Fiscal Years*

<table>
<thead>
<tr>
<th>Safety Plan</th>
<th>Fiscal year ended</th>
<th>(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractually required contribution (actuarially determined)</td>
<td>$4,870,231</td>
<td>$4,097,350</td>
</tr>
<tr>
<td>Contributions in relation to the actuarially determined contributions</td>
<td>(4,870,231)</td>
<td>(4,097,350)</td>
</tr>
<tr>
<td>Contribution deficiency (excess)</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Covered payroll</td>
<td>$11,659,261</td>
<td>$10,615,883</td>
</tr>
<tr>
<td>Contributions as a percentage of covered payroll</td>
<td>41.77%</td>
<td>38.60%</td>
</tr>
</tbody>
</table>

Notes to Schedule:

Valuation Date
- Valuation Date: 6/30/2016, 6/30/2015, 6/30/2014, 6/30/2013, 6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:
- Valuation Date: June 30, 2016
- Agent employers: Entry age
- Amortization method: Level percentage of payroll, closed
- Asset valuation method: Market Value
- Inflation: 2.75%
- Salary increases: Depending on age, service, and type of employment
- Investment rate of return: 7.35%, net of pension plan investment expense, including inflation
- Retirement age: 50 for all plans with the exception of 52 for Miscellaneous PEPRA 2% @ 62
- Mortality: Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience

* - Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

(1) Fiscal year 2016 - Contributions in relationship to the actuarially determined contributions includes the City’s pay off of its CalPERS Side Fund liability.
CITY OF FOUNTAIN VALLEY

Annual Money-Weighted Rate of Return on Investments - OPEB

Last Ten Fiscal Years*

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Annual Money-Weighted Rate of Return, Net of Investment Expense (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/17</td>
<td>10.85%</td>
</tr>
<tr>
<td>6/30/18</td>
<td>6.67%</td>
</tr>
<tr>
<td>6/30/19</td>
<td>6.81%</td>
</tr>
</tbody>
</table>

* Ten years of historical information is required by the Governmental Accounting Standards Board, Statement No. 74. Fiscal year ended June 30, 2017 was the first year of implementation; therefore, only three years are presented.
CITY OF FOUNTAIN VALLEY

Schedule of Changes in the Net OPEB Liability and Related Ratios

Last Ten Fiscal Years*

<table>
<thead>
<tr>
<th>Fiscal year end</th>
<th>6/30/2019</th>
<th>6/30/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measurement date</td>
<td>6/30/2018</td>
<td>6/30/2017</td>
</tr>
<tr>
<td><strong>Total OPEB Liability:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$853,490</td>
<td>$783,000</td>
</tr>
<tr>
<td>Interest on total OPEB liability</td>
<td>2,792,205</td>
<td>2,737,000</td>
</tr>
<tr>
<td>Benefit payments, including refunds and the implied subsidy benefit payments</td>
<td>(2,256,000)</td>
<td>(2,209,000)</td>
</tr>
<tr>
<td>Actuarial - Experience Gains (Losses)</td>
<td>1,808,185</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial - Changes in Assumptions</td>
<td>(16,183,013)</td>
<td>-</td>
</tr>
<tr>
<td>Net Change in Total OPEB Liability</td>
<td>(12,985,133)</td>
<td>1,311,000</td>
</tr>
<tr>
<td><strong>Total OPEB Liability - Beginning of Year</strong></td>
<td>47,238,000</td>
<td>45,927,000</td>
</tr>
<tr>
<td><strong>Total OPEB Liability - End of Year (a)</strong></td>
<td>34,252,867</td>
<td>47,238,000</td>
</tr>
</tbody>
</table>

| **Plan Fiduciary Net Position:** | | |
| Contributions - employer | 3,956,000 | 2,209,000 |
| Net investment income | 555,665 | 807,000 |
| Administrative expenses | (45,829) | (20,000) |
| Benefit payments, including refunds and the implied subsidy benefit payments | (2,256,000) | (2,209,000) |
| Actuarial - Investment Gains (Losses) | 5,118 | - |
| Net Change in Plan Fiduciary Net Position | 2,214,954 | 787,000 |
| **Plan Fiduciary Net Position - Beginning of Year** | 8,434,000 | 7,647,000 |
| **Plan Fiduciary Net Position - End of Year (b)** | 10,648,954 | 8,434,000 |
| **Net OPEB Liability - Ending (a)-(b)** | $23,603,913 | $38,804,000 |

| **Plan fiduciary net position as a percentage of the total OPEB liability** | 31.09% | 17.85% |
| **Covered - employee payroll** | $18,734,000 | $19,742,000 |
| **Net OPEB liability as percentage of covered - employee payroll** | 126.00% | 174.15% |

Notes to Schedule:

Changes in Assumptions:

Year ended June 30, 2019

The financial reporting discount rate and Long-Term Expected Rate of Return on Investments was increased from 6.00% to 6.10%. The Salary Increases Rate was reduced from 3% to 2.75%. The Non-Medicare Healthcare Trend Rate from prior year of 7.5% for 2019, decreasing to 4.0% in 2076 and later years, was reduced to 4.0%. The Medicare Healthcare Trend Rate from prior year of 6.5% for 2019, decreasing to 4.0% in 2076 and later years, was reduced to 4.0%.

* Fiscal year 2018 was the first year of implementation; therefore, only two years are shown.
CITY OF FOUNTAIN VALLEY

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund

Year ended June 30, 2019

<table>
<thead>
<tr>
<th>REVENUES:</th>
<th>Budgeted Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
</tr>
<tr>
<td>Taxes</td>
<td>$47,121,000</td>
<td>48,451,000</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>1,808,960</td>
<td>1,808,960</td>
</tr>
<tr>
<td>Fines and penalties</td>
<td>547,000</td>
<td>547,000</td>
</tr>
<tr>
<td>Investment income</td>
<td>631,000</td>
<td>631,000</td>
</tr>
<tr>
<td>Rental income</td>
<td>1,170,000</td>
<td>1,170,000</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>50,000</td>
<td>2,832,101</td>
</tr>
<tr>
<td>Charges of services</td>
<td>4,290,387</td>
<td>2,460,288</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,224,790</td>
<td>1,528,905</td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>56,843,137</td>
<td>59,429,254</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES:</th>
<th>Current:</th>
<th>Debt service:</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>4,249,417</td>
<td>510,000</td>
</tr>
<tr>
<td>Public safety</td>
<td>33,087,498</td>
<td>3,332,537</td>
</tr>
<tr>
<td>Transportation</td>
<td>6,264,820</td>
<td>6,298,117</td>
</tr>
<tr>
<td>Community development</td>
<td>3,919,612</td>
<td>5,568,343</td>
</tr>
<tr>
<td>Community services</td>
<td>3,287,336</td>
<td>3,361,147</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>3,763,376</td>
<td>11,554,575</td>
</tr>
<tr>
<td>Principal</td>
<td>510,000</td>
<td>510,000</td>
</tr>
<tr>
<td>Interest</td>
<td>5,700</td>
<td>5,700</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>55,087,759</td>
<td>64,836,053</td>
</tr>
</tbody>
</table>

| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,755,378 | (5,406,799) | 6,889,147 | 12,295,946 |

<table>
<thead>
<tr>
<th>OTHER FINANCING SOURCES (USES):</th>
<th>Transfers in</th>
<th>Transfers out</th>
<th>Proceeds from sale of capital assets</th>
<th>TOTAL OTHER FINANCING SOURCES (USES)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,638,903</td>
<td>(2,332,915)</td>
<td>26,000</td>
<td>(668,012)</td>
</tr>
<tr>
<td></td>
<td>3,552,631</td>
<td>(4,574,060)</td>
<td>54,000</td>
<td>(967,429)</td>
</tr>
<tr>
<td></td>
<td>3,277,105</td>
<td>(1,696,032)</td>
<td>1,310,417</td>
<td>2,891,490</td>
</tr>
<tr>
<td></td>
<td>(275,526)</td>
<td>2,678,028</td>
<td>1,256,417</td>
<td>3,858,919</td>
</tr>
</tbody>
</table>

| NET CHANGE IN FUND BALANCE | 1,087,366 | (6,374,228) | 9,780,637 | 16,154,865 |

| FUND BALANCE - BEGINNING OF YEAR | 48,709,968 | 48,709,968 | 48,709,968 | - |

| FUND BALANCE - END OF YEAR | $49,797,334 | 42,335,740 | 58,490,605 | 16,154,865 |

See accompanying notes to the required supplementary information.
CITY OF FOUNTAIN VALLEY

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Housing Authority Special Revenue Fund

Year ended June 30, 2019

<table>
<thead>
<tr>
<th>Budgeted Amounts</th>
<th>Variance with Final Budget Positive (Negative)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
</tr>
<tr>
<td>REVENUES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$ 204,000</td>
<td>204,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>134,200</td>
<td>134,200</td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>338,200</td>
<td>338,200</td>
</tr>
<tr>
<td>EXPENDITURES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community development</td>
<td>391,005</td>
<td>391,005</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>391,005</td>
<td>391,005</td>
</tr>
<tr>
<td>NET CHANGE IN FUND BALANCE</td>
<td>(52,805)</td>
<td>(52,805)</td>
</tr>
<tr>
<td>FUND BALANCE - BEGINNING OF YEAR, AS RESTATED</td>
<td>18,155,953</td>
<td>18,155,953</td>
</tr>
<tr>
<td>FUND BALANCE - END OF YEAR</td>
<td>$ 18,103,148</td>
<td>18,103,148</td>
</tr>
</tbody>
</table>

See accompanying notes to the required supplementary information.
NOTE 1 - BUDGETS AND BUDGETARY DATA

The adopted budget of the City consists of the presentation of a Council action request in the form of a staff report specifying the total appropriation for each departmental activity, (e.g., Police Administration, Street Maintenance, etc.).

Total appropriations for each fund may only be increased by the City Council by the approval of a staff report requesting to amend the budget, with the exception of budget adjustments which involve offsetting revenues and expenditures. In cases involving offsetting revenues and expenditures, the Finance Director is authorized to increase or decrease an appropriation for a specific purpose where said appropriation is offset by unbudgeted revenue which is designated for said specific purpose.

The City Manager has the authority to adjust the amounts appropriated between the departments and activities of a fund, objects within each departmental activity and between accounts within the objects, provided, however, that the total appropriations for each fund does not exceed the amounts provided in the original Council action formally adopting the budget.

The level at which expenditures may not legally exceed appropriations is the fund level.

All appropriations lapse at fiscal year-end unless City Council takes formal action in the form of an adopted staff report that allows the appropriation to continue into the following fiscal year.

Budgets for the various funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general, special revenue, debt service, capital projects, and proprietary fund types with the exception of the HOME Grant Special Revenue Fund.

NOTE 2 - DISCLOSURES FOR STREETS, SIDEWALKS, CURBS AND GUTTERS

The City elected to use the modified approach in reporting its street pavement infrastructure network. Under the modified approach, infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated as long as two requirements are met.

First, the government must manage the eligible infrastructure assets using an asset management system that has the following characteristics:

- An up-to-date inventory of eligible infrastructure assets,
- Annual condition assessments of the eligible infrastructure assets and summaries of the results using a measurement scale, and
- Estimates of the annual cost to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.
Second, the government must document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. If eligible infrastructure assets meet all requirements and are not depreciated, all expenditures made for those assets (except for additions and improvements) are expensed in the period incurred. Additions and improvements to eligible infrastructure assets are capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.

**Streets:**

The condition of the City’s roadway pavements is measured using the CarteGraph Pavement Management System. The system uses a measurement scale that is based on a Pavement Condition Index (PCI) ranging from zero for a very poor pavement to 100 for a pavement in very good condition. The City’s road system is divided into roadway segments according to the classifications of Primary, Major and Secondary routes, which are combined for reporting purposes as Master Plan of Arterial Highways (MPAH) and Locals. Field condition surveys of the pavement surface are conducted using 19 pavement distress types and a five level measurement scale to develop the PCI for each roadway segment and an overall pavement network rating. The five levels are: Very Good (86-100), Good (75-85), Fair (60-74), Poor (41-59), and Very Poor (0-40). Field condition surveys are undertaken and PCI ratings are compiled bi-annually for MPAH’s and Locals. It is the City’s policy to maintain a weighted average of all roadway segments at a PCI of 65 or better. The following table shows the results of the field condition surveys:

<table>
<thead>
<tr>
<th>Condition</th>
<th>PCI Range</th>
<th>MPAH</th>
<th>Locals</th>
<th>Total Mi.</th>
<th>% of Network</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Good</td>
<td>(86-100)</td>
<td>19.7</td>
<td>81.7</td>
<td>101.4</td>
<td>62%</td>
</tr>
<tr>
<td>Good</td>
<td>(75-85)</td>
<td>24.2</td>
<td>14.6</td>
<td>38.8</td>
<td>24%</td>
</tr>
<tr>
<td>Fair</td>
<td>(60-74)</td>
<td>8.1</td>
<td>9.5</td>
<td>17.6</td>
<td>11%</td>
</tr>
<tr>
<td>Poor</td>
<td>(41-59)</td>
<td>2.0</td>
<td>3.7</td>
<td>5.7</td>
<td>3%</td>
</tr>
<tr>
<td>Very Poor</td>
<td>(0-40)</td>
<td>0.1</td>
<td>0.7</td>
<td>0.8</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td>54.1</td>
<td>110.2</td>
<td>164.3</td>
<td>100%</td>
</tr>
</tbody>
</table>

The overall condition of the City’s pavement network based on the most recent complete assessment performed in fiscal year 2018 was “Very Good” with a weighted average PCI of 86.1 based on the surface area of each segment. The City’s four assessments performed previously in fiscal years 2016, 2014, 2012, 2010, and 2009 were “Good” with a weighted average Overall Condition Index (OCI) of 85.1, 81.4, 80.8, 74, and 72.3, respectively.
NOTE 2 - DISCLOSURES FOR STREETS, SIDEWALKS, CURBS AND GUTTERS (CONTINUED)

Sidewalks

The City’s maintenance standards for sidewalks are based upon the various vertical offset criteria listed below:

Sidewalk Maintenance

- 0” to ½” - will be flagged for identification purposes, however will be excluded from the budgetary section of the report. These distress locations are potential hazards and should be considered for future maintenance.
- ½” to 1” - will be flagged for grinding maintenance.
- 1” to 2” - will be flagged for ramping maintenance.
- >2” caused by a tree - will be flagged as ramp maintenance until the tree is removed. Then the City will remove the deficient sidewalk and/or curbs and gutter.

It is the City’s policy to perform maintenance on sidewalks consistent with the above criteria.

Curbs and Gutters

The City’s maintenance standards for curbs and gutters requires that sections of curbs and gutters that experience a vertical offset of 1-1/2” inches or greater which create “standing” water shall be placed on a schedule for removal and replacement consistent with existing City Council policy. To the greatest extent possible, removal and replacement of curbs and gutters meeting the above criteria shall be performed in conjunction with street resurfacing projects within which the deficient curbs and gutters sections are located.

Comparison of Needed-to-Actual Maintenance/Preservation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sidewalks, Curbs and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgeted</td>
<td>-</td>
<td>296,000</td>
<td>-</td>
<td>-</td>
<td>200,000</td>
<td>-</td>
</tr>
<tr>
<td>Actual</td>
<td>12,540</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>200,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roadway Classification:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arterial and Collectors:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgeted</td>
<td>3,259,479</td>
<td>1,426,127</td>
<td>4,265,295</td>
<td>3,100,000</td>
<td>1,909,303</td>
<td>2,842,640</td>
</tr>
<tr>
<td>Actual</td>
<td>1,287,645</td>
<td>43,755</td>
<td>3,095,394</td>
<td>34,704</td>
<td>635,912</td>
<td>1,974,449</td>
</tr>
<tr>
<td>Residential Roadway:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgeted</td>
<td>1,800,000</td>
<td>1,800,000</td>
<td>1,400,000</td>
<td>2,299,200</td>
<td>2,373,718</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Actual</td>
<td>1,485,305</td>
<td>1,535,470</td>
<td>1,177,871</td>
<td>1,976,474</td>
<td>2,367,310</td>
<td>1,682,019</td>
</tr>
</tbody>
</table>
SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenue sources that are legally restricted to or otherwise assigned for specific purposes.

**Criminal Activities** - This fund is used to account for receipts and disbursements of seized and forfeited assets used for sale of controlled substances and to account for state monies to be used for policing activities.

**Road Maintenance and Rehabilitation Program SB 1** - This fund is used to account for revenues received from the State SB1 taxes. Expenditures are restricted to basic road maintenance, rehabilitation, and critical safety projects.

**Gas Tax** - This fund is used to account for state gasoline taxes received by the City. These funds may be used for street maintenance, right-of-way acquisition and street construction.

**Abandoned Vehicle Abatement** - This fund is used to account for abatement of abandoned or disabled vehicles illegally parked in the City.

**Traffic Improvement** - This fund is used to account for Measure M revenues received by the City. These funds may be used for street projects to improve traffic.

**Pollution Reduction** - This fund is used to account for South Coast Air Quality Management District revenues received by the City. These funds may be used for various programs to reduce air pollution.

**HOME Grant** - This fund is used to account for federal HOME Grant funds.

**Measure M2** - This fund is used to account for Measure M2 revenue and interest earnings. These funds are transferred out for traffic improvement related projects.

**Community Development Block Grant** - This fund is used to account for federal Housing and Community Development Block Grant funds.

DEBT SERVICE FUNDS

Debt service funds are used to account for resources restricted or assigned for expenditure of principal and interest.

**Fountain Valley Public Financing Authority** - This fund is used to account for the repayment of principal and interest on the Lease Revenue Bonds, Series 2016A.
CITY OF FOUNTAIN VALLEY

Other Governmental Funds
(Continued)

June 30, 2019

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for resources restricted or assigned for capital improvements.

**Drainage** - This fund is used to account for the implementation of goals and objectives of the master drainage plan and to mitigate water runoff impacts of new development in the drainage area.

**Fountain Valley Public Financing Authority** - This fund is used to account for the construction of certain improvements associated with the issuance of Lease Revenue Bonds, Series 2016A.
CITY OF FOUNTAIN VALLEY
Combining Balance Sheet
Other Governmental Funds
June 30, 2019

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Road Maint and Rehab Abandoned Criminal Activities</th>
<th>Gas Vehicle Traffic Improvement</th>
<th>Total</th>
<th>Traffic Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>$773,991</td>
<td>-</td>
<td>1,407,673</td>
<td>27,098</td>
</tr>
<tr>
<td>Cash and investments with fiscal agents</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts</td>
<td>8,715</td>
<td>186,289</td>
<td>91,734</td>
<td>-</td>
</tr>
<tr>
<td>Loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>-</td>
<td>-</td>
<td>72,414</td>
<td>-</td>
</tr>
</tbody>
</table>

**TOTAL ASSETS**

**LIABILITIES AND FUND BALANCES**

**LIABILITIES:**

| Accounts payable | $ | - | - | 16,073 | - | 40,396 |
| Deposits payable | - | - | - | - | - | 54,519 |
| Due to other funds | - | 72,414 | - | - | - | - |

**TOTAL LIABILITIES**

**FUND BALANCES (DEFICITS):**

Restricted for:

| Public safety | 782,706 | - | - | - | - |
| Transportation | - | 113,875 | 1,555,748 | 27,098 | 1,080,477 |
| Housing | - | - | - | - | - |
| Community development | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Unassigned | - | - | - | - | - |

**TOTAL FUND BALANCES (DEFICITS)**

**TOTAL LIABILITIES AND FUND BALANCES**

$782,706 | 186,289 | 1,571,821 | 27,098 | 1,175,392
<table>
<thead>
<tr>
<th>Pollution Reduction Grant</th>
<th>HOME Grant</th>
<th>Measure M2</th>
<th>Community Development Block Grant</th>
<th>Debt Service Fund</th>
<th>Capital Projects Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Fountain Valley Public Financing Authority</td>
<td>Fountain Valley Public Financing Authority</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Drainage</td>
<td>Total</td>
</tr>
<tr>
<td></td>
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</tr>
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<td>354,256</td>
<td>283,747</td>
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<td>-</td>
<td>248,440</td>
<td>- 6,382,137</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td>2,524,080 2,524,128</td>
</tr>
<tr>
<td>65,240</td>
<td>-</td>
<td>173,197</td>
<td>51,012</td>
<td>-</td>
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<td>28,007</td>
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<td>200,423</td>
<td></td>
<td>228,430</td>
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<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>419,496</td>
<td>311,754</td>
<td>2,942,310</td>
<td>251,435</td>
<td>48</td>
<td>2,524,080 10,441,412</td>
</tr>
<tr>
<td></td>
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<td>88,271</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
<td>38,413</td>
<td>-</td>
<td>110,827</td>
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</tr>
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<td>51,013</td>
<td>-</td>
<td>648,993</td>
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</tr>
<tr>
<td></td>
<td>419,496</td>
<td>-</td>
<td>2,942,310</td>
<td>-</td>
<td>1,202,202</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td>5,719,508</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
<td>200,422</td>
<td>-</td>
<td>311,754</td>
</tr>
<tr>
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<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td>2,724,502</td>
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<td>-</td>
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<td>-</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
<td></td>
<td>(165,595)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>419,496</td>
<td>311,754</td>
<td>2,942,310</td>
<td>200,422</td>
<td>2,524,080 9,792,419</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>419,496</td>
<td>311,754</td>
<td>2,942,310</td>
<td>251,435</td>
<td>2,524,080 10,441,412</td>
</tr>
</tbody>
</table>
CITY OF FOUNTAIN VALLEY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds

Year ended June 30, 2019

<table>
<thead>
<tr>
<th>Special Revenue Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Criminal Activities</strong></td>
</tr>
<tr>
<td>Investment income</td>
</tr>
<tr>
<td>Intergovernmental</td>
</tr>
<tr>
<td>Charges for services</td>
</tr>
<tr>
<td>Miscellaneous</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>EXPENDITURES</strong>:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public safety</strong></td>
</tr>
<tr>
<td><strong>Transportation</strong></td>
</tr>
<tr>
<td><strong>Community development</strong></td>
</tr>
<tr>
<td><strong>Community services</strong></td>
</tr>
<tr>
<td><strong>Capital outlay</strong></td>
</tr>
<tr>
<td><strong>Debt service</strong>:</td>
</tr>
<tr>
<td>Principal</td>
</tr>
<tr>
<td>Interest</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
</tr>
</tbody>
</table>

| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | 179,310 | 1,045,613 | (344,800) | (6,266) | (503,812) |

<table>
<thead>
<tr>
<th><strong>OTHER FINANCING SOURCES (USES)</strong>:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers in</td>
</tr>
<tr>
<td>Transfers out</td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING SOURCES (USES)</strong></td>
</tr>
</tbody>
</table>

| **NET CHANGE IN FUND BALANCES** | 117,773 | (219,521) | 897,464 | (6,266) | 828,833 |

| **FUND BALANCES - BEGINNING OF YEAR, AS RESTATED** | 664,933 | 333,396 | 658,284 | 33,364 | 251,644 |

<p>| <strong>FUND BALANCES (DEFICITS) - END OF YEAR</strong> | $782,706 | 113,875 | 1,555,748 | 27,098 | 1,080,477 |</p>
<table>
<thead>
<tr>
<th>Pollution Reduction</th>
<th>HOME Grant</th>
<th>Measure M2</th>
<th>Community Development Block Grant</th>
<th>Debt Service Fund</th>
<th>Capital Projects Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Fountain Valley</td>
<td>Fountain Valley</td>
</tr>
<tr>
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<td></td>
<td>Public Financing Authority</td>
<td>Public Financing Authority</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Drainage</td>
<td></td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Authority</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7,853</td>
<td>11,231</td>
<td>43,332</td>
<td>-</td>
<td>202</td>
<td>-</td>
</tr>
<tr>
<td>119,929</td>
<td>-</td>
<td>1,181,186</td>
<td>329,707</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16,035</td>
</tr>
<tr>
<td>-</td>
<td>10,091</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>127,782</td>
<td>21,322</td>
<td>1,224,518</td>
<td>329,707</td>
<td>202</td>
<td>16,035</td>
</tr>
<tr>
<td>141,824</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>296,348</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>932,469</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>536,105</td>
<td>-</td>
<td>-</td>
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<tr>
<td>-</td>
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<td>141,824</td>
<td>-</td>
<td>-</td>
<td>296,348</td>
<td>1,082,484</td>
<td>932,469</td>
</tr>
<tr>
<td>(14,042)</td>
<td>21,322</td>
<td>1,224,518</td>
<td>33,359</td>
<td>(1,082,282)</td>
<td>(916,434)</td>
</tr>
<tr>
<td>(106,815)</td>
<td>-</td>
<td>(1,142,955)</td>
<td>-</td>
<td>1,082,304</td>
<td>601,139</td>
</tr>
<tr>
<td>-</td>
<td>(1,142,955)</td>
<td>-</td>
<td>-</td>
<td>(601,139)</td>
<td>-</td>
</tr>
<tr>
<td>(106,815)</td>
<td>-</td>
<td>(1,142,955)</td>
<td>-</td>
<td>1,082,304</td>
<td>601,139</td>
</tr>
<tr>
<td>(120,857)</td>
<td>21,322</td>
<td>81,563</td>
<td>33,359</td>
<td>22</td>
<td>(315,295)</td>
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<td>540,353</td>
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<td>2,860,747</td>
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<td>149,700</td>
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<td>419,496</td>
<td>311,754</td>
<td>2,942,310</td>
<td>200,422</td>
<td>48</td>
<td>(165,595)</td>
</tr>
</tbody>
</table>
## Schedule of Revenues, Expenditures, and Changes in Fund Balance

**Budget and Actual - Criminal Activities Special Revenue Fund**

**Year ended June 30, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th></th>
<th></th>
<th></th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td>Actual</td>
<td></td>
<td>Positive (Negative)</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$8,599</td>
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<td>$5,599</td>
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<tr>
<td>Intergovernmental</td>
<td>150,000</td>
<td>294,939</td>
<td>315,857</td>
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<td>20,918</td>
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<td>Miscellaneous</td>
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<td>15,000</td>
<td>6,210</td>
<td></td>
<td>$(8,790)</td>
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<td><strong>TOTAL REVENUES</strong></td>
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<td>312,939</td>
<td>330,666</td>
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<td>17,727</td>
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<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Public safety</td>
<td>130,215</td>
<td>279,114</td>
<td>151,356</td>
<td></td>
<td>127,758</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>130,215</td>
<td>279,114</td>
<td>151,356</td>
<td></td>
<td>127,758</td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUES</strong></td>
<td><strong>OVER EXPENDITURES</strong></td>
<td>37,785</td>
<td>33,825</td>
<td>179,310</td>
<td>145,485</td>
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<td><strong>OTHER FINANCING USES:</strong></td>
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</tr>
<tr>
<td>Transfers out</td>
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<td>(99,584)</td>
<td>(61,537)</td>
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<td>38,047</td>
</tr>
<tr>
<td><strong>TOTAL OTHER</strong></td>
<td>(80,000)</td>
<td>(99,584)</td>
<td>(61,537)</td>
<td></td>
<td>38,047</td>
</tr>
<tr>
<td><strong>FINANCING USES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET CHANGE IN</strong></td>
<td>(42,215)</td>
<td>(65,759)</td>
<td>117,773</td>
<td></td>
<td>183,532</td>
</tr>
<tr>
<td><strong>FUND BALANCE -</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BEGINNING OF YEAR</strong></td>
<td>664,933</td>
<td>664,933</td>
<td>664,933</td>
<td></td>
<td>-</td>
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<tr>
<td><strong>FUND BALANCE - END OF YEAR</strong></td>
<td>$622,718</td>
<td>599,174</td>
<td>782,706</td>
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<td>183,532</td>
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CITY OF FOUNTAIN VALLEY
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - SB1 Special Revenue Fund
Year ended June 30, 2019

<table>
<thead>
<tr>
<th>Budgeted Amounts</th>
<th>Variance with Final Budget Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
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<tr>
<td>Investment income</td>
<td>$</td>
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<tr>
<td>Intergovernmental</td>
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<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>941,712</td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES (USES):</strong></td>
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</tr>
<tr>
<td>Transfers out</td>
<td>(1,265,134)</td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING SOURCES (USES)</strong></td>
<td>(1,265,134)</td>
</tr>
<tr>
<td><strong>NET CHANGE IN FUND BALANCE</strong></td>
<td>(323,422)</td>
</tr>
<tr>
<td><strong>FUND BALANCE - BEGINNING OF YEAR</strong></td>
<td>333,396</td>
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<tr>
<td><strong>FUND BALANCE - END OF YEAR</strong></td>
<td>$ 9,974</td>
</tr>
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</table>
## Schedule of Revenues, Expenditures, and Changes in Fund Balance
### Budget and Actual - Gas Tax Special Revenue Fund

**Year ended June 30, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Variance with Final Budget</th>
<th>Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td>Actual</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$6,000</td>
<td>6,000</td>
<td>11,905</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>1,450,627</td>
<td>1,450,627</td>
<td>1,173,261</td>
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<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>1,456,627</td>
<td>1,456,627</td>
<td>1,185,166</td>
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<tr>
<td><strong>EXPENDITURES:</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>1,894,500</td>
<td>1,894,500</td>
<td>1,529,966</td>
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<tr>
<td>Capital outlay</td>
<td>30,000</td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>1,924,500</td>
<td>1,924,500</td>
<td>1,529,966</td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUES UNDER EXPENDITURES</strong></td>
<td>(467,873)</td>
<td>(467,873)</td>
<td>(344,800)</td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES (USES):</strong></td>
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<td></td>
</tr>
<tr>
<td>Transfers in</td>
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<td>1,628,134</td>
<td>1,640,372</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(413,000)</td>
<td>(413,000)</td>
<td>(398,108)</td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING SOURCES (USES)</strong></td>
<td>1,215,134</td>
<td>1,215,134</td>
<td>1,242,264</td>
</tr>
<tr>
<td><strong>NET CHANGE IN FUND BALANCE</strong></td>
<td>747,261</td>
<td>747,261</td>
<td>897,464</td>
</tr>
<tr>
<td><strong>FUND BALANCE - BEGINNING OF YEAR</strong></td>
<td>658,284</td>
<td>658,284</td>
<td>658,284</td>
</tr>
<tr>
<td><strong>FUND BALANCE - END OF YEAR</strong></td>
<td>$ 1,405,545</td>
<td>1,405,545</td>
<td>1,555,748</td>
</tr>
</tbody>
</table>
## Schedule of Revenues, Expenditures, and Changes in Fund Balance

### Budget and Actual - Abandoned Vehicle Abatement Special Revenue Fund

**Year ended June 30, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$ -</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community services</td>
<td>8,582</td>
<td>8,582</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>8,582</td>
<td>8,582</td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUES UNDER EXPENDITURES</strong></td>
<td>(8,582)</td>
<td>(8,582)</td>
</tr>
<tr>
<td><strong>FUND BALANCE - BEGINNING OF YEAR</strong></td>
<td>33,364</td>
<td>33,364</td>
</tr>
<tr>
<td><strong>FUND BALANCE - END OF YEAR</strong></td>
<td>$ 24,782</td>
<td>24,782</td>
</tr>
</tbody>
</table>
CITY OF FOUNTAIN VALLEY

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Traffic Improvement Special Revenue Fund

Year ended June 30, 2019

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
</tr>
<tr>
<td>REVENUES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>-</td>
<td>834,276</td>
</tr>
<tr>
<td>Charges for services</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>22,000</td>
<td>856,276</td>
</tr>
<tr>
<td>EXPENDITURES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>1,515,000</td>
<td>4,217,425</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>1,515,000</td>
<td>4,217,425</td>
</tr>
<tr>
<td>EXCESS OF REVENUES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNDER EXPENDITURES</td>
<td>(1,493,000)</td>
<td>(3,361,149)</td>
</tr>
<tr>
<td>OTHER FINANCING SOURCES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>3,161,656</td>
<td>3,790,038</td>
</tr>
<tr>
<td>TOTAL OTHER FINANCING</td>
<td>3,161,656</td>
<td>3,790,038</td>
</tr>
<tr>
<td>SOURCES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET CHANGE IN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FUND BALANCE</td>
<td>1,668,656</td>
<td>428,889</td>
</tr>
<tr>
<td>FUND BALANCE - BEGINNING</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OF YEAR</td>
<td>251,644</td>
<td>251,644</td>
</tr>
<tr>
<td>FUND BALANCE - END OF YEAR</td>
<td>$1,920,300</td>
<td>680,533</td>
</tr>
</tbody>
</table>
# Schedule of Revenues, Expenditures, and Changes in Fund Balance

**Budget and Actual - Pollution Reduction Special Revenue Fund**

**Year ended June 30, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th></th>
<th></th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td>Actual</td>
<td>Positive (Negative)</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$ 4,000</td>
<td>4,000</td>
<td>7,853</td>
<td>3,853</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>70,000</td>
<td>116,100</td>
<td>119,929</td>
<td>3,829</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>74,000</td>
<td>120,100</td>
<td>127,782</td>
<td>7,682</td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public safety</td>
<td>2,000</td>
<td>143,347</td>
<td>141,824</td>
<td>1,523</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>2,000</td>
<td>143,347</td>
<td>141,824</td>
<td>1,523</td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</strong></td>
<td>72,000</td>
<td>(23,247)</td>
<td>(14,042)</td>
<td>9,205</td>
</tr>
<tr>
<td><strong>OTHER FINANCING USES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers out</td>
<td>(200,000)</td>
<td>(200,000)</td>
<td>(106,815)</td>
<td>93,185</td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING USES</strong></td>
<td>(200,000)</td>
<td>(200,000)</td>
<td>(106,815)</td>
<td>93,185</td>
</tr>
<tr>
<td><strong>NET CHANGE IN FUND BALANCE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(128,000)</td>
<td>(223,247)</td>
<td>(120,857)</td>
<td>102,390</td>
</tr>
<tr>
<td><strong>FUND BALANCE - BEGINNING OF YEAR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>540,353</td>
<td>540,353</td>
<td>540,353</td>
<td>-</td>
</tr>
<tr>
<td><strong>FUND BALANCE - END OF YEAR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 412,353</td>
<td>317,106</td>
<td>419,496</td>
<td>102,390</td>
</tr>
</tbody>
</table>
CITY OF FOUNTAIN VALLEY

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Measure M2 Special Revenue Fund

Year ended June 30, 2019

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
</tr>
<tr>
<td>REVENUES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$ 29,000</td>
<td>29,000</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>1,143,354</td>
<td>1,143,354</td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>1,172,354</td>
<td>1,172,354</td>
</tr>
<tr>
<td>EXPENDITURES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXCESS OF REVENUES OVER EXPENDITURES</td>
<td>1,172,354</td>
<td>1,172,354</td>
</tr>
<tr>
<td>OTHER FINANCING USES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers out</td>
<td>(2,701,701)</td>
<td>(3,180,044)</td>
</tr>
<tr>
<td>TOTAL OTHER FINANCING USES</td>
<td>(2,701,701)</td>
<td>(3,180,044)</td>
</tr>
<tr>
<td>NET CHANGE IN FUND BALANCE</td>
<td>(1,529,347)</td>
<td>(2,007,690)</td>
</tr>
<tr>
<td>FUND BALANCE - BEGINNING OF YEAR</td>
<td>2,860,747</td>
<td>2,860,747</td>
</tr>
<tr>
<td>FUND BALANCE - END OF YEAR</td>
<td>$ 1,331,400</td>
<td>853,057</td>
</tr>
</tbody>
</table>
CITY OF FOUNTAIN VALLEY

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Community Development Block Grant Special Revenue Fund

Year ended June 30, 2019

<table>
<thead>
<tr>
<th>Budgeted Amounts</th>
<th>Original</th>
<th>Final</th>
<th>Actual</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Positive (Negative)</td>
</tr>
<tr>
<td>REVENUES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>$ 493,302</td>
<td>493,302</td>
<td>329,707</td>
<td>(163,595)</td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>493,302</td>
<td>493,302</td>
<td>329,707</td>
<td>(163,595)</td>
</tr>
<tr>
<td>EXPENDITURES:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community development</td>
<td>493,302</td>
<td>493,302</td>
<td>296,348</td>
<td>196,954</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>493,302</td>
<td>493,302</td>
<td>296,348</td>
<td>196,954</td>
</tr>
<tr>
<td>EXCESS OF REVENUES UNDER EXPENDITURES</td>
<td>-</td>
<td>-</td>
<td>33,359</td>
<td>33,359</td>
</tr>
<tr>
<td>FUND BALANCE - BEGINNING OF YEAR, AS RESTATED</td>
<td>167,063</td>
<td>167,063</td>
<td>167,063</td>
<td>-</td>
</tr>
<tr>
<td>FUND BALANCE - END OF YEAR</td>
<td>$ 167,063</td>
<td>167,063</td>
<td>200,422</td>
<td>33,359</td>
</tr>
</tbody>
</table>
## Schedule of Revenues, Expenditures, and Changes in Fund Balance

**Budget and Actual - Fountain Valley Public Financing Authority Debt Service Fund**

**Year ended June 30, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th></th>
<th></th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td>Actual</td>
<td>(Negative)</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$</td>
<td>-</td>
<td>-</td>
<td>$202</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$202</td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>536,105</td>
<td>536,105</td>
<td>536,105</td>
<td>-</td>
</tr>
<tr>
<td>Interest</td>
<td>546,379</td>
<td>546,379</td>
<td>546,379</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>1,082,484</td>
<td>1,082,484</td>
<td>1,082,484</td>
<td>-</td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</strong></td>
<td>(1,082,484)</td>
<td>(1,082,484)</td>
<td>(1,082,282)</td>
<td>$202</td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>1,082,484</td>
<td>1,082,484</td>
<td>1,082,304</td>
<td>$(180)</td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING SOURCES</strong></td>
<td>1,082,484</td>
<td>1,082,484</td>
<td>1,082,304</td>
<td>$(180)</td>
</tr>
<tr>
<td><strong>NET CHANGE IN FUND BALANCE</strong></td>
<td>-</td>
<td>-</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td><strong>FUND BALANCE - BEGINNING OF YEAR</strong></td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>-</td>
</tr>
<tr>
<td><strong>FUND BALANCE - END OF YEAR</strong></td>
<td>$26</td>
<td>26</td>
<td>48</td>
<td>22</td>
</tr>
</tbody>
</table>
## Schedule of Revenues, Expenditures, and Changes in Fund Balance

**Budget and Actual - Drainage Capital Projects Fund**

**Year ended June 30, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$ 1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital outlay</td>
<td>-</td>
<td>5,589,901</td>
</tr>
<tr>
<td>TOTAL EXPENDITURES</td>
<td>-</td>
<td>5,589,901</td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUES UNDER EXPENDITURES</strong></td>
<td>1,000</td>
<td>(5,588,901)</td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES:</strong></td>
<td>3,365,410</td>
<td>5,443,853</td>
</tr>
<tr>
<td>Transfers in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL OTHER FINANCING SOURCES</td>
<td>3,365,410</td>
<td>5,443,853</td>
</tr>
<tr>
<td><strong>NET CHANGE IN FUND BALANCE</strong></td>
<td>3,366,410</td>
<td>(145,048)</td>
</tr>
<tr>
<td><strong>FUND BALANCE - BEGINNING OF YEAR</strong></td>
<td>149,700</td>
<td>149,700</td>
</tr>
<tr>
<td><strong>FUND BALANCE (DEFICIT) - END OF YEAR</strong></td>
<td>$ 3,516,110</td>
<td>4,652</td>
</tr>
</tbody>
</table>
### Schedule of Revenues, Expenditures, and Changes in Fund Balance

**Budget and Actual - Fountain Valley Public Financing Authority Capital Projects Fund**

**Year ended June 30, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES:</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUES OVER EXPENDITURES</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>OTHER FINANCING USES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers out</td>
<td>-</td>
<td>(3,088,983)</td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING USES</strong></td>
<td>-</td>
<td>(3,088,983)</td>
</tr>
<tr>
<td><strong>NET CHANGE IN FUND BALANCE</strong></td>
<td>-</td>
<td>(3,088,983)</td>
</tr>
<tr>
<td><strong>FUND BALANCE - BEGINNING OF YEAR</strong></td>
<td>3,116,037</td>
<td>3,116,037</td>
</tr>
<tr>
<td><strong>FUND BALANCE - END OF YEAR</strong></td>
<td>$3,116,037</td>
<td>27,054</td>
</tr>
</tbody>
</table>
CITY OF FOUNTAIN VALLEY
Fiduciary Funds
CITY OF FOUNTAIN VALLEY

Fiduciary Funds

June 30, 2019

PRIVATE PURPOSE TRUST FUNDS

Industrial Area Capital Projects - This capital projects fund is used to account for the construction of all capital projects located in the Industrial Project Area and financed by the former Fountain Valley Agency for Community Development.

Redevelopment Property Tax Trust - This fund is used to account for Redevelopment Property Tax Trust Funds (RPTTF) received from the County for payment of Department of Finance approved debt.

AGENCY FUNDS

Special Deposit and Receipt - This fund is used to account for receipts of money that the City is holding in deposit on the behalf of other persons or entities that are to be refunded or forfeited at a future period in time.

Developer Agreements - This fund is used to account for activities related to developer agreements and environmental impact studies for future developments.
CITY OF FOUNTAIN VALLEY

Combining Statement of Fiduciary Net Position
Private-Purpose Trust Funds

June 30, 2019

<table>
<thead>
<tr>
<th>Successor Agency Funds</th>
<th>Industrial Area Capital Projects</th>
<th>Redevelopment Property Tax Trust</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$ 783,943</td>
<td>-</td>
<td>783,943</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>783,943</td>
<td>-</td>
<td>783,943</td>
</tr>
<tr>
<td>LIABILITIES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>119,687</td>
<td>-</td>
<td>119,687</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>119,687</td>
<td>-</td>
<td>119,687</td>
</tr>
<tr>
<td>NET POSITION:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held in trust for Successor Agency</td>
<td>$ 664,256</td>
<td>-</td>
<td>664,256</td>
</tr>
</tbody>
</table>
**CITY OF FOUNTAIN VALLEY**

**Combining Statement of Changes in Fiduciary Net Position**

**Private-Purpose Trust Funds**

**Year ended June 30, 2019**

<table>
<thead>
<tr>
<th>Successor Agency Funds</th>
<th>Industrial Area Capital Projects</th>
<th>Redevelopment Property Tax Trust</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADDITIONS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$ -</td>
<td>80,000</td>
<td>-</td>
<td>80,000</td>
</tr>
<tr>
<td>Investment income (loss)</td>
<td>4,965</td>
<td>-</td>
<td>-</td>
<td>4,965</td>
</tr>
<tr>
<td><strong>TOTAL ADDITIONS</strong></td>
<td>4,965</td>
<td>80,000</td>
<td>-</td>
<td>84,965</td>
</tr>
<tr>
<td><strong>DEDUCTIONS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative</td>
<td>19,782</td>
<td>-</td>
<td>-</td>
<td>19,782</td>
</tr>
<tr>
<td>Community development</td>
<td>265,792</td>
<td>-</td>
<td>-</td>
<td>265,792</td>
</tr>
<tr>
<td><strong>TOTAL DEDUCTIONS</strong></td>
<td>285,574</td>
<td>-</td>
<td>-</td>
<td>285,574</td>
</tr>
<tr>
<td><strong>INCOME (LOSS), BEFORE TRANSFERS</strong></td>
<td>(280,609)</td>
<td>80,000</td>
<td>-</td>
<td>(200,609)</td>
</tr>
<tr>
<td><strong>TRANSFERS:</strong></td>
<td></td>
<td></td>
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<tr>
<td>Transfers from other trust funds</td>
<td>80,000</td>
<td>-</td>
<td>80,000</td>
<td>160,000</td>
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<tr>
<td>Transfers to other trust funds</td>
<td>-</td>
<td>(80,000)</td>
<td>(80,000)</td>
<td>(160,000)</td>
</tr>
<tr>
<td><strong>TOTAL TRANSFERS</strong></td>
<td>80,000</td>
<td>(80,000)</td>
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<tr>
<td><strong>CHANGES IN NET POSITION</strong></td>
<td>(200,609)</td>
<td>-</td>
<td>-</td>
<td>(200,609)</td>
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<tr>
<td><strong>NET POSITION - BEGINNING OF YEAR</strong></td>
<td>864,865</td>
<td>-</td>
<td>-</td>
<td>864,865</td>
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<tr>
<td><strong>NET POSITION - END OF YEAR</strong></td>
<td>$ 664,256</td>
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<td>664,256</td>
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### CITY OF FOUNTAIN VALLEY

**Combining Statement of Assets and Liabilities**

**Agency Funds**

**June 30, 2019**

<table>
<thead>
<tr>
<th></th>
<th>Special Deposit and Receipt</th>
<th>Developer Agreements</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS:</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Cash and investments</td>
<td>$ 297,845</td>
<td>41,501</td>
<td>339,346</td>
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<tr>
<td><strong>LIABILITIES:</strong></td>
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<tr>
<td>Deposits payable</td>
<td>$ 297,845</td>
<td>41,501</td>
<td>339,346</td>
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</table>
CITY OF FOUNTAIN VALLEY

Combining Statement of Changes in Assets and Liabilities
Agency Funds

Year ended June 30, 2019

<table>
<thead>
<tr>
<th>Funds</th>
<th>July 1, 2018</th>
<th>Additions</th>
<th>Deletions</th>
<th>June 30, 2019</th>
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<tbody>
<tr>
<td><strong>SPECIAL DEPOSIT AND RECEIPT FUND</strong></td>
<td></td>
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<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$ 235,388</td>
<td>126,578</td>
<td>(64,121)</td>
<td>297,845</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Deposits payable</td>
<td>$ 235,388</td>
<td>126,578</td>
<td>(64,121)</td>
<td>297,845</td>
</tr>
</tbody>
</table>

| **REIMBURSEMENT AGREEMENT FUND** |              |           |           |              |
| Assets                        |              |           |           |              |
| Cash and investments          | $ 63,380     | 41,250    | (63,129)  | 41,501       |
| Liabilities                   |              |           |           |              |
| Deposits payable              | $ 63,380     | 41,250    | (63,129)  | 41,501       |

| **ALL AGENCY FUNDS**          |              |           |           |              |
| Assets                        |              |           |           |              |
| Cash and investments          | $ 298,768    | 167,828   | (127,250) | 339,346      |
| Liabilities                   |              |           |           |              |
| Deposits payable              | $ 298,768    | 167,828   | (127,250) | 339,346      |
This part of the City of Fountain Valley’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government’s overall financial health.

Contents:

**Financial Trends** - Theses schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time. 112

**Revenue Capacity** - These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax. 122

**Debt Capacity** - These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future. 128

**Demographic and Economic Information** - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place. 135

**Operating Information** - These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs. 137
### Fiscal Year Ended June 30, 2019

#### Last Ten Fiscal Years (accrual basis of accounting)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental activities:</strong></td>
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<tr>
<td>Net Investment in Capital Assets</td>
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<td>$99,543,316</td>
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<td>52,990,041</td>
<td>14,475,232</td>
<td>14,428,516</td>
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<tr>
<td>Unrestricted</td>
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<td>60,549,852</td>
<td>55,985,076</td>
<td>42,839,271</td>
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<td>$206,459,042</td>
<td>$173,552,290</td>
<td>$156,811,103</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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</thead>
<tbody>
<tr>
<td><strong>Business-type activities</strong></td>
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<td></td>
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<tr>
<td>Net Investment in Capital Assets</td>
<td>$10,479,014</td>
<td>$10,945,907</td>
<td>$11,746,210</td>
<td>$11,799,936</td>
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<tr>
<td>Restricted</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Unrestricted</td>
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<td>4,531,257</td>
<td>6,049,769</td>
<td>5,828,113</td>
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<td><strong>Total business-type activity net assets</strong></td>
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<td>$15,477,164</td>
<td>$17,795,979</td>
<td>$17,628,049</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary government:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Investment in Capital Assets</td>
<td>$84,686,247</td>
<td>$103,865,056</td>
<td>$114,838,192</td>
<td>$111,343,252</td>
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<tr>
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<td>14,428,516</td>
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<tr>
<td>Unrestricted</td>
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<td>65,081,109</td>
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<tr>
<td><strong>Total primary government net assets</strong></td>
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<td>$221,936,206</td>
<td>$191,348,269</td>
<td>$174,439,152</td>
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</table>
### Fiscal Year Ended June 30, 2019

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<th></th>
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</thead>
<tbody>
<tr>
<td>Revenue</td>
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<td>$97,768,732</td>
<td>$95,231,907</td>
<td>$93,401,436</td>
<td>$97,951,856</td>
<td>$101,064,072</td>
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<tr>
<td>Taxes on income</td>
<td>15,452,824</td>
<td>19,856,331</td>
<td>24,307,690</td>
<td>26,763,094</td>
<td>35,436,520</td>
<td>33,994,978</td>
</tr>
<tr>
<td>Operating income</td>
<td>39,381,257</td>
<td>(33,410,687)</td>
<td>(39,176,211)</td>
<td>(39,063,347)</td>
<td>(73,293,802)</td>
<td>(67,204,319)</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>$156,391,829</td>
<td>$84,214,376</td>
<td>$80,363,386</td>
<td>$81,101,183</td>
<td>$60,094,574</td>
<td>$67,854,731</td>
</tr>
<tr>
<td>Income taxes on income</td>
<td>15,452,824</td>
<td>19,856,331</td>
<td>24,307,690</td>
<td>26,763,094</td>
<td>35,436,520</td>
<td>33,994,978</td>
</tr>
<tr>
<td>Net income</td>
<td>45,848,651</td>
<td>(36,827,738)</td>
<td>(31,710,221)</td>
<td>(30,684,958)</td>
<td>(66,926,630)</td>
<td>(57,265,963)</td>
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<tr>
<td>$174,737,993</td>
<td>$112,944,547</td>
<td>$110,601,813</td>
<td>$112,200,620</td>
<td>$89,339,555</td>
<td>$100,513,703</td>
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</tr>
</tbody>
</table>

*Fiscal Year Ended June 30, 2019*
## CITY OF FOUNTAIN VALLEY

### CHANGES IN NET POSITION

### EXPENSES AND PROGRAM REVENUES

#### Last Ten Fiscal Years

*(accrual basis of accounting)*

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30, 2019</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Governmental activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>$4,389,509</td>
<td>$2,288,544</td>
<td>$3,623,812</td>
<td>$3,268,718</td>
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<tr>
<td>Public safety</td>
<td>25,294,734</td>
<td>26,634,914</td>
<td>26,039,750</td>
<td>26,100,788</td>
</tr>
<tr>
<td>Transportation</td>
<td>10,842,575</td>
<td>9,535,081</td>
<td>10,486,308</td>
<td>8,085,945</td>
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<tr>
<td>Community development</td>
<td>3,638,224</td>
<td>4,546,691</td>
<td>4,709,958</td>
<td>5,675,610</td>
</tr>
<tr>
<td>Community services</td>
<td>4,789,810</td>
<td>2,198,738</td>
<td>2,520,280</td>
<td>2,433,094</td>
</tr>
<tr>
<td>Capital projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and other charges</td>
<td>1,446,472</td>
<td>1,058,808</td>
<td>631,851</td>
<td>389,544</td>
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<tr>
<td>Total governmental activities expenses</td>
<td>50,401,324</td>
<td>46,262,776</td>
<td>48,011,959</td>
<td>46,355,305</td>
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<tr>
<td><strong>Business-type activity:</strong></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Water</td>
<td>10,752,153</td>
<td>9,464,335</td>
<td>9,640,203</td>
<td>11,961,160</td>
</tr>
<tr>
<td>Sewer</td>
<td></td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Solid Waste</td>
<td>2,985,275</td>
<td>2,859,051</td>
<td>2,912,260</td>
<td>2,923,270</td>
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<tr>
<td>Total business-type activity expenses</td>
<td>13,737,428</td>
<td>12,323,386</td>
<td>12,552,463</td>
<td>14,884,430</td>
</tr>
<tr>
<td><strong>Total primary government expenses</strong></td>
<td>64,138,752</td>
<td>58,586,162</td>
<td>60,564,422</td>
<td>61,239,735</td>
</tr>
</tbody>
</table>

| Program revenues:               |            |            |            |            |
| **Governmental activities:**     |            |            |            |            |
| Charges for services:           |            |            |            |            |
| General government              | 1,986,574  | 1,799,114  | 1,542,780  | 1,313,296  |
| Public safety                   | 2,261,734  | 2,145,255  | 2,402,968  | 2,551,306  |
| Transportation                  |            |            |            |            |
| Community development           | 2,696,944  | 2,764,100  | 3,452,877  | 4,570,944  |
| Community services              | 3,085,631  | 1,416,509  | 1,349,743  | 2,865,863  |
| Interest and other activities   |            |            |            |            |
| Operating grants and contributions | 4,500,691 | 20,306,778 | 4,808,433  | 3,763,161  |
| Capital grants and contributions | 2,478,423  | 380,511    | 703,155    | 255,300    |
| Total governmental activities program revenues | 17,009,997 | 28,812,267 | 14,259,956 | 15,319,870 |
| **Business-type activities:**   |            |            |            |            |
| Charges for services:           |            |            |            |            |
| Water                           | 8,634,443  | 10,550,050 | 11,434,206 | 12,030,680 |
| Sewer                           |            | *          | *          | *          |
| Solid Waste                     | 3,001,822  | 3,007,925  | 3,221,070  | 3,175,972  |
| Total business-type activities program revenues | 11,636,265 | 13,557,975 | 14,655,276 | 15,206,652 |
| **Total primary government program revenues** | 28,646,262 | 42,370,242 | 28,915,232 | 30,526,522 |

| Net revenues (expenses):        |            |            |            |            |
| **Governmental activities**     | (33,391,327)| (17,450,509)| (33,752,003)| (31,035,435)|
| **Business-type activities**    | (2,101,163)| 1,234,589  | 2,102,813  | 322,222    |
| **Total net revenues (expenses)** | (35,492,490)| (16,215,920)| (31,649,190)| (30,713,213)|

* Sewer Fund previously reported in governmental activities
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>$3,398,739</td>
<td>$3,394,812</td>
<td>$4,060,614</td>
<td>$3,490,836</td>
<td>$5,355,236</td>
<td>$6,367,611</td>
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<td>25,531,715</td>
<td>27,397,338</td>
<td>30,519,703</td>
<td>30,725,287</td>
<td>35,670,029</td>
<td>36,295,298</td>
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<td>8,602,763</td>
<td>8,270,272</td>
<td>7,228,722</td>
<td>9,956,544</td>
<td>8,613,423</td>
<td>11,109,470</td>
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<td>5,256,405</td>
<td>5,068,347</td>
<td>4,962,051</td>
<td>4,986,214</td>
<td>5,306,588</td>
<td>5,159,303</td>
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<td>2,770,264</td>
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<td>3,424,384</td>
<td>3,728,605</td>
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<td>334,168</td>
<td>600,774</td>
<td>332,056</td>
<td>640,767</td>
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<td>12,198,363</td>
<td>13,474,865</td>
<td>15,563,270</td>
<td>12,060,429</td>
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<td>1,265,982</td>
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<td>16,633,858</td>
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<td>79,843,151</td>
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<td>1,316,668</td>
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<td>4,403,294</td>
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<td>-</td>
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<td>46,100</td>
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<td>13,712,556</td>
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<td>10,602,333</td>
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<td>11,755,613</td>
<td>14,925,600</td>
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<td>21,120,845</td>
<td>21,984,417</td>
</tr>
<tr>
<td></td>
<td>29,748,222</td>
<td>29,845,046</td>
<td>28,518,149</td>
<td>31,010,586</td>
<td>32,876,458</td>
<td>36,910,017</td>
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<tr>
<td></td>
<td>(32,075,696)</td>
<td>(35,444,516)</td>
<td>(39,539,795)</td>
<td>(40,599,926)</td>
<td>(47,254,814)</td>
<td>(48,283,693)</td>
</tr>
<tr>
<td></td>
<td>754,595</td>
<td>2,021,715</td>
<td>1,550,279</td>
<td>973,329</td>
<td>694,777</td>
<td>5,350,559</td>
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<tr>
<td></td>
<td>(31,321,101)</td>
<td>(33,422,801)</td>
<td>(37,989,516)</td>
<td>(39,626,597)</td>
<td>(46,560,037)</td>
<td>(42,933,134)</td>
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</tbody>
</table>
### Fiscal Year Ended June 30, 2019

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General revenues and other changes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>in net position:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Governmental activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>$13,753,615</td>
<td>$16,259,507</td>
<td>$14,247,327</td>
<td>$16,071,106</td>
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<tr>
<td>Sales taxes</td>
<td>9,179,402</td>
<td>10,328,426</td>
<td>10,948,760</td>
<td>11,407,422</td>
</tr>
<tr>
<td>Sales taxes - Measure HH</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>Franchise taxes</td>
<td>1,660,650</td>
<td>1,710,195</td>
<td>1,775,922</td>
<td>1,712,754</td>
</tr>
<tr>
<td>Other taxes</td>
<td>616,375</td>
<td>732,375</td>
<td>744,079</td>
<td>2,632,282</td>
</tr>
<tr>
<td>Revenue from other governmental agencies</td>
<td>4,623,154</td>
<td>4,792,704</td>
<td>4,468,380</td>
<td>4,587,172</td>
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<tr>
<td>Other revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment income</td>
<td>2,003,963</td>
<td>1,222,953</td>
<td>552,828</td>
<td>(65,914)</td>
</tr>
<tr>
<td>Assessments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfers</td>
<td>-</td>
<td>2,489,616</td>
<td>824,382</td>
<td>72,940</td>
</tr>
<tr>
<td>Gain (loss) on sale of property</td>
<td>-</td>
<td>577</td>
<td>3,612</td>
<td>2,404</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>208,667</td>
<td>971,776</td>
<td>550,830</td>
<td>225,313</td>
</tr>
<tr>
<td>Extraordinary gain (loss)</td>
<td>-</td>
<td>-</td>
<td>(33,237,247)</td>
<td>(14,983,772)</td>
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<tr>
<td><strong>Total governmental activities</strong></td>
<td>$32,045,826</td>
<td>$38,508,129</td>
<td>$(3,320,854)</td>
<td>$19,884,996</td>
</tr>
<tr>
<td><strong>Business-type activities:</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Investment income</td>
<td>120,820</td>
<td>82,403</td>
<td>54,604</td>
<td>50,416</td>
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<tr>
<td>Transfers</td>
<td>318,176</td>
<td>(2,489,616)</td>
<td>(824,382)</td>
<td>(72,940)</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>-</td>
<td>44,142</td>
<td></td>
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<tr>
<td>Extraordinary Gain (Loss)</td>
<td>-</td>
<td>-</td>
<td>(511,770)</td>
<td></td>
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<tr>
<td><strong>Total business-type activities</strong></td>
<td>$438,996</td>
<td>(2,407,213)</td>
<td>(769,778)</td>
<td>(490,152)</td>
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<tr>
<td><strong>Total primary government</strong></td>
<td>$32,484,822</td>
<td>$36,100,916</td>
<td>$109,095</td>
<td>$21,171,555</td>
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</tbody>
</table>

**Changes in net position:**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental activities</strong></td>
<td>(1,345,501)</td>
<td>21,057,620</td>
<td>(32,873,130)</td>
<td>(9,373,728)</td>
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<tr>
<td><strong>Business-type activities</strong></td>
<td>(1,662,167)</td>
<td>(1,172,624)</td>
<td>1,333,035</td>
<td>(167,930)</td>
</tr>
<tr>
<td><strong>Total primary government</strong></td>
<td>$ (3,007,668)</td>
<td>$ 19,884,996</td>
<td>$ (31,540,095)</td>
<td>$ (9,541,658)</td>
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<tr>
<td>--------------------------------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>$ 10,423,211</td>
<td>$ 16,247,191</td>
<td>$ 16,782,178</td>
<td>$ 17,704,506</td>
<td>$ 18,807,430</td>
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<tr>
<td>11,442,672</td>
<td>11,556,673</td>
<td>12,963,883</td>
<td>12,284,030</td>
<td>12,369,585</td>
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<tr>
<td>1,628,690</td>
<td>1,790,685</td>
<td>1,766,769</td>
<td>1,635,261</td>
<td>1,920,165</td>
</tr>
<tr>
<td>2,739,433</td>
<td>3,032,589</td>
<td>3,158,311</td>
<td>3,221,064</td>
<td>3,227,918</td>
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<tr>
<td>4,569,352</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>221,349</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,742,254</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,442,220</td>
</tr>
<tr>
<td>707,717</td>
<td>547,066</td>
<td>729,762</td>
<td>118,500</td>
<td>516,705</td>
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<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,284,231</td>
</tr>
<tr>
<td>79,800</td>
<td>197,855</td>
<td>195,240</td>
<td>336,812</td>
<td>194,760</td>
</tr>
<tr>
<td>32,419</td>
<td>465,509</td>
<td>26,696</td>
<td>3,427,663</td>
<td>-</td>
</tr>
<tr>
<td>33,128</td>
<td>87,486</td>
<td>9,320</td>
<td>62,167</td>
<td>20,172</td>
</tr>
<tr>
<td>-</td>
<td>4,918,798</td>
<td>56,646</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>31,656,422</td>
<td>38,843,852</td>
<td>35,688,805</td>
<td>41,337,723</td>
<td>48,798,989</td>
</tr>
<tr>
<td>33,905</td>
<td>126,889</td>
<td>153,217</td>
<td>184,868</td>
<td>(3,240)</td>
</tr>
<tr>
<td>(79,800)</td>
<td>(197,855)</td>
<td>(195,240)</td>
<td>(336,812)</td>
<td>(194,760)</td>
</tr>
<tr>
<td>9,415</td>
<td>-</td>
<td>39,625</td>
<td>58,767</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>4,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(36,480)</td>
<td>3,929,034</td>
<td>(42,023)</td>
<td>(112,319)</td>
<td>(139,233)</td>
</tr>
<tr>
<td>31,619,942</td>
<td>42,772,886</td>
<td>35,646,782</td>
<td>41,225,404</td>
<td>48,659,756</td>
</tr>
<tr>
<td>(419,274)</td>
<td>3,399,336</td>
<td>(3,850,990)</td>
<td>737,797</td>
<td>1,544,175</td>
</tr>
<tr>
<td>718,115</td>
<td>5,950,749</td>
<td>1,508,265</td>
<td>861,010</td>
<td>555,544</td>
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<tr>
<td>$ 298,841</td>
<td>$ 9,350,085</td>
<td>$ (2,342,734)</td>
<td>$ 1,598,807</td>
<td>$ 2,099,719</td>
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### CITY OF FOUNTAIN VALLEY

**FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Ten Fiscal Years  
(modified accrual basis of accounting)

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td><strong>General fund:</strong></td>
<td></td>
</tr>
<tr>
<td>Nonspendable</td>
<td>$2,360,972</td>
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<tr>
<td>Restricted</td>
<td>-</td>
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<tr>
<td>Committed</td>
<td>-</td>
</tr>
<tr>
<td>Assigned</td>
<td>-</td>
</tr>
<tr>
<td>Unassigned</td>
<td>38,233,080</td>
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<tr>
<td><strong>Total general fund</strong></td>
<td>$40,594,052</td>
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<tr>
<td><strong>All other governmental funds:</strong></td>
<td></td>
</tr>
<tr>
<td>Nonspendable</td>
<td>$10,755,520</td>
</tr>
<tr>
<td>Restricted</td>
<td>56,518,979</td>
</tr>
<tr>
<td>Assigned</td>
<td>7,152,709</td>
</tr>
<tr>
<td>Unassigned</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total all other governmental funds</strong></td>
<td>$74,427,208</td>
</tr>
</tbody>
</table>
Fiscal Year Ended June 30, 2019

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 1,966,451</td>
<td>$ 1,599,806</td>
<td>$ 1,698,026</td>
<td>$ 807,126</td>
<td>$ 405,583</td>
<td>$ 136,233</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
<td>4,714,142</td>
<td>4,555,926</td>
<td>4,430,934</td>
<td>8,364,256</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,000,000</td>
<td>14,200,000</td>
</tr>
<tr>
<td></td>
<td>12,100,000</td>
<td>21,971,647</td>
<td>22,547,158</td>
<td>16,961,310</td>
<td>26,613,049</td>
<td>30,791,835</td>
</tr>
<tr>
<td></td>
<td>28,497,308</td>
<td>19,191,130</td>
<td>17,975,150</td>
<td>27,155,079</td>
<td>327,080</td>
<td>2,412</td>
</tr>
<tr>
<td></td>
<td>$ 42,563,759</td>
<td>$ 47,476,725</td>
<td>$ 46,776,260</td>
<td>$ 49,354,449</td>
<td>$ 48,709,968</td>
<td>$ 58,490,605</td>
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</tbody>
</table>

|          | -          | -          | -          | -          | -          | (165,595)  |
|          | 15,452,824 | 15,142,189 | 19,751,764 | 22,332,160 | 27,072,264 | 28,312,259 |
|          | 3,831,549  | 161,316    | 127,402    | (464,523)  | 149,668    | -          |
|          | -          | -          | -          | -          | -          | (165,595)  |
|          | $ 19,284,373 | $ 15,303,505 | $ 19,879,166 | $ 21,867,637 | $ 27,221,932 | $ 28,146,664 |
### Revenues:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$29,746,135</td>
<td>$30,796,616</td>
<td>$27,551,121</td>
<td>$30,142,198</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>1,510,769</td>
<td>1,597,034</td>
<td>1,661,600</td>
<td>2,260,643</td>
</tr>
<tr>
<td>Fines and forfeitures (penalties)</td>
<td>810,868</td>
<td>915,314</td>
<td>771,860</td>
<td>799,794</td>
</tr>
<tr>
<td>Investment income</td>
<td>1,879,310</td>
<td>1,219,533</td>
<td>800,796</td>
<td>(15,506)</td>
</tr>
<tr>
<td>Revenue from use of money and property</td>
<td>1,377,236</td>
<td>1,488,521</td>
<td>1,445,466</td>
<td>1,151,228</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>9,167,306</td>
<td>8,798,365</td>
<td>9,301,515</td>
<td>8,066,501</td>
</tr>
<tr>
<td>Charges for services</td>
<td>4,923,766</td>
<td>5,213,090</td>
<td>6,047,713</td>
<td>6,552,896</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,219,229</td>
<td>2,623,945</td>
<td>1,792,391</td>
<td>3,197,853</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>50,634,619</strong></td>
<td><strong>52,652,418</strong></td>
<td><strong>49,372,462</strong></td>
<td><strong>52,155,607</strong></td>
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</tbody>
</table>

### Expenditures

#### Current:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>3,893,528</td>
<td>4,431,120</td>
<td>3,174,656</td>
<td>2,919,814</td>
</tr>
<tr>
<td>Public safety</td>
<td>23,478,042</td>
<td>28,612,844</td>
<td>24,797,114</td>
<td>25,071,510</td>
</tr>
<tr>
<td>Transportation</td>
<td>9,081,940</td>
<td>9,011,091</td>
<td>9,853,602</td>
<td>8,084,134</td>
</tr>
<tr>
<td>Community development</td>
<td>4,107,181</td>
<td>4,658,578</td>
<td>3,885,966</td>
<td>4,449,856</td>
</tr>
<tr>
<td>Community services</td>
<td>1,736,105</td>
<td>2,014,282</td>
<td>2,249,853</td>
<td>2,123,704</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>772,615</td>
<td>1,047,498</td>
<td>4,147,242</td>
<td>1,194,478</td>
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<tr>
<td>Debt service:</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Principal retirement</td>
<td>2,114,535</td>
<td>2,205,258</td>
<td>2,285,397</td>
<td>717,422</td>
</tr>
<tr>
<td>Interest and fiscal charges</td>
<td>1,761,157</td>
<td>1,103,263</td>
<td>798,958</td>
<td>381,711</td>
</tr>
<tr>
<td>Costs of debt issuance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payment to refunded bond escrow agent</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pass-through payments</td>
<td>4,536,093</td>
<td>1,888,001</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td><strong>51,481,196</strong></td>
<td><strong>54,971,935</strong></td>
<td><strong>51,192,788</strong></td>
<td><strong>44,942,629</strong></td>
</tr>
</tbody>
</table>

#### Excess (deficiency) of revenues over (under) expenditures

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(846,577)</td>
<td>(2,319,517)</td>
<td>(1,820,326)</td>
<td>7,212,978</td>
</tr>
</tbody>
</table>

### Other financing sources (uses):

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers in</td>
<td>3,818,818</td>
<td>16,787,826</td>
<td>2,040,038</td>
<td>1,402,365</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(4,003,456)</td>
<td>(16,003,210)</td>
<td>(2,944,656)</td>
<td>(1,329,425)</td>
</tr>
<tr>
<td>Proceeds from sale of capital assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from issuance of bonds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bond premium (discount)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payment to refunded bond escrow agent</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Issuance of leases</td>
<td>112,882</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>(71,756)</td>
<td>784,616</td>
<td>(904,618)</td>
<td>72,940</td>
</tr>
</tbody>
</table>

### Net change in fund balances, before extraordinary/special item

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(918,333)</td>
<td>(1,534,901)</td>
<td>(2,724,944)</td>
<td>7,285,918</td>
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</table>

#### Special Item

<table>
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<th></th>
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<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment of defined benefit pension plan side fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Extraordinary gain (loss)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-</td>
<td>-</td>
<td>(40,483,347)</td>
<td>(14,983,772)</td>
</tr>
</tbody>
</table>

### Net change in fund balances

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ (918,333)</td>
<td>$ (1,534,901)</td>
<td>$ (43,208,291)</td>
<td>$ (7,697,854)</td>
</tr>
</tbody>
</table>

### Debt service as a percentage of noncapital expenditures

|                      | 7.76%         | 6.18%         | 6.56%         | 2.49%         |
|-------------------------------|---------|---------|---------|---------|---------|---------|
| $                             | 24,609,300 | 30,655,218 | 32,689,435 | 36,060,441 | 46,463,473 | 49,916,411 |
| 1,834,212                     | 1,915,471 | 2,006,480 | 1,869,865 | 1,906,153 | 1,988,757 |
| 751,302                       | 705,372 | 643,936 | 564,786 | 619,096 | 651,129 |
| 744,447                       | 572,377 | 757,868 | 156,162 | 578,312 | 2,404,272 |
| 1,163,515                     | 1,203,964 | 1,094,844 | 1,255,618 | 1,167,468 | 1,145,604 |
| 8,489,979                     | 3,758,497 | 2,920,345 | 4,130,922 | 3,990,316 | 5,789,190 |
| 6,124,998                     | 4,285,172 | 4,335,669 | 4,866,961 | 4,553,747 | 2,805,579 |
| 1,679,542                     | 2,021,825 | 1,371,496 | 8,316,814 | 1,351,792 | 2,322,432 |
| 45,397,295                    | 45,117,896 | 45,820,073 | 57,221,569 | 60,630,357 | 67,023,374 |
| 8,446,708                     | 7,903,404 | 7,082,567 | 9,914,437 | 7,564,408 | 8,187,469 |
| 3,989,139                     | 4,041,504 | 4,026,081 | 4,170,849 | 3,994,652 | 4,185,304 |
| 2,321,707                     | 2,328,863 | 2,407,019 | 2,618,815 | 2,653,045 | 3,206,775 |
| 3,640,756                     | 2,085,519 | 839,613 | 6,382,540 | 10,324,969 | 6,266,831 |
| 747,414                       | 664,547 | 659,275 | 430,000 | 470,398 | 1,046,105 |
| 363,661                       | 344,400 | 440,725 | 444,629 | 575,222 | 552,048 |
| -                             | - | 395,488 | 110,180 | - | - |
| -                             | - | 889,617 | - | - | - |
| 46,995,786                    | 45,564,540 | 47,444,954 | 55,834,887 | 62,433,556 | 60,290,267 |
| (1,598,491)                   | (446,644) | (1,624,881) | 1,386,682 | (1,803,199) | 6,733,107 |
| (2,981,291)                   | (3,027,535) | (16,817,547) | (6,674,860) | (5,790,486) | (5,271,720) |
| -                             | - | - | - | 1,310,417 |
| -                             | - | 28,890,000 | 2,843,166 | - | - |
| -                             | - | 580,162 | - | - | - |
| -                             | - | (6,785,383) | - | - | - |
| 79,800                        | 197,855 | 22,880,019 | 3,179,978 | 194,760 | 3,972,262 |
| (1,518,691)                   | (248,789) | 21,255,138 | 4,566,660 | (1,608,439) | 10,705,369 |
| -                             | - | (17,436,588) | - | - | - |
| -                             | 4,918,798 | 56,646 | - | - | - |
| $ (1,518,691)                 | $ 4,670,009 | $ 3,875,196 | $ 4,566,660 | $ (1,608,439) | $ 10,705,369 |

2.55%  2.26%  2.35%  1.64%  1.97%  2.93%
## CITY OF FOUNTAIN VALLEY

### ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30,</th>
<th>City</th>
<th>Taxable Assessed Value</th>
<th>Total Direct Tax Rate (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6,482,764,941</td>
<td>287,619,118</td>
<td>6,770,384,059</td>
</tr>
<tr>
<td>2011</td>
<td>6,679,192,884</td>
<td>302,119,850</td>
<td>6,981,312,734</td>
</tr>
<tr>
<td>2012</td>
<td>6,777,682,538</td>
<td>259,218,249</td>
<td>7,036,900,787</td>
</tr>
<tr>
<td>2013</td>
<td>6,922,510,895</td>
<td>241,861,867</td>
<td>7,164,372,762</td>
</tr>
<tr>
<td>2014</td>
<td>7,131,038,979</td>
<td>295,542,241</td>
<td>7,426,581,220</td>
</tr>
<tr>
<td>2015</td>
<td>7,659,415,546</td>
<td>335,167,621</td>
<td>7,994,583,167</td>
</tr>
<tr>
<td>2016</td>
<td>8,142,124,957</td>
<td>249,380,905</td>
<td>8,391,505,862</td>
</tr>
<tr>
<td>2017</td>
<td>8,444,881,513</td>
<td>237,687,508</td>
<td>8,682,569,021</td>
</tr>
<tr>
<td>2018</td>
<td>8,837,314,170</td>
<td>275,093,983</td>
<td>9,112,408,153</td>
</tr>
<tr>
<td>2019</td>
<td>9,282,523,847</td>
<td>308,632,681</td>
<td>9,591,156,528</td>
</tr>
</tbody>
</table>

**Notes:**

Amounts are shown net of exemptions

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an “inflation factor” (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

(1) Total Direct Tax Rate is the weighted average City general fund share of the 1% Prop 13 rate for all TRA's

source: Orange County Assessor's Office

Source: Orange County Assessor's Office
## CITY OF FOUNTAIN VALLEY

### DIRECT AND OVERLAPPING PROPERTY TAX RATES

**(Rate per $100 of taxable value)**

**Last Ten Fiscal Years**

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30,</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Direct Rate (1)</td>
<td>0.12870</td>
<td>0.12870</td>
<td>0.12870</td>
<td>0.12870</td>
</tr>
<tr>
<td>Fountain Valley Elementary General Fund</td>
<td>0.29490</td>
<td>0.29490</td>
<td>0.29490</td>
<td>0.29490</td>
</tr>
<tr>
<td>Huntington Beach Union High General Fund</td>
<td>0.19230</td>
<td>0.19230</td>
<td>0.19230</td>
<td>0.19230</td>
</tr>
<tr>
<td>Educational Revenue Augmentation Fund</td>
<td>0.15300</td>
<td>0.15300</td>
<td>0.15300</td>
<td>0.15300</td>
</tr>
<tr>
<td>Coast Community College General Fund</td>
<td>0.08120</td>
<td>0.08120</td>
<td>0.08120</td>
<td>0.08120</td>
</tr>
<tr>
<td>Orange County General Fund</td>
<td>0.05200</td>
<td>0.05200</td>
<td>0.05200</td>
<td>0.05200</td>
</tr>
<tr>
<td>O.C. Snitation #3 Operating</td>
<td>0.03160</td>
<td>0.03160</td>
<td>0.03160</td>
<td>0.03160</td>
</tr>
<tr>
<td>Orange County Flood Control District</td>
<td>0.01667</td>
<td>0.01667</td>
<td>0.01667</td>
<td>0.01667</td>
</tr>
<tr>
<td>Orange County Public Library</td>
<td>0.01405</td>
<td>0.01405</td>
<td>0.01405</td>
<td>0.01405</td>
</tr>
<tr>
<td>O.C. Harbors Beaches &amp; Park Csa 26</td>
<td>0.01288</td>
<td>0.01288</td>
<td>0.01288</td>
<td>0.01288</td>
</tr>
<tr>
<td>O.C. Dept. of Education - General Fund</td>
<td>0.01199</td>
<td>0.01199</td>
<td>0.01199</td>
<td>0.01199</td>
</tr>
<tr>
<td>Orange County Water District</td>
<td>0.00739</td>
<td>0.00739</td>
<td>0.00739</td>
<td>0.00739</td>
</tr>
<tr>
<td>Orange County Transit Authority</td>
<td>0.00237</td>
<td>0.00237</td>
<td>0.00237</td>
<td>0.00237</td>
</tr>
<tr>
<td>Orange County Vector Control District</td>
<td>0.00084</td>
<td>0.00084</td>
<td>0.00084</td>
<td>0.00084</td>
</tr>
<tr>
<td>Orange County Water District Water Reserve</td>
<td>0.00011</td>
<td>0.00011</td>
<td>0.00011</td>
<td>0.00011</td>
</tr>
<tr>
<td>Total Basic Levy</td>
<td>1.00000</td>
<td>1.00000</td>
<td>1.00000</td>
<td>1.00000</td>
</tr>
</tbody>
</table>

**Overlapping Rates:**

<table>
<thead>
<tr>
<th>Overlapping Rates</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huntington Beach High School 2004 - Bond 2004A</td>
<td>0.02605</td>
<td>0.02617</td>
<td>0.02726</td>
<td>0.02605</td>
</tr>
<tr>
<td>Coast Community College</td>
<td>0.17500</td>
<td>0.01754</td>
<td>0.01881</td>
<td>0.01750</td>
</tr>
<tr>
<td>Metro Water District of Orange County</td>
<td>0.00370</td>
<td>0.00370</td>
<td>0.00350</td>
<td>0.00370</td>
</tr>
<tr>
<td>Huntington Beach High School 2004 - Bond 2005</td>
<td>0.00265</td>
<td>0.00266</td>
<td>0.00275</td>
<td>0.00265</td>
</tr>
<tr>
<td>Huntington Beach High School 2004 - Bond 2007</td>
<td>0.00144</td>
<td>0.00143</td>
<td>0.00142</td>
<td>0.00144</td>
</tr>
<tr>
<td>Total Overlapping Rates</td>
<td>0.20884</td>
<td>0.05150</td>
<td>0.05374</td>
<td>0.05134</td>
</tr>
</tbody>
</table>

**Total Direct & Overlapping Tax Rates**

| Total Direct & Overlapping Tax Rates        | 1.20884  | 1.05150  | 1.05374  | 1.05134  |

### Notes:

In 1978 the voters of the State of California passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of the School District bonds.

(1) Total Direct Tax Rate is the weighted average City general fund share of the 1% Prop 13 rate for all TRA's

Source: Orange County Assessor's Office
<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>------</td>
</tr>
<tr>
<td>0.12870</td>
</tr>
<tr>
<td>0.29490</td>
</tr>
<tr>
<td>0.19230</td>
</tr>
<tr>
<td>0.15300</td>
</tr>
<tr>
<td>0.08120</td>
</tr>
<tr>
<td>0.05200</td>
</tr>
<tr>
<td>0.03160</td>
</tr>
<tr>
<td>0.01667</td>
</tr>
<tr>
<td>0.01405</td>
</tr>
<tr>
<td>0.01288</td>
</tr>
<tr>
<td>0.01199</td>
</tr>
<tr>
<td>0.00739</td>
</tr>
<tr>
<td>0.00237</td>
</tr>
<tr>
<td>0.00084</td>
</tr>
<tr>
<td>0.00011</td>
</tr>
<tr>
<td>1.0000</td>
</tr>
</tbody>
</table>

<p>| 0.02271 | 0.02400 | 0.02440 | 0.02451 | 0.02440 | 0.02440 |
| 0.02899 | 0.03015 | 0.03092 | 0.03116 | 0.03092 | 0.03092 |
| 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 | 0.00350 |
| 0.00001 | 0.00214 | 0.00001 | 0.00001 | 0.00001 | 0.00001 |
| 0.00132 | 0.00123 | 0.00119 | 0.00091 | 0.00119 | 0.00119 |
| 0.05653 | 0.06102 | 0.06002 | 0.06009 | 0.06002 | 0.06002 |
| 1.05653 | 1.06102 | 1.06002 | 1.06009 | 1.06002 | 1.06002 |</p>
<table>
<thead>
<tr>
<th>Taxpayer</th>
<th>2019 Taxable Assessed Value</th>
<th>2019 Percent of Total City</th>
<th>2010 Taxable Assessed Value</th>
<th>2010 Percent of Total City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orange Coast Memoria Medical Center (9)</td>
<td>$218,126,907</td>
<td>2.27%</td>
<td>$56,884,379</td>
<td>0.84%</td>
</tr>
<tr>
<td>Hyndaiu Motor America (1)</td>
<td>191,376,242</td>
<td>2.00%</td>
<td>53,594,800</td>
<td>0.79%</td>
</tr>
<tr>
<td>Fountain Valley Regional Hospital (12)</td>
<td>165,076,991</td>
<td>1.72%</td>
<td>144,758,867</td>
<td>2.14%</td>
</tr>
<tr>
<td>BEXAEW the Havens LP (2)</td>
<td>113,520,533</td>
<td>1.18%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>JKS-CMFV LLC (17)</td>
<td>84,380,573</td>
<td>0.88%</td>
<td>57,859,005</td>
<td>0.85%</td>
</tr>
<tr>
<td>Raintree Fountain Valley LLC (1)</td>
<td>53,144,474</td>
<td>0.55%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Shea Center Crystal Springs, LLC (2)</td>
<td>45,424,438</td>
<td>0.47%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>US Millennium LP, (1)</td>
<td>44,040,533</td>
<td>0.46%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Fountain Valley Senior Housing LLC</td>
<td>42,316,260</td>
<td>0.44%</td>
<td>37,389,294</td>
<td>0.55%</td>
</tr>
<tr>
<td>9320 Talbert Associates, LLC (1)</td>
<td>37,579,745</td>
<td>0.39%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>SC Partners, LP (4)</td>
<td>37,098,217</td>
<td>0.39%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>17665 Newhope Manufacturing LLC</td>
<td>0.00%</td>
<td>25,917,215</td>
<td>0.38%</td>
<td></td>
</tr>
<tr>
<td>Fountain Valley City Center, LLC</td>
<td>74,992,474</td>
<td>1.11%</td>
<td>24,990,000</td>
<td>0.37%</td>
</tr>
<tr>
<td>Fountain Valley Plaza Properties</td>
<td>23,902,933</td>
<td>0.35%</td>
<td>23,568,950</td>
<td>0.35%</td>
</tr>
<tr>
<td>Chandler Real Properties</td>
<td>15,905,608</td>
<td>0.23%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Priceland Properties International Inc.</td>
<td>1,032,084,913</td>
<td>10.76%</td>
<td>539,763,525</td>
<td>7.97%</td>
</tr>
</tbody>
</table>

The amounts shown above include assessed value data for the City.

Source: Hdl, Coren & Cone, 2018-19 Property Data
### CITY OF FOUNTAIN VALLEY

#### PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30,</th>
<th>Taxes Levied for the Fiscal Year</th>
<th>Collected within the Fiscal Year of Levy</th>
<th>Collections in Subsequent Years**</th>
<th>Total Collections to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount*</td>
<td>Percent of Levy</td>
<td>Amount</td>
<td>Percent of Levy</td>
</tr>
<tr>
<td>2010</td>
<td>8,249,362</td>
<td>105.11%</td>
<td>58,017</td>
<td>8,729,239</td>
</tr>
<tr>
<td>2011</td>
<td>8,506,281</td>
<td>98.23%</td>
<td>45,028</td>
<td>8,400,590</td>
</tr>
<tr>
<td>2012</td>
<td>8,546,953</td>
<td>98.42%</td>
<td>79,327</td>
<td>8,491,307</td>
</tr>
<tr>
<td>2013</td>
<td>8,844,898</td>
<td>98.72%</td>
<td>48,937</td>
<td>8,780,594</td>
</tr>
<tr>
<td>2014</td>
<td>9,227,976</td>
<td>98.77%</td>
<td>40,888</td>
<td>9,155,044</td>
</tr>
<tr>
<td>2015</td>
<td>9,757,887</td>
<td>98.92%</td>
<td>30,039</td>
<td>9,682,147</td>
</tr>
<tr>
<td>2016</td>
<td>10,286,311</td>
<td>98.73%</td>
<td>41,013</td>
<td>10,196,617</td>
</tr>
<tr>
<td>2017</td>
<td>10,652,346</td>
<td>98.98%</td>
<td>33,732</td>
<td>10,577,313</td>
</tr>
<tr>
<td>2018</td>
<td>11,193,927</td>
<td>99.17%</td>
<td>35,678</td>
<td>11,137,204</td>
</tr>
<tr>
<td>2019</td>
<td>11,678,495</td>
<td>99.21%</td>
<td>41,659</td>
<td>11,627,958</td>
</tr>
</tbody>
</table>

**Note:**

*The amounts presented include City property taxes only.

**These amounts consist of "prior year" taxes (excluding penalties and interest) remitted in the subsequent fiscal year; the Orange County Auditor Controller's Office aggregates these payments and does not provide detail on allocations to particular years.

Source: Orange County Assessor's Office
CITY OF FOUNTAIN VALLEY

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Leases Payable</th>
<th>Tax Allocation Bonds</th>
<th>Notes Payable</th>
<th>Certificates of Participation (1)</th>
<th>Taxable Pension Obligation Bonds (3)</th>
<th>Lease Revenue Bonds (4) (5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1,124,313</td>
<td>10,065,000</td>
<td>16,536,398</td>
<td>10,730,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2011</td>
<td>899,055</td>
<td>8,555,000</td>
<td>-</td>
<td>10,260,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2012</td>
<td>668,658</td>
<td>-</td>
<td>-</td>
<td>9,775,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2013</td>
<td>451,236</td>
<td>-</td>
<td>-</td>
<td>9,275,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2014</td>
<td>218,822</td>
<td>-</td>
<td>-</td>
<td>8,760,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2015</td>
<td>109,275</td>
<td>-</td>
<td>-</td>
<td>8,225,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2016</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,661,765</td>
<td>13,807,919</td>
</tr>
<tr>
<td>2017</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,679,151</td>
<td>16,176,187</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,696,538</td>
<td>15,660,893</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,203,923</td>
<td>15,079,889</td>
</tr>
</tbody>
</table>

(1) - On July 9, 2003, the City issued 2003 Certificates of Participation in the amount of $13,270,000.
(2) - On December 17, 2014, the City issued 2014A Revenue Bonds in the amount of $13,695,000.
(3) - On September 2, 2015, the City issued 2015A Taxable Pension Obligation Bonds in the amount of $15,995,000.
(4) - On February 10, 2016, the City issued 2016A Lease Revenue Bonds in the amount of $12,895,000.
(5) - On January 7, 2017 the City issued 2017 Clean Renewable Energy Bonds in the amount of $2,843,166.
(6) - These ratios are calculated using personal income and population for the prior calendar year.

Details regarding the City's outstanding debt can be found in the notes to basic financial statements.
<table>
<thead>
<tr>
<th>Total Governmental Activities</th>
<th>Loans Payable</th>
<th>Revenue Bonds (2)</th>
<th>Total Business-type Activities</th>
<th>Total Primary Government</th>
<th>Percentage of Personal Income</th>
<th>Debt per Capita (6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>38,455,711</td>
<td>724,912</td>
<td>-</td>
<td>$724,912</td>
<td>39,180,623</td>
<td>1.49%</td>
<td>667</td>
</tr>
<tr>
<td>19,714,055</td>
<td>679,923</td>
<td>-</td>
<td>$679,923</td>
<td>20,393,978</td>
<td>0.73%</td>
<td>369</td>
</tr>
<tr>
<td>10,443,658</td>
<td>633,359</td>
<td>-</td>
<td>$633,359</td>
<td>11,077,017</td>
<td>0.38%</td>
<td>197</td>
</tr>
<tr>
<td>9,726,236</td>
<td>585,165</td>
<td>-</td>
<td>$585,165</td>
<td>10,311,401</td>
<td>0.34%</td>
<td>183</td>
</tr>
<tr>
<td>8,978,822</td>
<td>535,285</td>
<td>-</td>
<td>$535,285</td>
<td>9,514,107</td>
<td>0.30%</td>
<td>168</td>
</tr>
<tr>
<td>8,334,275</td>
<td>-</td>
<td>15,188,452</td>
<td>$15,188,452</td>
<td>23,522,727</td>
<td>0.71%</td>
<td>413</td>
</tr>
<tr>
<td>29,469,684</td>
<td>-</td>
<td>14,611,443</td>
<td>$14,611,443</td>
<td>44,081,127</td>
<td>1.26%</td>
<td>777</td>
</tr>
<tr>
<td>31,855,338</td>
<td>-</td>
<td>14,041,771</td>
<td>$14,041,771</td>
<td>45,897,109</td>
<td>1.30%</td>
<td>809</td>
</tr>
<tr>
<td>31,357,431</td>
<td>-</td>
<td>13,457,099</td>
<td>$13,457,099</td>
<td>44,814,530</td>
<td>1.28%</td>
<td>796</td>
</tr>
<tr>
<td>30,283,812</td>
<td>-</td>
<td>12,847,425</td>
<td>$12,847,425</td>
<td>43,131,237</td>
<td>1.19%</td>
<td>773</td>
</tr>
</tbody>
</table>
## CITY OF FOUNTAIN VALLEY

### RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30,</th>
<th>Certificates of Participation</th>
<th>Taxable Pension Obligation Bonds</th>
<th>Lease Revenue Bonds</th>
<th>Total</th>
<th>Percent of Assessed Value (1)</th>
<th>Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>10,730,000</td>
<td>-</td>
<td>-</td>
<td>10,730,000</td>
<td>0.16%</td>
<td>183</td>
</tr>
<tr>
<td>2011</td>
<td>10,260,000</td>
<td>-</td>
<td>-</td>
<td>10,260,000</td>
<td>0.15%</td>
<td>185</td>
</tr>
<tr>
<td>2012</td>
<td>9,775,000</td>
<td>-</td>
<td>-</td>
<td>9,775,000</td>
<td>0.14%</td>
<td>174</td>
</tr>
<tr>
<td>2013</td>
<td>9,275,000</td>
<td>-</td>
<td>-</td>
<td>9,275,000</td>
<td>0.13%</td>
<td>164</td>
</tr>
<tr>
<td>2014</td>
<td>8,760,000</td>
<td>-</td>
<td>-</td>
<td>8,760,000</td>
<td>0.12%</td>
<td>154</td>
</tr>
<tr>
<td>2015</td>
<td>8,225,000</td>
<td>-</td>
<td>-</td>
<td>8,225,000</td>
<td>0.10%</td>
<td>144</td>
</tr>
<tr>
<td>2016</td>
<td>-</td>
<td>15,661,766</td>
<td>13,807,919</td>
<td>29,469,685</td>
<td>0.35%</td>
<td>520</td>
</tr>
<tr>
<td>2017</td>
<td>-</td>
<td>15,679,151</td>
<td>16,176,187</td>
<td>31,855,338</td>
<td>0.37%</td>
<td>562</td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td>15,696,538</td>
<td>15,660,893</td>
<td>31,357,431</td>
<td>0.34%</td>
<td>557</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>15,203,923</td>
<td>15,079,889</td>
<td>30,283,812</td>
<td>0.32%</td>
<td>543</td>
</tr>
</tbody>
</table>

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds.

(1) Assessed value has been used because the actual value of taxable property is not readily available in the State of California.
### CITY OF FOUNTAIN VALLEY
#### DIRECT AND OVERLAPPING DEBT
June 30, 2019

2018-2019 City Assessed Valuation
Total Assessed Valuation $ 9,591,156,528

<table>
<thead>
<tr>
<th>Percentage Applicable (1)</th>
<th>Total Debt June 30, 2019</th>
<th>City's Share of Debt June 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OVERLAPPING TAX AND ASSESSMENT DEBT:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan Water District</td>
<td>0.328%</td>
<td>$ 48,050,000</td>
</tr>
<tr>
<td>Coast Community College District</td>
<td>6.612%</td>
<td>754,064,504</td>
</tr>
<tr>
<td>Rancho Santiago Community College District</td>
<td>0.347%</td>
<td>234,052,001</td>
</tr>
<tr>
<td>Rancho Santiago Community College District SFID No. 1</td>
<td>0.658%</td>
<td>115,390,000</td>
</tr>
<tr>
<td>Garden Grove Unified School District</td>
<td>11.170%</td>
<td>396,190,160</td>
</tr>
<tr>
<td>Huntington Beach Union High School District</td>
<td>11.969%</td>
<td>180,274,998</td>
</tr>
<tr>
<td>Fountain Valley School District Certificates of Participation</td>
<td>72.705%</td>
<td>54,200,000</td>
</tr>
<tr>
<td>Ocean View School District Certificates of Participation</td>
<td>0.946%</td>
<td>41,465,000</td>
</tr>
<tr>
<td><strong>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</strong></td>
<td></td>
<td>$ 157,217,700</td>
</tr>
</tbody>
</table>

| **OVERLAPPING GENERAL FUND DEBT:** |
| Orange County General Fund Obligations | 1.620% | 388,720,000 | 6,297,264 |
| Orange County Pension Obligation Bonds | 1.620% | 407,629,239 | 6,603,594 |
| Orange County Board of Education Certificates of Participation | 1.620% | 13,490,000 | 218,538 |
| Coast Community College District Certificates of Participation | 6.612% | 2,950,000 | 195,054 |
| Huntington Beach Union High School District Certificates of Participation | 11.969% | 63,101,090 | 7,552,569 |
| Ocean View School District Certificates of Participation | 0.946% | 21,110,000 | 199,701 |
| **TOTAL OVERLAPPING GENERAL FUND DEBT** | | $ 21,066,720 |

**TOTAL DIRECT DEBT**

| City of Fountain Valley Pension Obligation Bonds | 100.000% | 15,203,923 | 15,203,923 |
| City of Fountain Valley Lease Revenue Bonds | 100.000% | 15,079,889 | 15,079,889 |
| **TOTAL DIRECT DEBT** | | $ 30,283,812 |

**COMBINED TOTAL DIRECT AND OVERLAPPING DEBT (2)**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 208,568,232</td>
</tr>
</tbody>
</table>

(1) Percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

**Ratios to 2018-19 Assessed Valuation:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Overlapping Tax and Assessment Debt</td>
<td>1.64%</td>
</tr>
<tr>
<td><strong>Total Direct Debt ($29,786,663)</strong></td>
<td><strong>0.310%</strong></td>
</tr>
<tr>
<td>Combined Total Debt</td>
<td>2.17%</td>
</tr>
</tbody>
</table>

Source: California Municipal Statistics, Inc. (August 28, 2019)
CITY OF FOUNTAIN VALLEY

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Assessed valuation</td>
<td>$ 6,770,384,059</td>
</tr>
<tr>
<td>Conversion percentage</td>
<td>25%</td>
</tr>
<tr>
<td>Adjusted assessed valuation</td>
<td>1,692,596,015</td>
</tr>
<tr>
<td>Debt limit percentage</td>
<td>15%</td>
</tr>
<tr>
<td>Debt limit</td>
<td>253,889,402</td>
</tr>
<tr>
<td>Total net debt applicable to limitation:</td>
<td></td>
</tr>
<tr>
<td>General obligation bonds</td>
<td>-</td>
</tr>
<tr>
<td>Legal debt margin</td>
<td>$ 253,889,402</td>
</tr>
<tr>
<td>Total debt applicable to the limit as a percentage of debt limit</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Sources: Orange County Assessor's Office
City Finance Department
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$7,426,581,220</td>
<td>$7,994,583,167</td>
<td>$8,391,505,862</td>
<td>$8,682,569,021</td>
<td>$9,112,408,153</td>
<td>$9,591,156,528</td>
</tr>
<tr>
<td></td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>1,856,645,305</td>
<td>1,998,645,792</td>
<td>2,097,876,466</td>
<td>2,170,642,255</td>
<td>2,278,102,038</td>
<td>2,397,789,132</td>
</tr>
<tr>
<td></td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>278,496,796</td>
<td>299,796,869</td>
<td>314,681,470</td>
<td>325,596,338</td>
<td>341,715,306</td>
<td>359,668,370</td>
</tr>
</tbody>
</table>

Fiscal Year Ended June 30, 2014 - 2019
CITY OF FOUNTAIN VALLEY

PLEDGED-REVENUE COVERAGE

Last Five Fiscal Years

Series 2014A Revenue Bonds

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Operating Revenues (1)</th>
<th>Operating Expenses (2)</th>
<th>Net Revenue Available for Debt Service</th>
<th>Debt Service Requirements</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Principal</td>
<td>Interest</td>
<td>Total</td>
</tr>
<tr>
<td>2015</td>
<td>$13,424,147</td>
<td>$11,314,798</td>
<td>$ 2,109,349</td>
<td>$465,000</td>
<td>$299,531</td>
</tr>
<tr>
<td>2016</td>
<td>$13,051,544</td>
<td>$10,851,750</td>
<td>$ 2,199,794</td>
<td>$495,000</td>
<td>$546,531</td>
</tr>
<tr>
<td>2017</td>
<td>$14,174,832</td>
<td>$11,269,638</td>
<td>$ 2,905,194</td>
<td>$510,000</td>
<td>$536,631</td>
</tr>
<tr>
<td>2018</td>
<td>$15,828,056</td>
<td>$12,524,879</td>
<td>$ 3,303,177</td>
<td>$535,000</td>
<td>$516,231</td>
</tr>
<tr>
<td>2019</td>
<td>$16,786,253</td>
<td>$12,247,390</td>
<td>$ 4,538,863</td>
<td>$555,000</td>
<td>$494,831</td>
</tr>
</tbody>
</table>

Notes:

(1) Total operating revenues (including investment income).

(2) Total operating expenses exclusive of depreciation and amortization.

On December 17, 2014, the City issued 2014A Revenue Bonds in the amount of $13,695,000.

Details regarding the City's outstanding debt can be found in the notes to the basic financial statements.
<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Population (1)</th>
<th>Personal Income (in millions) (2)</th>
<th>Per Capita Personal Income (2)</th>
<th>Unemployment Rate (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>58,741</td>
<td>145,100</td>
<td>44,789</td>
<td>12.10%</td>
</tr>
<tr>
<td>2011 *</td>
<td>55,313</td>
<td>159,000</td>
<td>50,372</td>
<td>11.80%</td>
</tr>
<tr>
<td>2012</td>
<td>56,153</td>
<td>168,800</td>
<td>51,770</td>
<td>9.60%</td>
</tr>
<tr>
<td>2013</td>
<td>56,464</td>
<td>172,400</td>
<td>53,320</td>
<td>9.20%</td>
</tr>
<tr>
<td>2014</td>
<td>56,707</td>
<td>180,700</td>
<td>56,697</td>
<td>7.10%</td>
</tr>
<tr>
<td>2015</td>
<td>57,010</td>
<td>191,700</td>
<td>58,311</td>
<td>5.60%</td>
</tr>
<tr>
<td>2016</td>
<td>56,714</td>
<td>205,000</td>
<td>61,663</td>
<td>4.09%</td>
</tr>
<tr>
<td>2017</td>
<td>56,709</td>
<td>214,700</td>
<td>62,063</td>
<td>4.50%</td>
</tr>
<tr>
<td>2018</td>
<td>56,313</td>
<td>214,700</td>
<td>62,063</td>
<td>4.60%</td>
</tr>
<tr>
<td>2019</td>
<td>55,814</td>
<td>220,400</td>
<td>65,031</td>
<td>4.30%</td>
</tr>
</tbody>
</table>

Sources:

(1) California State Department of Finance/Demographic Research Unit: City of F.V, (estimates: last updated 07/01/2018)
(2) California Department of Transportation - Economic Analysis Branch (data shown is forecasted for Orange County: last updated 10/2019)
* State of California, Department of Finance, E-4 Estimates for Cities, Counties and the State, 2010-2016 History, with 2017-2050 Forecast
<table>
<thead>
<tr>
<th>Employer (2)</th>
<th>2019 Number of Employees</th>
<th>2019 Percent of Total Employment (1)</th>
<th>2010 Number of Employees</th>
<th>2010 Percent of Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fountain Valley Regional Hospital</td>
<td>1,897</td>
<td>8.38%</td>
<td>1,729</td>
<td>7.24%</td>
</tr>
<tr>
<td>Orange Coast Memorial Medical</td>
<td>1,056</td>
<td>4.66%</td>
<td>1,218</td>
<td>5.10%</td>
</tr>
<tr>
<td>Kingston Technology Company</td>
<td>694</td>
<td>3.06%</td>
<td>868</td>
<td>3.63%</td>
</tr>
<tr>
<td>Hyundai Motor America, Inc.</td>
<td>470</td>
<td>2.08%</td>
<td>339</td>
<td>1.42%</td>
</tr>
<tr>
<td>Costco Wholesale #411</td>
<td>375</td>
<td>1.66%</td>
<td>410</td>
<td>1.72%</td>
</tr>
<tr>
<td>Antech Diagnostics, Inc.</td>
<td>350</td>
<td>1.55%</td>
<td>360</td>
<td>0.00%</td>
</tr>
<tr>
<td>Surefire, Inc.</td>
<td>299</td>
<td>1.32%</td>
<td>588</td>
<td>2.46%</td>
</tr>
<tr>
<td>Ceridian Tax Services, Inc.</td>
<td>283</td>
<td>1.25%</td>
<td>390</td>
<td>1.63%</td>
</tr>
<tr>
<td>Sam's Club #6615</td>
<td>218</td>
<td>0.96%</td>
<td>339</td>
<td>1.42%</td>
</tr>
<tr>
<td>Spec Services, Inc.</td>
<td>201</td>
<td>0.89%</td>
<td>360</td>
<td>1.55%</td>
</tr>
<tr>
<td>Hyundai Audioever America</td>
<td>0</td>
<td>0.00%</td>
<td>211</td>
<td>0.88%</td>
</tr>
<tr>
<td>Memorial Health Services</td>
<td>0</td>
<td>0.00%</td>
<td>544</td>
<td>2.28%</td>
</tr>
<tr>
<td>Fry's Electronics, Inc.</td>
<td>201</td>
<td>0.89%</td>
<td>360</td>
<td>1.55%</td>
</tr>
<tr>
<td></td>
<td>5,843</td>
<td>25.80%</td>
<td>6,601</td>
<td>27.63%</td>
</tr>
<tr>
<td>Total Employment</td>
<td>22,647</td>
<td></td>
<td>23,600</td>
<td></td>
</tr>
</tbody>
</table>

(1) Excludes transient business including: Landscape/gardeners, pool, contractors, pest control.
(2) Entities exempt from Business License are excluded from this list, including governmental agencies providing services in the City.

Source: City of Fountain Valley, Business License Division
### Full-Time City Employees by Department

#### Last Ten Fiscal Years

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>2.00</td>
<td>2.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>2.00</td>
<td>1.00</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>City Clerk</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Finance</td>
<td>11.00</td>
<td>11.00</td>
<td>10.60</td>
<td>10.60</td>
<td>10.60</td>
<td>10.75</td>
<td>9.80</td>
<td>9.75</td>
<td>9.75</td>
<td>9.75</td>
</tr>
<tr>
<td>Information services</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
</tr>
<tr>
<td>Personnel</td>
<td>3.50</td>
<td>3.50</td>
<td>3.50</td>
<td>3.50</td>
<td>3.50</td>
<td>4.00</td>
<td>4.00</td>
<td>3.00</td>
<td>4.00</td>
<td>4.00</td>
</tr>
<tr>
<td>Planning/Building</td>
<td>8.00</td>
<td>8.00</td>
<td>8.00</td>
<td>8.00</td>
<td>8.00</td>
<td>7.00</td>
<td>7.00</td>
<td>6.00</td>
<td>6.00</td>
<td>7.00</td>
</tr>
<tr>
<td>Public works</td>
<td>9.00</td>
<td>9.00</td>
<td>9.00</td>
<td>9.00</td>
<td>9.00</td>
<td>9.00</td>
<td>8.00</td>
<td>9.00</td>
<td>8.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Field services</td>
<td>32.00</td>
<td>31.50</td>
<td>32.00</td>
<td>31.00</td>
<td>28.00</td>
<td>28.00</td>
<td>23.00</td>
<td>22.00</td>
<td>24.75</td>
<td>26.75</td>
</tr>
<tr>
<td>Fire</td>
<td>43.00</td>
<td>43.00</td>
<td>43.00</td>
<td>43.00</td>
<td>43.00</td>
<td>42.00</td>
<td>42.00</td>
<td>39.00</td>
<td>45.00</td>
<td>45.00</td>
</tr>
<tr>
<td>Police</td>
<td>78.00</td>
<td>78.00</td>
<td>78.00</td>
<td>79.00</td>
<td>85.00</td>
<td>83.00</td>
<td>82.00</td>
<td>72.50</td>
<td>79.00</td>
<td>79.00</td>
</tr>
<tr>
<td>Community services</td>
<td>4.00</td>
<td>5.00</td>
<td>5.00</td>
<td>6.00</td>
<td>6.00</td>
<td>6.00</td>
<td>6.00</td>
<td>6.00</td>
<td>6.00</td>
<td>6.00</td>
</tr>
<tr>
<td>Utilities (W&amp;S)</td>
<td>21.00</td>
<td>22.00</td>
<td>22.00</td>
<td>22.00</td>
<td>22.00</td>
<td>20.00</td>
<td>19.00</td>
<td>18.00</td>
<td>19.00</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>215.50</td>
<td>217.00</td>
<td>218.10</td>
<td>219.10</td>
<td>223.10</td>
<td>220.75</td>
<td>211.75</td>
<td>192.30</td>
<td>209.50</td>
<td>212.50</td>
</tr>
</tbody>
</table>

Source: City of Fountain Valley; Personnel Dept: Authorized List for Full-Time Employees, July 1, 2019
## CITY OF FOUNTAIN VALLEY

### OPERATING INDICATORS BY FUNCTION

#### Last Ten Fiscal Years

<table>
<thead>
<tr>
<th>Function</th>
<th>Fiscal Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Police:</td>
<td></td>
</tr>
<tr>
<td>Arrests</td>
<td>2,037</td>
</tr>
<tr>
<td>Parking citations issued</td>
<td>9,562</td>
</tr>
<tr>
<td>Fire:</td>
<td></td>
</tr>
<tr>
<td>Number of emergency calls</td>
<td>4,260</td>
</tr>
<tr>
<td>Inspections</td>
<td>13,346</td>
</tr>
<tr>
<td>Public works:</td>
<td></td>
</tr>
<tr>
<td>Street resurfacing (miles)</td>
<td>11</td>
</tr>
<tr>
<td>Parks and recreation:</td>
<td></td>
</tr>
<tr>
<td>Number of recreation classes</td>
<td>1,140</td>
</tr>
<tr>
<td>Number of facility rentals</td>
<td>453</td>
</tr>
<tr>
<td>Water:</td>
<td></td>
</tr>
<tr>
<td>New connections</td>
<td>1,512</td>
</tr>
<tr>
<td>Average daily consumption (thousands of gallons)</td>
<td>8,222</td>
</tr>
</tbody>
</table>

### Notes:
- 2004 through 2010, new connections were based on all new and returning connections.
- 2011 to current, new connections are all new customers connected.

Source: City of Fountain Valley
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,636</td>
<td>1,423</td>
<td>1,616</td>
<td>1,475</td>
<td>1,460</td>
<td>1,800</td>
</tr>
<tr>
<td></td>
<td>7,373</td>
<td>6,789</td>
<td>6,604</td>
<td>8,246</td>
<td>6,649</td>
<td>7,569</td>
</tr>
<tr>
<td></td>
<td>4,638</td>
<td>4,638</td>
<td>5,359</td>
<td>5,488</td>
<td>5,660</td>
<td>5,401</td>
</tr>
<tr>
<td></td>
<td>2,542</td>
<td>5,973</td>
<td>7,627</td>
<td>8,156</td>
<td>10,260</td>
<td>4,147</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>9</td>
<td>8</td>
<td>7</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>1,103</td>
<td>1,103</td>
<td>3,923</td>
<td>1,357</td>
<td>1,501</td>
<td>1,449</td>
</tr>
<tr>
<td></td>
<td>3,768</td>
<td>3,768</td>
<td>1,565</td>
<td>2,673</td>
<td>2,235</td>
<td>2,343</td>
</tr>
<tr>
<td></td>
<td>340</td>
<td>1,253</td>
<td>1,310</td>
<td>1,298</td>
<td>402</td>
<td>430</td>
</tr>
<tr>
<td></td>
<td>7,876</td>
<td>7,395</td>
<td>6,630</td>
<td>6,937</td>
<td>7,367</td>
<td>8,387</td>
</tr>
</tbody>
</table>
## CITY OF FOUNTAIN VALLEY
### CAPITAL ASSET STATISTICS
#### BY FUNCTION

Last Ten Fiscal Years

<table>
<thead>
<tr>
<th>Function</th>
<th>Fiscal Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td><strong>Police:</strong></td>
<td></td>
</tr>
<tr>
<td>Stations</td>
<td>1</td>
</tr>
<tr>
<td><strong>Fire:</strong></td>
<td></td>
</tr>
<tr>
<td>Fire stations</td>
<td>2</td>
</tr>
<tr>
<td><strong>Public works:</strong></td>
<td></td>
</tr>
<tr>
<td>Street (miles)</td>
<td>141.30</td>
</tr>
<tr>
<td>Streetlights**</td>
<td>N/A</td>
</tr>
<tr>
<td>Traffic signals</td>
<td>53</td>
</tr>
<tr>
<td><strong>Parks and recreation:</strong></td>
<td></td>
</tr>
<tr>
<td>Parks</td>
<td>19</td>
</tr>
<tr>
<td>Community centers</td>
<td>2</td>
</tr>
<tr>
<td><strong>Water:</strong></td>
<td></td>
</tr>
<tr>
<td>Water mains (miles)</td>
<td>185.00</td>
</tr>
<tr>
<td>Maximum daily capacity</td>
<td></td>
</tr>
<tr>
<td>(thousands of gallons)</td>
<td>18,000,000</td>
</tr>
</tbody>
</table>

**Streetlights were acquired from So. Cal Edison on 11/30/18**
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>165.00</td>
<td>165.00</td>
<td>165.00</td>
<td>165.00</td>
<td>165.00</td>
<td>165.00</td>
<td>165.00</td>
</tr>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>3,200</td>
</tr>
<tr>
<td>54</td>
<td>54</td>
<td>54</td>
<td>54</td>
<td>54</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td>19</td>
<td>19</td>
<td>19</td>
<td>19</td>
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<td>19</td>
<td>19</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>202.00</td>
<td>202.00</td>
<td>202.00</td>
<td>209.00</td>
<td>209.00</td>
<td>209.00</td>
<td>209.00</td>
</tr>
<tr>
<td>13,500,000</td>
<td>16,700,000</td>
<td>11,500,000</td>
<td>12,000,000</td>
<td>12,060,000</td>
<td>11,404,785</td>
<td></td>
</tr>
</tbody>
</table>
CITY OF FOUNTAIN VALLEY
Schedule of Measure HH Revenues and Expenditures
With Independent Accountant' Report Thereon
For the Year Ended June 30, 2019
INDEPENDENT ACCOUNTANT’S REPORT

To the Honorable Mayor
and Members of City Council
of the City of Fountain Valley
Fountain Valley, California

We have examined management of the City of Fountain Valley’s (City) assertion that the City complied with Measure HH included in the accompanying Schedule of Measure HH Revenues and Expenditures (schedule) during the fiscal year ended June 30, 2019. The City’s management is responsible for its assertion. Our responsibility is to express an opinion on management’s assertion about the City’s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management’s assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management’s assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management’s assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City’s compliance with the specified requirements.

In our opinion, management’s assertion that the City complied with Measure HH reporting requirements included in the accompanying schedule is fairly stated, in all material respects.

This report is intended solely for the information and use of the City Council and management of the City of Fountain Valley, California and is not suitable for any other purpose.

Irvine, California
December 18, 2019
CITY OF FOUNTAIN VALLEY
Schedule Of Measure HH Revenues And Expenditures
Year Ended June 30, 2019

Measure HH Revenues  $ 13,287,116

Measure HH Expenditures:
Reoccurring Expenses Incurred on Essential City Services  1,918,098
One-Time Expenses (Additional Pension Paydown)  2,000,000

Financial Stewardship: Reserves Set-Aside in 18-19  $ 9,369,018

Measure HH provided necessary funding in Fiscal Year 2018/19 that was used for the following in accordance with the Responsible Spending Pledge:

### Reoccurring Expenses Incurred on Essential City Services:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Safety</td>
<td>350,183</td>
</tr>
<tr>
<td>Maintain 911 Emergency Response Times &amp; Keep Fire Station No. 2 open</td>
<td></td>
</tr>
<tr>
<td>Police and Fire Pension Costs that are Legally Required to be Paid to CalPERS and Principal and Interest on the Safety Pension Obligation Bonds</td>
<td>279,146</td>
</tr>
<tr>
<td><strong>Total Public Safety</strong></td>
<td>629,329</td>
</tr>
<tr>
<td>Senior &amp; Youth Programs</td>
<td>239,125</td>
</tr>
<tr>
<td>Amount associated with the cost to keep the Recreation Center, Community Center &amp; Senior Center open</td>
<td></td>
</tr>
<tr>
<td>Employee Retention</td>
<td>369,193</td>
</tr>
<tr>
<td>Salary and benefit increases</td>
<td></td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>680,451</td>
</tr>
<tr>
<td>Includes $350,000 for residential road rehab and $330,451 for park improvements.</td>
<td></td>
</tr>
<tr>
<td><strong>Total Reoccurring Expenses</strong></td>
<td>1,918,098</td>
</tr>
</tbody>
</table>

### One-Time Expenses:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional Payment to CalPERS towards unfunded pension liabilities</td>
<td>2,000,000</td>
</tr>
</tbody>
</table>

### Reserves Set-Aside in 18-19:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Reserves</td>
<td>4,500,000</td>
</tr>
<tr>
<td>2018-19 Contribution to Pension Trust Fund</td>
<td></td>
</tr>
<tr>
<td>Increase in Emergency Reserves from $13M to $14.2M</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Capital Reserves - $360,000 Transfer to Fleet Management Internal Service Fund</td>
<td>3,669,018</td>
</tr>
<tr>
<td>Set-aside for Fire Apparatus and $3,309,018 Increase in Capital Reserves</td>
<td></td>
</tr>
<tr>
<td><strong>Total Reserves Set-Aside in 18-19</strong></td>
<td>9,369,018</td>
</tr>
</tbody>
</table>

See accompanying notes to Schedule of Measure HH Revenues and Expenditures.
1. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

The Measure HH Revenues and Expenditures Schedule (Schedule) is presented using the modified-accrual basis of accounting. Under the modified-accrual basis of accounting, revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collected 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.

2. REVENUES AND EXPENDITURES

Measure HH revenues consist of the 1% transactions and use (i.e. "sales") tax approved by the voters of Fountain Valley on November 8, 2016. Measure HH became effective April 1, 2017, which provided twelve months of revenue in Fiscal Year 2018/19 in the amount of approximately $13.3 million.

Measure HH is a general-purpose tax, which means the revenues received from the tax go into the City's General Fund to maintain or enhance any lawful City program, improvement or service such as police and fire services, senior and youth programs, etc. Without Measure HH, the General Fund's operating deficit for Fiscal Year 2018/19 would have been $1,918,098. Measure HH expenditures include the utilization of funds to maintain existing services for public safety and senior and youth programs in an amount totaling $1,918,098. In addition, Measure HH expenditures include a one-time expenditure of $2,000,000 for funding of the pension liabilities.

The remaining balance of Measure HH funds represent amounts set-aside in reserves. Two reserves set-aside in Fiscal Year 2018/19 were placed in trust with a third party and include the following: (1) the pension reserve amount of $4,500,000 was placed in a trust with PARS. The remaining reserves set-aside in Fiscal Year 2018/19, including the capital reserves of $3,669,018 and the emergency reserves of $1,200,000 represent the unexpended amount that was deposited into the City's Budget Stabilization Reserves.

The General Fund reserves set-aside in Fiscal Year 2016/17 of $1,747,320, and 2017/18 of $7,027,919 remain unexpended and, when added to the reserves set-aside in Fiscal Year 2018/19 of $9,369,018 result in a total reserve balance of $18,521,663 as of June 30, 2019.
Honorable Mayor and City Council  
City of Fountain Valley  
Fountain Valley, California  

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fountain Valley (City) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

In addition, as a service to you we identified other matters during our audit that provide you an opportunity to enhance your existing internal controls. The matters below are provided as recommendations for your consideration and are not considered to be material weaknesses or significant deficiencies in internal control.

(2019-001) Procurement Procedures

In May 2018 a contract was issued to Wilson Greens for $121,376, which utilized informal bid procedures set forth in the Uniform Public Construction Cost Accounting Act - Section 22000, et seq. of the California Public Contract Code ("Uniform Cost Accounting"). The Uniform Cost Accounting procedures requires “at least once per calendar year, each public agency shall establish a list or update its existing list of qualified contractors by mailing, faxing, or emailing written notice to all construction trade journals designated for that agency under section 22036 of the Public Contract Code.” It does not appear as if the solicitation of this contract followed the Uniform Cost Accounting procedures described above.
**Recommendation:**

It is recommended that the City update and maintain its existing list of qualified contractors as required by the Public Contract Code. The notice must invite all licensed contractors to submit the name of their firms to the agency for inclusion on the agency’s list of qualified bidders for the following twelve (12) months.

This communication is intended solely for the information and use of management, City Council, and others within the City of Fountain Valley, and is not intended to be, and should not be, used by anyone other than these specified parties.

Irvine, California
December 18, 2019
Independent Accountant’s Report on Agreed-Upon Procedures
Applied to Appropriations Limit Worksheets

City Council
City of Fountain Valley
Fountain Valley, California

We have applied the procedures enumerated below to the appropriations limit worksheets prepared by the City of Fountain Valley, California for the year ended June 30, 2019. These procedures, which were agreed to by the City of Fountain Valley, California and the League of California Cities (as presented in the League publication entitled Article XIIIB Appropriations Limitation Uniform Guidelines) were performed solely to assist the City of Fountain Valley, California in meeting the requirements of Section 1.5 of Article XIIIB of the California Constitution. The City is responsible for the calculation and adoption of their appropriations limit.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed, and the results of those procedures were as follows:

1. We obtained the worksheets referred to above and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote.

   Results: No exceptions were noted as a result of our procedures.

2. We recalculated the mathematical computations reflected in the City worksheets.

   Results: No exceptions were noted as a result of our procedures.

3. We compared the current year information used to determine the current year limit and found that it agreed to worksheets prepared by the City and to information provided by the State Department of Finance.

   Results: No exceptions were noted as a result of our procedures.
4. We compared the amount of the prior year appropriations limit presented in the worksheets to the amount adopted by the City Council for the prior year.

**Results:** No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the worksheets referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled *Article XIIIIB Appropriations Limitation Uniform Guidelines*.

This report is intended solely for the use of the City of Fountain Valley, California and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*Davis Sam L.P.*

Irvine, California  
December 18, 2019
City Council  
City of Fountain Valley  
Fountain Valley, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fountain Valley for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 22, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Fountain Valley are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2019. We noted no transactions entered into by the City of Fountain Valley during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City of Fountain Valley’s financial statements were:

- Judgments as to which City capital projects should be capitalized and depreciated in the government-wide financial statements and proprietary funds. We evaluated management’s judgements for reasonableness.
- Judgments involving the calculation of the pension liability. We evaluated the actuarial valuation report supporting the calculations.
- Judgments involving the calculation of the other post employment benefit (OPEB) liability. We evaluated the actuarial valuation report supporting the calculations.
- Judgments involving estimates of the claims payable liabilities related to general liability and workers’ compensation claims. We evaluated the actuarial valuation report supporting the calculations.

Certain financial statement disclosures are particularly sensitive because of their significance
to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Disclosures of the net pension liability and related amounts
- Disclosures of the net OPEB liability and related amounts
- Disclosures of restatements of net position as of July 1, 2018

The financial statement disclosures are neutral, consistent, and clear.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements with the exception of one. Management has determined that the effects of the following uncorrected adjustment is immaterial, both individually and in the aggregate to the financial statements as a whole: an entry to distribute interest receivable recorded in total in the General Fund to other applicable funds.

**Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated December 17, 2019.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City of Fountain Valley’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Fountain Valley’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
**Other Matters**

We applied certain limited procedures to management’s discussion and analysis, the schedules or proportionate share of the net pension liability – defined benefit plans, the schedules of contributions – defined benefit pension plans, the annual money-weighted rate of return on investments – other post-employment benefits plan, and the schedule of changes in the net OPEB liability and related ratios – other post employment benefits plan, the budgetary comparison schedules for the general fund and the housing authority special revenue fund and related notes to the required supplementary information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section and the statistical section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Restriction on Use**

This information is intended solely for the information and use of the City Council and management of the City of Fountain Valley and is not intended to be, and should not be, used by anyone other than these specified parties.

Irvine, California  
December 18, 2019
EXECUTIVE SUMMARY:

California Senate Bill No. 998 (SB 998) was signed by the Governor in September 2018, which applies to public water systems that supply water to more than 200 service connections. The objective of SB 998 is to minimize the number of Californians who lose access to water service due to inability to pay. At its meeting on December 17, 2019, the City Council introduced for first reading of an Ordinance that proposed changes to Chapter 14.12 of the Fountain Valley Municipal Code, which modifies the City’s policy on the discontinuation of residential water service for nonpayment, in order to comply with SB 998. The Ordinance was approved during the first reading without amendment.

The Ordinance is now presented to the City Council for second reading and adoption.

A Policy on Residential Water Service is also presented for consideration, which memorializes current water billing procedures and incorporates the new procedures on the discontinuation of residential water service for nonpayment in order to comply with SB 998. It should also be noted that SB 998 limits reconnection fees to $50 during business hours and $150 after regular business hours for residential customers that have a household income below 200 percent of the federal poverty level. The limits on reconnection fees for qualifying residents will become effective February 1, 2020 as required by State Law.

DISCUSSION:

Under the new State law that becomes effective February 1, 2020, residential water service cannot be shutoff until a payment by the customer has been delinquent for at least 60 days. Therefore, the City needs to extend the number of days before it shuts off service to 60 days and will also need to make sure its notice to customers includes information required by SB 998. Written notices must be in English and the languages listed in Civil Code section 1632 (Spanish, Chinese, Tagalog, Vietnamese, Korean, and any other language spoken by at least 10 percent of the service area). Various changes are proposed to the City’s municipal code to modify the timeline to discontinue residential water service for nonpayment and to establish a policy to administer requests for an extension or an alternative payment arrangement consistent with the requirements set forth in SB 998. The table on the following page summarizes the proposed timeline for the discontinuation of residential water service for nonpayment.
## DISCONTINUATION OF RESIDENTIAL WATER SERVICE FOR NONPAYMENT

<table>
<thead>
<tr>
<th>Day</th>
<th>Current Timeline</th>
<th>Proposed Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bill Mailed</td>
<td>Bill Mailed</td>
</tr>
<tr>
<td>20</td>
<td>Bill Due</td>
<td>Bill Due</td>
</tr>
<tr>
<td>23</td>
<td>Past Due Notice</td>
<td>Past Due Notice</td>
</tr>
<tr>
<td>37</td>
<td>Reminder Auto-Call</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; Reminder Auto-Call</td>
</tr>
<tr>
<td>40</td>
<td></td>
<td>Disconnection Notice to Customer/Tenant</td>
</tr>
<tr>
<td>43</td>
<td>Service Disconnected</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Reminder Auto-Call</td>
</tr>
<tr>
<td>50</td>
<td>Account Closed for Non-Payment</td>
<td>In-Person or Telephonic Notice</td>
</tr>
<tr>
<td>53</td>
<td></td>
<td>Deadline to Request Alternative Payments/Extension</td>
</tr>
<tr>
<td>58</td>
<td></td>
<td>Posting of Notice at Service Address (Door Hanger)</td>
</tr>
<tr>
<td>60</td>
<td></td>
<td>Service Disconnected</td>
</tr>
<tr>
<td>71</td>
<td></td>
<td>Account Closed for Non-Payment</td>
</tr>
</tbody>
</table>

Additionally, SB 998 requires that the City report the number of annual discontinuations of residential service for failure to pay on its website and to the California State Water Resources Control Board.

### FINANCIAL ANALYSIS:

There are several implications of SB 998 that will have a financial impact such as a decrease in reconnection fees and an increase in administrative costs for staff time to administer an alternative payment arrangement program. In addition, there will be expenses related to producing, translating and printing the required notices, and increased field staff time to provide required notification.

### ATTORNEY REVIEW:

The Attorney for the City has reviewed and approved the proposed ordinance and related revisions to the Municipal Code. The Attorney for the City has also reviewed the Policy on Residential Water Service.

### ALTERNATIVES:


**Alternative No. 2:**
Do not approve alternative no. 1 and provide staff with direction for evaluating other alternatives to the proposed recommendations.
RECOMMENDATION:

Staff recommends Alternative No. 1.

Prepared by: Jason Al-Imam, Director of Finance/Treasurer
Approved by: Rob Houston, City Manager

Attachment 1: Ordinance
Attachment 3: Policy on Residential Water Service
ORDINANCE NO

AN ORDINANCE OF THE CITY COUNCIL OF THE
CITY OF FOUNTAIN VALLEY REPEALING AND
REENACTING MUNICIPAL CODE CHAPTER 14.12
OF THE FOUNTAIN VALLEY MUNICIPAL CODE

WHEREAS, the City Council has previously adopted Chapter 14.12 of the Fountain Valley Municipal Code which incorporated various provisions pertaining to water service rates and charges; and

WHEREAS, on or about September 28, 2018 the Governor of the State of California approved Senate Bill (SB 998) adding Chapter 6, Commencing with Section 116900 of the Health & Safety Code establishing rules governing the discontinuation of residential water service for nonpayment; and

WHEREAS, SB 998 requires urban and community water systems such as the City of Fountain Valley’s Water System (City) to comply with the rules governing the discontinuation of residential water service effective on and after February 1, 2020; and

WHEREAS, the City Council of the City of Fountain Valley desires to make changes to the City’s policy related to the discontinuation of residential water service for nonpayment in order to comply with state law;

NOW, THEREFORE, the City Council of the City of Fountain Valley does hereby ORDAIN as follows:

Section 1. Municipal Code Chapter 14.12 is hereby repealed in entirety.

Section 2. Municipal Code Chapter 14.12 is hereby reenacted as reflected in Exhibit “A”.

Section 3. If any section, subsection, sentence, clause or phrase of this ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of the ordinance. The City Council declares that it would have passed this ordinance and each and every section, subsection, sentence, clause or phrase not declared invalid or unconstitutional without regard to whether any portion of the ordinance would be subsequently declared invalid or unconstitutional.

Section 4. The City Clerk shall certify to the adoption of this Ordinance and cause it to be published as required by law.

PASSED AND ADOPTED by the City Council of the City of Fountain Valley at a regular meeting this ___ day of __________, 2020.
ATTEST:

_________________________  __________________________
City Clerk                  Cheryl Brothers, Mayor

APPROVED AS TO FORM

HARPER & BURNS LLP

________________________
Colin Burns
Attorneys for the City
14.12.010 Rules and regulations adoption.

The city council reserves the right and power to, and may from time to time, by resolution, adopt rules and regulations for the operation and maintenance of the water system of the city, and for furnishing water users; and may likewise, by resolution, modify the rates, charges, deposits, and penalties established and imposed; and may from time to time, by resolution, prescribe rules for the extension of water mains within the boundaries and outside the boundaries of the city. The city council may, by resolution, prescribe the procedure for re-evaluation of water usage charges related to the cost of wholesale water purchase or produced for use in the city water system. (Ord. 1170 § 2, 1991)


The monthly metered rates to be charged and collected by the water department from all its customers shall be as set forth in a schedule to be adopted by separate resolution. (Ord. 1170 § 2, 1991)


The monthly rates to be charged and collected by the water department for services to customers outside the city limits of the city from city owned and maintained water lines shall be as set forth in a schedule to be adopted by separate resolution.

The city council may, by separate resolution, establish special districts outside the city limits in which the prevailing rate within the city shall be charged for a stated period of time. (Ord. 1170 § 2, 1991)


Persons establishing accounts may be required to make deposits as prescribed by resolution. Such decisions shall be based on the credit-worthiness of each applicant, in accordance with criteria set forth by resolution. The sum shall not exceed twice the average bill. Tenants shall have their own accounts, unless owners agree to be responsible. Absent such an agreement, an owner shall not be responsible for an account that the tenant has established. New tenants shall not be responsible for a previous tenant's account. (Ord. 1352 § 1, 2003)

14.12.040 Bi-monthly billing.

Customers shall be billed on a bi-monthly basis. Billing for a two month period will be based upon the number of units consumed during the billing period multiplied by the appropriate rate per unit described in Section 14.12.020 of this chapter. Water bills may also include any unpaid penalties or charges as described in this chapter. (Ord. 1352 § 2, 2003; Ord. 1170 § 2, 1991)

14.12.050 Water bills due dates and fees.

A water bill shall be considered due and payable immediately after it is received by the customer. If a bimonthly water bills is not received by the customer in a timely manner, it is the customer’s responsibility to notify the water billing department, during regular business hours, that a bill was not received; the water billing department shall then inform the customer of the amount due. A water bill shall be considered late if it is not paid at the water billing department, in person or by mail, by five p.m. on or before the twentieth day after the bill is mailed to the customer. If the twentieth day falls on a Saturday, Sunday or a holiday, the bill shall be considered past due after five p.m. of the next working day.

As a penalty, customers who do not pay their water bills within the required time shall be assessed a fee set forth in a schedule to be adopted by separate resolution. A notice shall be mailed to the customer indicating the assessment of this fee, the current balance on the account and a date by which the balance
shall be satisfied to avoid discontinuance of service. If any bill is not paid at the water billing department by
five p.m. on or before the sixtieth day after the original bill was mailed to the customer, the water may be
turned off and service discontinued. If the sixtieth day falls on a Saturday, Sunday or holiday, the account
shall be eligible for disconnection if it is not satisfied before five p.m. of the next working day.

In case the water is turned off as provided for in this section, it shall not be turned on again until all
legitimate charges for services rendered have been fully paid, in person or by mail, to the water billing
department or as otherwise provided in this chapter. There shall be included in these legitimate charges the
charge for the service call to turn the water off as well as the charge required to restore service once again.

In addition, the city may sue in any court of competent jurisdiction for any amount due and payable
together with penalties as herein provided, the costs of said suit and for such other and further relief as to the
court may appear appropriate in the premises. (Ord. 1170 § 2, 1991)


All applications for water must be made on the form provided by the water billing department. All
individuals over the age of eighteen living at the address stated on the application, whether they own or lease
the property, must complete the application. Those residents renting or leasing the property stated on the
application must include the name, address and telephone number of the owner of the property on the
application. All applications, except those completed and submitted applications which pertain to
governmental agencies, shall be submitted along with an application fee as set forth in a schedule to be
adopted by separate resolution. Applications shall be submitted to and application fees paid at the water billing
department during regular business hours. (Ord. 1170 § 2, 1991)

14.12.065 Procedures to Contest or Appeal a Bill.

A customer may initiate a complaint or request an investigation regarding the amount of a bill within five
(5) days of receiving a disputed bill. A bill shall be deemed received by a customer five (5) days after mailing
and immediately upon e-mailing. A customer may initiate a complaint or request an investigation by
submitting a written request and supporting documentation to the City.

A timely complaint or request for investigation shall be reviewed by the Finance Director or designee, who
shall provide a written determination to the customer within fourteen (14) days of receipt of the dispute. The
City may, in its discretion, review untimely complaints or requests for investigation; however, such complaints
or requests are not subject to appeal.

The affected customer has fourteen (14) days from the time the written determination letter was mailed to
the customer to file an appeal with the city clerk. If an appeal is not received by the city clerk within
fourteen days, the affected customer failed to exhaust his or her administrative remedies and the decision of
the Finance Director or designee shall become conclusive. If an appeal is received by the city clerk within
fourteen days of the date the reply was mailed, then the appeal shall be forwarded to the City Manager. The
City Manager shall review the appeal and mail or deliver a written determination letter to the affected
customer or representative. The City Manager’s decision is final.


(a) Discontinuation of Water Service for Nonpayment – The City will provide a mailed notice to the
customer of record at least twenty (20) days before discontinuation of water service. The City will also send a
notice to the occupants living at the service address at least twenty (20) days before discontinuation of water
service.

(b) Circumstances Under Which Services Will Not Be Discontinued – The City will not discontinue
residential water service for nonpayment under the following circumstances:

(1) During an investigation by the City of a customer dispute or appeal as set forth in Section 14.12.065;

(2) During the period of time in which a customer’s payment is subject to a City-approved extension,
amortization or alternative payment schedule, as set forth in Section 14.12.075, and the customer remains in
compliance with the approved payment arrangement;
Special Medical and Financial Circumstances Under Which Services Will Not Be Discontinued – The City will not discontinue water service if all of the following conditions are met:

1. The customer, or a tenant of the customer, submits to the City the certification of a licensed primary care provider that discontinuation of water service will be life threatening to, or pose a serious threat to the health and safety of, a resident of the premises where residential service is provided;

2. The customer demonstrates that he or she is financially unable to pay for residential service within the City’s normal billing cycle. The customer is deemed financially unable to pay during the normal billing cycle if: (a) any member of the customer’s household is a current recipient of an assistance program (i.e. CalWorks, CalFresh, Medi-Cal, Supplemental Security Income, etc.) or (b) the customer declares under penalty of perjury that the household’s annual income is less than 200 percent of the federal poverty level; and

3. The customer is willing to enter into an alternative payment arrangement with respect to the delinquent charges.

Discontinuation of Water Service for Other Customer Violations – The City reserves the right to discontinue water service for any violations of City ordinances, rules, or regulations other than nonpayment.

Restoration of Service – The water service shall not be restored until payment is made of all amounts due including any applicable service call fees. Payment of any amount due and/or fees assessed shall be made at the water billing department during regular business hours. If a customer wishes to have water service restored after regular business hours, the city shall provide this service for a charge which shall be set forth in a schedule to be adopted by separate resolution. Special after-hours service can be obtained by submitting payment to the police department. (Ord. 1170 § 2, 1991)

No water service shall be terminated unless notice of the delinquency and proposed termination are given in accordance with applicable State law. Water service shall not be terminated on a Saturday, Sunday or legal holiday or at any time in which the water department is not open for business. (Ord. 1352 § 3, 2003)


If a customer is unable to pay a bill during the normal payment period, the customer may request an extension or other alternative payment arrangement. If a customer submits his or her request within thirteen (13) days after mailing of a written notice of discontinuation of service by the City, the request will be reviewed by the Finance Director or designee. The Finance Director’s or designee’s decisions regarding extensions and other alternative payment arrangements are final.

If approved by the Finance Director or designee, a customer’s payment of his or her unpaid balance may be extended. The Finance Director or designee shall determine, in his or her discretion, how long an extension shall be provided to the customer. The customer shall pay the full unpaid balance by the date set by the Finance Director or designee and must remain current on all water service charges accruing during any subsequent billing periods. The extended payment date will be set forth in writing and provided to the customer.

14.12.080 Service call fee.

The city shall charge a service call fee as set forth in a schedule to be adopted by separate resolution any time a service call is made to shut off or reconnect water, or any other reason connected with discontinuance of service for nonpayment as described in this chapter. (Ord. 1170 § 2, 1991)

14.12.090 Unauthorized turn-on—Penalty.

No person other than a duly authorized employee of the city shall turn on water or any meter service. Any person found to be in violation of this chapter shall be subject to a penalty to be set forth in a schedule to be adopted by separate resolution in addition to any criminal penalty. (Ord. 1170 § 2, 1991)
14.12.100 Nonpayment deposits.
Customers who require more than two service calls for nonpayment in a twelve month period shall be required to post an additional deposit as set forth in a schedule to be adopted by separate resolution. Said deposit shall be in addition to charges for service calls to turn off and turn on the service. Water service shall not be restored until these charges and the deposit have been made. (Ord. 1170 § 2, 1991)

14.12.110 Owner’s responsibility.
Notwithstanding any other provision of this title, the property owner shall be ultimately responsible to the city to keep his or her property and its waterlines and all water appurtenances in good repair and order. (Ord. 1352 § 4, 2003; Ord. 1170 § 2, 1991)

14.12.120 Vacant dwellings.
In case a house becomes vacant, the water department shall turn off the water service unless otherwise requested by the owner. If the water is turned off, the owner or new tenant of the property shall be charged a service call fee as described in Section 14.12.080 of this chapter. If the owner or tenant requests that the water be kept on, the regular minimum rate shall be charged and collected from the owner whether water is used or not. (Ord. 1352 § 5, 2003; Ord. 1170 § 2, 1991)

14.12.130 Change of address.
Water service shall not be given any customer who changes his residence or business or changes his billing address until all delinquent charges owing thereof at the former residence or billing address have been paid. If a customer moves to a new residence or place of business within the city, the customer shall complete an application and pay the appropriate fee described in Section 14.12.060. If the customer only changes his mailing address but does not change his residence or place of business, no fees are assessed to the customer. (Ord. 1170 § 2, 1991)

(a) All non-temporary water supplied to any water customer shall be metered. In the event that a meter must be installed to measure the amount of water being supplied to a customer, the following procedures shall be followed:
     (1) The customer shall make an application and pay the required application fees.
     (2) The customer shall make an application for a water meter with the water superintendent during regular business hours.
     (3) The customer shall pay in advance a sum of money as set forth in a schedule to be adopted by separate resolution to cover the costs associated with installing a new service connection.
     (b) All services installed outside the incorporated limits of the city shall have the same charge for installation as those services within city limits. (Ord. 1170 § 2, 1991)

Any person desiring to change the location of a meter that already has been installed shall make an application to the water superintendent during regular business hours. After receiving the application, the water superintendent shall make a determination as to whether the meter location change is possible or warranted. If the water superintendent approves the request for the meter location change, he shall collect a deposit as set forth in a schedule to be adopted by separate resolution based on a cost estimate determined by the water superintendent. Once the meter location change has been completed, the difference, if any, between the actual costs incurred by the city and the customer’s deposit shall be returned to the customer. If the deposit is insufficient, the balance will be due within thirty days. The water superintendent also has the right to deny a meter location change if it is not found to be consistent with the public welfare and any decision that the water superintendent makes regarding this section is final and conclusive. (Ord. 1170 § 2, 1991)
**14.12.170 Meter failure.**

If a meter fails to register during any period of time or is known to register inaccurately, the water superintendent shall make the determination as to how much the customer will be charged until the meter is repaired or replaced. The water superintendent’s determination will be based upon: (a) the average seasonal consumption by the meter when in use and functioning properly in the previous year, or (b) a comparable user’s meter. The water superintendent’s determination shall be final. If a meter needs repair or replacement, it shall be repaired or replaced in accordance with Section 14.16.180. It is also the owner’s responsibility to care for the meter and to keep it in good working order. (Ord. 1170 § 2, 1991)

**14.12.180 Testing meters.**

(a) Any customer may demand that the meter through which water is being furnished to the premises may be examined and tested by the water superintendent for the purpose of ascertaining whether or not it is registering accurately the amount of water which is being delivered through it. Such demand shall be made in writing and shall be accompanied by a payment equivalent to the service call fee described in Section 14.12.080. Such demand shall be made to the water billing department during regular business hours.

(b) Upon receipt of such demand, the water superintendent shall cause the water meter to be examined and tested. If on such examination and test the meter is found to register three percent over the amount of water that passes through it, the following shall occur:

1. Another meter shall be substituted for the faulty meter;
2. The service call fee shall be refunded to the customer;
3. The water charges for the current and previous period shall be adjusted fairly by the determination of the fiscal services manager.

(c) If the meter is found to register not over three percent fast, the city shall retain the service call fee, the bill amount shall be paid as it appears on the on the customer’s water bill and no adjustments shall be made. The customer or his authorized representative may be present to witness the test. (Ord. 1170 § 2, 1991)

**14.12.190 Temporary service.**

(a) Application for temporary water service shall be made to the water department at City Hall during regular business hours. Temporary service as discussed in this section normally applies to contractors or builders, but temporary service may also be extended to other applicants for water. When temporary service is requested, the water department shall collect a deposit from the applicant to compensate the department for all water furnished to said applicant during such period of temporary service. Such deposit shall be as set forth in a schedule to be adopted by separate resolution. In addition to estimated charges for water, the applicant shall also reimburse the water department for all costs required in furnishing such service together with all damages that may occur to the facilities. Upon deposit of such a sum as the water superintendent shall require and the submission of an application on a form supplied by the water superintendent, a permit may be issued for temporary water use by the applicant.

(b) It shall be the determination of the water superintendent as to whether temporary water service shall be metered or unmetered. The difference between metered and unmetered temporary water service rates are as follows:

1. Metered Water Service. It shall be the responsibility of the applicant to obtain a meter provided by the water superintendent in the city yard to measure the temporary water usage; the charges for temporary water service where such service is metered shall be charged at the rates described in Section 14.12.020.

2. Unmetered Water Service. The use of unmetered water may occur under two conditions; (i) if, in the determination of the water superintendent, the setting of a water meter is uneconomical or impractical for the supply of water; or (ii) temporary service is provided to furnish construction water.

(c) The term “construction water” includes the water to be utilized for the preparation of building sites, streets, sidewalks and appurtenances, sewers, water mains, and all construction work through the initial
phase of the development; but shall not include water used after the date of installation of water meters for
normal residential use; and shall not include water used for growing of vegetation, lawns, shrubs, or
otherwise.
(d) Rates for unmetered temporary water service providing construction water shall be charged in the
following manner: if the unmetered water is provided to furnish construction water for a residential
subdivision, such construction water shall be charged at a rate as set forth in a schedule to be adopted by
separate resolution; if the unmetered water is provided to furnish construction water for purposes other than
for residential subdivision, a different rate shall be charged as set forth in a schedule to be adopted by
separate resolution.
(e) Once meter installation by the subdivider for the purpose of serving residential units is achieved,
temporary service shall be considered metered service and shall be charged at the rates as set forth in a
schedule to be adopted by separate resolution. Temporary water service shall be provided to and charged to
the subdivider up to and including the date that application is made to the city for permanent water service
by the purchaser or occupant of the unit or units built by the subdivider or once the water service is metered,
the subdivider may submit a written request to the water billing department for discontinuance of temporary
service.
(f) Once temporary service is terminated, all outstanding charges will be levied against the customer’s
deposit and all material and appurtenances provided to the customer by the city shall be returned to the city.
Any outstanding deposit balance in favor of the customer shall be returned to the customer; any charges in
excess of the customer’s deposit shall be paid immediately to the city by the customer. (Ord. 1170 § 2,
1991)
(a) Private Fire Service—Standby Rates. The rates to be charged and collected for water standby and
fire detector charges shall be as set forth in a schedule to be adopted by separate resolution.
(b) Private Fire Service—Installation Charges. Whenever a service is installed for private fire
protection, a charge shall be made for all labor, fire detector checks and/or other approved devices, together
with all appurtenant materials and engineering plus administrative overhead costs. The water superintendent
shall estimate what the total amount of the charge shall be and will collect a deposit from the customer as set
forth in a schedule to be adopted by separate resolution. Once installation is completed, the difference, if
any, between the actual costs incurred by the city and the customer’s deposit shall be returned to the
customer. If the deposit is insufficient, the balance will be due within thirty days. Such service shall be used
only in case of fire or other purpose expressly provided in this section. Use of such private fire protection
service for any other purpose than in this section provided shall be a misdemeanor.
(c) Private Fire Service—Testing/Maintenance Charges. Should it be necessary to use water through a
fire line meter for the purpose of testing or maintaining a private fire prevention system, the water
superintendent may authorize such use upon the receipt of a written request received during regular business
hours stating:
(1) Date and time of use;
(2) Purpose;
(3) Estimated quantity of water to be used;
(4) Estimated maximum flow.
The superintendent may restrict such non-emergency flows which may be detrimental to or tend to
dewater the system. The water superintendent shall determine the charges to be levied against the customer
based on the estimated quantity of water to be used.
(d) Public Fire Protection. The annual standby charge for public fire protection shall be set forth in a
schedule to be adopted by separate resolution. The purpose of this charge is to reimburse the water fund for
standby costs absorbed by the water department resulting from the city’s use of fire hydrants for public fire
protection. The standby charge shall be computed on November 1st of each year based on the number of
hydrants in service on that date. The standby charge shall be payable in one annual installment due on July
1st. This installment shall be charged against the general fund and payable to the water fund. (Ord. 1170 § 2, 1991)


Fire hydrants shall be installed in the location specified by the water superintendent. If a property owner or other party desires a change in size, type or location of such hydrants, he shall bear all costs of such changes. Any change in the location of a fire hydrant must be approved by the superintendent. All required fees must be paid in advance of commencement of work. A deposit shall be collected if the exact amount of such changes is unknown. This deposit shall be as set forth in a schedule to be adopted by separate resolution. Once installation is completed, the difference, if any, between the actual costs incurred by the city and the customer’s deposit shall be returned to the customer. If the deposit is insufficient, the balance will be due within thirty days. (Ord. 1170 § 2, 1991)


(a) In order to implement the goals and objectives of the municipal water system of the city and to mitigate the water usage impacts caused by new development within the city, and areas outside city boundaries that may be served, certain public water system improvements must be constructed. The city council has determined that a development impact fee is needed in order to finance these public improvements and to pay for the development’s fair share of improvements.

(b) A water supply facilities fee is established for development in the city-wide area and areas service outside corporate limits of the city to pay for water supply facilities to provide domestic treated water to new developments. The city council shall, by resolution set forth the specific amount of the fee, describe the benefit and impact area on which the water supply facilities fee is imposed, list the specific public improvements to be financed, and describe the estimated cost of these facilities, describe the reasonable relationship between this fee and the various types of new developments. For each new service connection or meter installation, a water supply facilities fee shall be paid to the city water utility. Payment shall be made only once upon any one service connection or meter installation. This fee shall be paid prior to the approval of any final tract map. For connections other than tract development, this fee shall be paid prior to the installation of the meter or connection of the service. Fees are exclusive of the cost of the meter, water service materials or service connection costs. The size of meter and size of service connection shall be determined by the water superintendent. When the water service charge is designed to include fire protection, the water superintendent may calculate a water service size which will be used to apply the above service fees and other water charges dependent thereon as set forth in this chapter. His/her determination of said size shall be final. For meters larger than the sizes indicated in the fee resolution, the service fee shall be determined by the water superintendent, based proportionately upon the amount of water that may be drawn through said service connection or meter.

(c) The revenues raised by payment of this fee shall be placed in a separate and special account and such revenues, along with any interest earnings on that account shall be used solely to:

1. Pay for the city’s future construction of facilities described in the resolution enacted pursuant to subsection (b) of this section, or to reimburse the city for those described or listed facilities constructed by the city with funds advanced by the city from other sources; or

2. Reimburse developers who have been required or permitted to install such listed facilities which are oversized with supplemental size, length or capacity.

(d) A developer of any project subject to the fee described in subsection (b) of this section may apply to the city council for a reduction or adjustment to that fee, or a waiver of that fee, based upon the absence of any reasonable relationship or nexus between the domestic treated water use of that development and either the amount of the fee charged or the type of facilities to be financed. The application shall be made in writing and filed with the city clerk no later than ten days prior to the public hearing on the development permit application for the project, or if no development permit is required, at the time of the filing of the request for a building permit. The application shall state in detail the factual basis for the claim of waiver,
reduction or adjustment. The city council shall consider the application at the public hearing on the permit application or at a separate hearing held within sixty days after the filing of the fee adjustment application, whichever is later. The decision of the city council shall be final. If a reduction, adjustment or waiver is granted, any change in use within the project shall invalidate the waiver, adjustment of reduction of the fee. (Ord. 1170 § 2, 1991)


(a) In order to implement the goals and objectives of the municipal water system of the city and to mitigate the use of water supply impacts caused by new development within corporate city limits certain public waterline improvements must be constructed. The city council has determined that a development impact fee is needed in order to finance these public improvements and to pay for the development’s fair share of improvements.

(b) A waterline assessment fee is established for development in the city-wide area to pay for waterlines. The city council shall, by separate resolution, set forth the specific amount of the fee, describe the benefit and impact area on which the development fee is imposed, list the specific public improvements to be financed, describe the estimated cost of these facilities, describe the reasonable relationship between this fee and the various types of new developments. Any land being developed or improved which fronts upon the water main constructed under the Water Assessment District No. 1 Improvement Act of 1911 shall be charged this special assessment. Said charge shall be paid by the developer based upon the land being developed or improved so fronting said main or portion thereof when said properties are being developed. If application is made for water service other than by a developer, the total premises or segment thereof receiving benefit from the water service shall pay a fee, if said property fronts on said mains constructed under Water Assessment District No. 1. This chapter shall not apply to land owned by the United States government.

(c) The revenues raised by payment of this fee shall be placed in a separate and special account and such revenues, along with any interest earnings on that account, shall be used solely to:

1. Pay for the city’s future construction of facilities described in the resolution enacted pursuant to subsection (b) of this section, or to reimburse the city for those described or listed facilities constructed by the city with funds advanced by the city from other sources; or

2. Reimburse developers who have been required or permitted to install such listed facilities which are oversized with supplemental size, length or capacity.

(d) A developer of any project subject to the fee described in subsection (b) of this section may apply to the city council for a reduction or adjustment to that fee, or a waiver of that fee, based upon the absence of any reasonable relationship or nexus between the use of the water supply impacts of that development and either the amount of the fee charged or the type of facilities to be financed. The application shall be made in writing and filed with the city clerk no later than ten days prior to the public hearing on the development permit application for the project, or if no development permit is required, at the time of the filing of the request for a building permit. The application shall state in detail the factual basis for the claim of waiver, reduction or adjustment. The city council shall consider the application at the public hearing on the permit application or at a separate hearing held within sixty days after the filing of the fee adjustment application, whichever is later. The decision of the city council shall be final. If a reduction, adjustment or waiver is granted, any change in use within the project shall invalidate the waiver, adjustment or reduction of the fee. (Ord. 1170 § 2, 1991)
14.12.010 Rules and regulations adoption.

The city council reserves the right and power to, and may from time to time, by resolution, adopt rules and regulations for the operation and maintenance of the water system of the city, and for furnishing water users; and may likewise, by resolution, modify the rates, charges, deposits, and penalties established and imposed; and may from time to time, by resolution, prescribe rules for the extension of water mains within the boundaries and outside the boundaries of the city. The city council may, by resolution, prescribe the procedure for re-evaluation of water usage charges related to the cost of wholesale water purchase or produced for use in the city water system. (Ord. 1170 § 2, 1991)


The monthly metered rates to be charged and collected by the water department from all its customers shall be as set forth in a schedule to be adopted by separate resolution. (Ord. 1170 § 2, 1991)


The monthly rates to be charged and collected by the water department for services to customers outside the city limits of the city from city owned and maintained water lines shall be as set forth in a schedule to be adopted by separate resolution.

The city council may, by separate resolution, establish special districts outside the city limits in which the prevailing rate within the city shall be charged for a stated period of time. (Ord. 1170 § 2, 1991)


Persons establishing accounts may be required to make deposits as prescribed by resolution. Such decisions shall be based on the credit-worthiness of each applicant, in accordance with criteria set forth by resolution. The sum shall not exceed twice the average bill. Tenants shall have their own accounts, unless owners agree to be responsible. Absent such an agreement, an owner shall not be responsible for an account that the tenant has established. New tenants shall not be responsible for a previous tenant's account. (Ord. 1352 § 1, 2003)

14.12.040 Bi-monthly billing.

Customers shall be billed on a bi-monthly basis. Billing for a two month period will be based upon the number of units consumed during the billing period multiplied by the appropriate rate per unit described in Section 14.12.020 of this chapter. Water bills may also include any unpaid penalties or charges as described in this chapter. (Ord. 1352 § 2, 2003; Ord. 1170 § 2, 1991)

14.12.050 Water bills due dates and fees.

A water bill shall be considered due and payable immediately after it is received by the customer. If a bimonthly water bills is not received by the customer in a timely manner, it is the customer’s responsibility to notify the water billing department, during regular business hours, that a bill was not received; the water billing department shall then inform the customer of the amount due. A water bill shall be considered late if it is not paid at the water billing department, in person or by mail, by five p.m. on or before the twentieth day after the bill is mailed to the customer. If the twentieth day falls on a Saturday, Sunday or a holiday, the bill shall be considered past due after five p.m. of the next working day.

As a penalty, for those customers who do not pay their water bills within the required time shall be assessed a fee as set forth in a schedule to be adopted by separate resolution. A notice shall be mailed to the customer indicating the assessment of this fee, the current balance on the account and a date by which the balance shall be satisfied to avoid discontinuance of service. If any bill is not paid at the water billing department by five p.m. on or before the thirty-sixtieth day after the original bill was mailed to the customer, the water may be turned off and service discontinued. If the thirty-sixtieth day falls on a Saturday, Sunday or holiday, the account shall be eligible for disconnection if it is not satisfied before five p.m. of the next working day.

In case the water is turned off as provided for in this section, it shall not be turned on again until all legitimate charges for services rendered have been fully paid, in person or by mail, to the water billing department or as otherwise provided in this chapter. There shall be included in these legitimate charges
the charge for the service call to turn the water off as well as the charge required to restore service once
again.

In addition, the city may sue in any court of competent jurisdiction for any amount due and payable
together with penalties as herein provided, the costs of said suit and for such other and further relief as to
the court may appear appropriate in the premises. (Ord. 1170 § 2, 1991)

All applications for water must be made on the form provided by the water billing department. All
individuals over the age of eighteen living at the address stated on the application, whether they own or
lease the property, must complete the application. Those residents renting or leasing the property stated on
the application must include the name, address and telephone number of the owner of the property on the
application. All applications, except those completed and submitted applications which pertain to
governmental agencies, shall be submitted along with an application fee as set forth in a schedule to be
adopted by separate resolution. Applications shall be submitted to and application fees paid at the water
billing department during regular business hours. (Ord. 1170 § 2, 1991)

14.12.065 Procedures to Contest or Appeal a Bill.
A customer may initiate a complaint or request an investigation regarding the amount of a bill within five
(5) days of receiving a disputed bill. A bill shall be deemed received by a customer five (5) days after
mailing and immediately upon e-mailing. A customer may initiate a complaint or request an investigation
by submitting a written request and supporting documentation to the City.
A timely complaint or request for investigation shall be reviewed by the Finance Director or designee,
who shall provide a written determination to the customer within fourteen (14) days of receipt of the dispute.
The City may, in its discretion, review untimely complaints or requests for investigation; however, such
complaints or requests are not subject to appeal.
The affected customer has fourteen (14) days from the time the written determination letter was mailed
to the customer to file an appeal with the city clerk. If an appeal is not received by the city clerk within
fourteen days, the affected customer failed to exhaust his or her administrative remedies and the decision
of the Finance Director or designee shall become conclusive. If an appeal is received by the city clerk
within fourteen days of the date the reply was mailed, then the appeal shall be forwarded to the City
Manager. The City Manager shall review the appeal and mail or deliver a written determination letter to
the affected customer or representative. The City Manager’s decision is final.

(a) Discontinuation of Water Service for Nonpayment – The City will provide a mailed notice to the
customer of record at least twenty (20) days before discontinuation of water service. The City will also send
a notice to the occupants living at the service address at least twenty (20) days before discontinuation of
water service.
(b) Circumstances Under Which Services Will Not Be Discontinued – The City will not discontinue
residential water service for nonpayment under the following circumstances:
(1) During an investigation by the City of a customer dispute or appeal as set forth in Section
14.12.065;
(2) During the period of time in which a customer’s payment is subject to a City-approved extension,
amortization or alternative payment schedule, as set forth in Section 14.12.075, and the customer remains
in compliance with the approved payment arrangement;
(c) Special Medical and Financial Circumstances Under Which Services Will Not Be Discontinued –
The City will not discontinue water service if all of the following conditions are met:
(1) The customer, or a tenant of the customer, submits to the City the certification of a licensed
primary care provider that discontinuation of water service will be life threatening to, or pose a serious
threat to the health and safety of, a resident of the premises where residential service is provided;
(2) The customer demonstrates that he or she is financially unable to pay for residential service
within the City’s normal billing cycle. The customer is deemed financially unable to pay during the
normal billing cycle if: (a) any member of the customer’s household is a current recipient of an assistance
program (i.e. CalWorks, CalFresh, Medi-Cal, Supplemental Security Income, etc.) or (b) the customer
declares under penalty of perjury that the household’s annual income is less than 200 percent of the
federal poverty level; and
The customer is willing to enter into an alternative payment arrangement with respect to the delinquent charges.

(d) Discontinuation of Water Service for Other Customer Violations – The City reserves the right to discontinue water service for any violations of City ordinances, rules, or regulations other than nonpayment. The fiscal services manager and/or the water superintendent may have a water customer’s service turned off for the following reasons:

(1) Failure to pay any water bill in a timely manner;
(2) Failure to grant access for inspection as set forth in Section 14.08.070;

(b) Restoration of Service – The water service shall not be restored until payment is made of all amounts due including any applicable service call fees. Payment of any amount due and/or fees assessed shall be made at the water billing department during regular business hours. If a customer wishes to have water service restored after regular business hours, the city shall provide this service for a charge which shall be set forth in a schedule to be adopted by separate resolution. Special after-hours service can be obtained by submitting payment to the police department. (Ord. 1170 § 2, 1991)

No water service shall be terminated unless notice of the delinquency and proposed termination are given in accordance with applicable State law. Water service shall not be terminated on a Saturday, Sunday or legal holiday or at any time in which the water department is not open for business. (Ord. 1352 § 3, 2003)


If a customer is unable to pay a bill during the normal payment period, the customer may request an extension or other alternative payment arrangement. If a customer submits his or her request within thirteen (13) days after mailing of a written notice of discontinuation of service by the City, the request will be reviewed by the Finance Director or designee. The Finance Director’s or designee’s decisions regarding extensions and other alternative payment arrangements are final.

If approved by the Finance Director or designee, a customer’s payment of his or her unpaid balance may be extended. The Finance Director or designee shall determine, in his or her discretion, how long an extension shall be provided to the customer. The customer shall pay the full unpaid balance by the date set by the Finance Director or designee and must remain current on all water service charges accruing during any subsequent billing periods. The extended payment date will be set forth in writing and provided to the customer.

No water service shall be terminated unless notice of the delinquency and proposed termination are given in accordance with Public Utilities Code Section 10010 et seq. Water service shall not be terminated on a Saturday, Sunday or legal holiday or at any time in which the water department is not open for business. (Ord. 1352 § 3, 2003)

14.12.080 Service call fee.

The city shall charge a service call fee as set forth in a schedule to be adopted by separate resolution any time a service call is made to shut off or reconnect water, or any other reason connected with discontinuance of service for nonpayment as described in this chapter. (Ord. 1170 § 2, 1991)

14.12.090 Unauthorized turn-on—Penalty.

No person other than a duly authorized employee of the city shall turn on water or any meter service. Any person found to be in violation of this chapter shall be subject to a penalty to be set forth in a schedule to be adopted by separate resolution in addition to any criminal penalty. (Ord. 1170 § 2, 1991)

14.12.100 Nonpayment deposits.

Customers who require more than two service calls for nonpayment in a twelve month period shall be required to post an additional deposit as set forth in a schedule to be adopted by separate resolution. Said
deposit shall be in addition to charges for service calls to turn off and turn on the service. Water service shall not be restored until these charges and the deposit have been made. (Ord. 1170 § 2, 1991)

14.12.110 Owner’s responsibility.

Notwithstanding any other provision of this title, the property owner shall be ultimately responsible to the city to keep his or her property and its waterlines and all water appurtenances in good repair and order. (Ord. 1352 § 4, 2003; Ord. 1170 § 2, 1991)

14.12.120 Vacant dwellings.

In case a house becomes vacant, the water department shall turn off the water service unless otherwise requested by the owner. If the water is turned off, the owner or new tenant of the property shall be charged a service call fee as described in Section 14.12.080 of this chapter. If the owner or tenant requests that the water be kept on, the regular minimum rate shall be charged and collected from the owner whether water is used or not. (Ord. 1352 § 5, 2003; Ord. 1170 § 2, 1991)

14.12.130 Change of address.

Water service shall not be given any customer who changes his residence or business or changes his billing address until all delinquent charges owing thereof at the former residence or billing address have been paid. If a customer moves to a new residence or place of business within the city, the customer shall complete an application and pay the appropriate fee described in Section 14.12.060. If the customer only changes his mailing address but does not change his residence or place of business, no fees are assessed to the customer. (Ord. 1170 § 2, 1991)

14.12.140 Disputes and appeals of decisions.

(a) If any customer has reason to question the legitimacy or accuracy of his water bill and the rates and charges stated therein, he may file a dispute with the water billing department. The dispute shall be in writing and shall state the following:

   (1) The name, address and telephone number of the aggrieved party;
   (2) A brief explanation of the nature of the dispute; and
   (3) The evidence to support the aggrieved party’s position.

(b) The dispute shall then be forwarded to the fiscal services manager for review. The fiscal services manager shall then review the dispute and within fourteen days of receipt of the dispute shall mail to the customer, postage prepaid, the reply to the customer’s complaint. The affected customer then has fourteen days from the time the fiscal services manager’s reply was mailed to the customer to file an appeal of the fiscal services manager’s determination with the city clerk. If an appeal is not received by the city clerk within fourteen days of date that the fiscal services manager’s reply was mailed to the customer, then the fiscal services manager’s decision shall become final and conclusive. If an appeal is received by the city clerk within fourteen days of the date the reply was mailed, then the appeal shall be forwarded to the city attorney. The city attorney shall then review all documentation related to the customer’s original dispute, the fiscal services manager’s reply and customer’s appeal and then shall determine a course of action which may include pursuing the issue in court. (Ord. 1170 § 2, 1991)


(a) All non-temporary water supplied to any water customer shall be metered. In the event that a meter must be installed to measure the amount of water being supplied to a customer, the following procedures shall be followed:

   (1) The customer shall make an application and pay the required application fees.
   (2) The customer shall make an application for a water meter with the water superintendent during regular business hours.
   (3) The customer shall pay in advance a sum of money as set forth in a schedule to be adopted by separate resolution to cover the costs associated with installing a new service connection.

(b) All services installed outside the incorporated limits of the city shall have the same charge for installation as those services within city limits. (Ord. 1170 § 2, 1991)

Any person desiring to change the location of a meter that already has been installed shall make an
application to the water superintendent during regular business hours. After receiving the application, the
water superintendent shall make a determination as to whether the meter location change is possible or
warranted. If the water superintendent approves the request for the meter location change, he shall collect a
deposit as set forth in a schedule to be adopted by separate resolution based on a cost estimate determined
by the water superintendent. Once the meter location change has been completed, the difference, if any,
between the actual costs incurred by the city and the customer’s deposit shall be returned to the customer. If
the deposit is insufficient, the balance will be due within thirty days. The water superintendent also has the
right to deny a meter location change if it is not found to be consistent with the public welfare and any
decision that the water superintendent makes regarding this section is final and conclusive. (Ord. 1170 § 2,
1991)


If a meter fails to register during any period of time or is known to register inaccurately, the water
superintendent shall make the determination as to how much the customer will be charged until the meter is
repaired or replaced. The water superintendent’s determination will be based upon: (a) the average seasonal
consumption by the meter when in use and functioning properly in the previous year, or (b) a comparable
user’s meter. The water superintendent’s determination shall be final. If a meter needs repair or replacement,
it shall be repaired or replaced in accordance with Section 14.16.180. It is also the owner’s responsibility to
care for the meter and to keep it in good working order. (Ord. 1170 § 2, 1991)


(a) Any customer may demand that the meter through which water is being furnished to the premises
may be examined and tested by the water superintendent for the purpose of ascertaining whether or not it is
registering accurately the amount of water which is being delivered through it. Such demand shall be made
in writing and shall be accompanied by a payment equivalent to the service call fee described in
Section 14.12.080. Such demand shall be made to the water billing department during regular business
hours.

(b) Upon receipt of such demand, the water superintendent shall cause the water meter to be
examined and tested. If on such examination and test the meter is found to register three percent over the
amount of water that passes through it, the following shall occur:

1. Another meter shall be substituted for the faulty meter;
2. The service call fee shall be refunded to the customer;
3. The water charges for the current and previous period shall be adjusted fairly by the determination
   of the fiscal services manager.

(c) If the meter is found to register not over three percent fast, the city shall retain the service call
fee, the bill amount shall be paid as it appears on the on the customer’s water bill and no adjustments
shall be made. The customer or his authorized representative may be present to witness the test. (Ord.
1170 § 2, 1991)

14.12.190 Temporary service.

(a) Application for temporary water service shall be made to the water department at City Hall during
regular business hours. Temporary service as discussed in this section normally applies to contractors or
builders, but temporary service may also be extended to other applicants for water. When temporary
service is requested, the water department shall collect a deposit from the applicant to compensate the
department for all water furnished to said applicant during such period of temporary service. Such deposit
shall be as set forth in a schedule to be adopted by separate resolution. In addition to estimated charges for
water, the applicant shall also reimburse the water department for all costs required in furnishing such
service together with all damages that may occur to the facilities. Upon deposit of such a sum as the water
superintendent shall require and the submission of an application on a form supplied by the water
superintendent, a permit may be issued for temporary water use by the applicant.

(b) It shall be the determination of the water superintendent as to whether temporary water service
shall be metered or unmetered. The difference between metered and unmetered temporary water service
rates are as follows:

1. Metered Water Service. It shall be the responsibility of the applicant to obtain a meter provided
   by the water superintendent in the city yard to measure the temporary water usage; the charges for
temporary water service where such service is metered shall be charged at the rates described in Section 14.12.020.

(2) Unmetered Water Service. The use of unmetered water may occur under two conditions; (i) if, in the determination of the water superintendent, the setting of a water meter is uneconomical or impractical for the supply of water; or (ii) temporary service is provided to furnish construction water.

(c) The term “construction water” includes the water to be utilized for the preparation of building sites, streets, sidewalks and appurtenances, sewers, water mains, and all construction work through the initial phase of the development; but shall not include water used after the date of installation of water meters for normal residential use; and shall not include water used for growing of vegetation, lawns, shrubs, or otherwise.

(d) Rates for unmetered temporary water service providing construction water shall be charged in the following manner: if the unmetered water is provided to furnish construction water for a residential subdivision, such construction water shall be charged at a rate as set forth in a schedule to be adopted by separate resolution; if the unmetered water is provided to furnish construction water for purposes other than for residential subdivision, a different rate shall be charged as set forth in a schedule to be adopted by separate resolution.

(e) Once meter installation by the subdivider for the purpose of serving residential units is achieved, temporary service shall be considered metered service and shall be charged at the rates as set forth in a schedule to be adopted by separate resolution. Temporary water service shall be provided to and charged to the subdivider up to and including the date that application is made to the city for permanent water service by the purchaser or occupant of the unit or units built by the subdivider or once the water service is metered, the subdivider may submit a written request to the water billing department for discontinuance of temporary service.

(f) Once temporary service is terminated, all outstanding charges will be levied against the customer’s deposit and all material and appurtenances provided to the customer by the city shall be returned to the city. Any outstanding deposit balance in favor of the customer shall be returned to the customer; any charges in excess of the customer’s deposit shall be paid immediately to the city by the customer. (Ord. 1170 § 2, 1991)


(a) Private Fire Service—Standby Rates. The rates to be charged and collected for water standby and fire detector charges shall be as set forth in a schedule to be adopted by separate resolution.

(b) Private Fire Service—Installation Charges. Whenever a service is installed for private fire protection, a charge shall be made for all labor, fire detector checks and/or other approved devices, together with all appurtenant materials and engineering plus administrative overhead costs. The water superintendent shall estimate what the total amount of the charge shall be and will collect a deposit from the customer as set forth in a schedule to be adopted by separate resolution. Once installation is completed, the difference, if any, between the actual costs incurred by the city and the customer’s deposit shall be returned to the customer. If the deposit is insufficient, the balance will be due within thirty days. Such service shall be used only in case of fire or other purpose expressly provided in this section. Use of such private fire protection service for any other purpose than in this section provided shall be a misdemeanor.

(c) Private Fire Service—Testing/Maintenance Charges. Should it be necessary to use water through a fire line meter for the purpose of testing or maintaining a private fire prevention system, the water superintendent may authorize such use upon the receipt of a written request received during regular business hours stating:

(1) Date and time of use;
(2) Purpose;
(3) Estimated quantity of water to be used;
(4) Estimated maximum flow.

The superintendent may restrict such non-emergency flows which may be detrimental to or tend to dewater the system. The water superintendent shall determine the charges to be levied against the customer based on the estimated quantity of water to be used.

(d) Public Fire Protection. The annual standby charge for public fire protection shall be set forth in a schedule to be adopted by separate resolution. The purpose of this charge is to reimburse the water fund for standby costs absorbed by the water department resulting from the city’s use of fire hydrants for
public fire protection. The standby charge shall be computed on November 1st of each year based on the
total number of hydrants in service on that date. The standby charge shall be payable in one annual installment
due on July 1st. This installment shall be charged against the general fund and payable to the water fund.
(Ord. 1170 § 2, 1991)

Fire hydrants shall be installed in the location specified by the water superintendent. If a property
owner or other party desires a change in size, type or location of such hydrants, he shall bear all costs of
such changes. Any change in the location of a fire hydrant must be approved by the superintendent. All
required fees must be paid in advance of commencement of work. A deposit shall be collected if the exact
amount of such changes is unknown. This deposit shall be as set forth in a schedule to be adopted by
separate resolution. Once installation is completed, the difference, if any, between the actual costs
incurred by the city and the customer’s deposit shall be returned to the customer. If the deposit is
insufficient, the balance will be due within thirty days. (Ord. 1170 § 2, 1991)

(a) In order to implement the goals and objectives of the municipal water system of the city and to
mitigate the water usage impacts caused by new development within the city, and areas outside city
boundaries that may be served, certain public water system improvements must be constructed. The city
council has determined that a development impact fee is needed in order to finance these public
improvements and to pay for the development’s fair share of improvements.
(b) A water supply facilities fee is established for development in the city-wide area and areas service
outside corporate limits of the city to pay for water supply facilities to provide domestic treated water to
new developments. The city council shall, by resolution set forth the specific amount of the fee, describe
the benefit and impact area on which the water supply facilities fee is imposed, list the specific public
improvements to be financed, and describe the estimated cost of these facilities, describe the reasonable
relationship between this fee and the various types of new developments. For each new service
connection or meter installation, a water supply facilities fee shall be paid to the city water utility.
Payment shall be made only once upon any one service connection or meter installation. This fee shall be
paid prior to the approval of any final tract map. For connections other than tract development, this fee
shall be paid prior to the installation of the meter or connection of the service. Fees are exclusive of the
cost of the meter, water service materials or service connection costs. The size of meter and size of
service connection shall be determined by the water superintendent. When the water service charge is
designed to include fire protection, the water superintendent may calculate a water service size which will
be used to apply the above service fees and other water charges dependent thereon as set forth in this
chapter. His/her determination of said size shall be final. For meters larger than the sizes indicated in the
fee resolution, the service fee shall be determined by the water superintendent, based proportionately
upon the amount of water that may be drawn through said service connection or meter.
(c) The revenues raised by payment of this fee shall be placed in a separate and special account and
such revenues, along with any interest earnings on that account shall be used solely to:
(1) Pay for the city’s future construction of facilities described in the resolution enacted pursuant to
subsection (b) of this section, or to reimburse the city for those described or listed facilities constructed by
the city with funds advanced by the city from other sources; or
(2) Reimburse developers who have been required or permitted to install such listed facilities which
are oversized with supplemental size, length or capacity.
(d) A developer of any project subject to the fee described in subsection (b) of this section may apply
to the city council for a reduction or adjustment to that fee, or a waiver of that fee, based upon the absence
of any reasonable relationship or nexus between the domestic treated water use of that development and
either the amount of the fee charged or the type of facilities to be financed. The application shall be made
in writing and filed with the city clerk no later than ten days prior to the public hearing on the
development permit application for the project, or if no development permit is required, at the time of the
filing of the request for a building permit. The application shall state in detail the factual basis for the
claim of waiver, reduction or adjustment. The city council shall consider the application at the public
hearing on the permit application or at a separate hearing held within sixty days after the filing of the fee
adjustment application, whichever is later. The decision of the city council shall be final. If a reduction,
adjustment or waiver is granted, any change in use within the project shall invalidate the waiver, adjustment of reduction of the fee. (Ord. 1170 § 2, 1991)


(a) In order to implement the goals and objectives of the municipal water system of the city and to mitigate the use of water supply impacts caused by new development within corporate city limits certain public waterline improvements must be constructed. The city council has determined that a development impact fee is needed in order to finance these public improvements and to pay for the development’s fair share of improvements.

(b) A waterline assessment fee is established for development in the city-wide area to pay for waterlines. The city council shall, by separate resolution, set forth the specific amount of the fee, describe the benefit and impact area on which the development fee is imposed, list the specific public improvements to be financed, describe the estimated cost of these facilities, describe the reasonable relationship between this fee and the various types of new developments. Any land being developed or improved which fronts upon the water main constructed under the Water Assessment District No. 1 Improvement Act of 1911 shall be charged this special assessment. Said charge shall be paid by the developer based upon the land being developed or improved so fronting said main or portion thereof when said properties are being developed. If application is made for water service other than by a developer, the total premises or segment thereof receiving benefit from the water service shall pay a fee, if said property fronts on said mains constructed under Water Assessment District No. 1. This chapter shall not apply to land owned by the United States government.

(c) The revenues raised by payment of this fee shall be placed in a separate and special account and such revenues, along with any interest earnings on that account, shall be used solely to:

1) Pay for the city’s future construction of facilities described in the resolution enacted pursuant to subsection (b) of this section, or to reimburse the city for those described or listed facilities constructed by the city with funds advanced by the city from other sources; or

2) Reimburse developers who have been required or permitted to install such listed facilities which are oversized with supplemental size, length or capacity.

(d) A developer of any project subject to the fee described in subsection (b) of this section may apply to the city council for a reduction or adjustment to that fee, or a waiver of that fee, based upon the absence of any reasonable relationship or nexus between the use of the water supply impacts of that development and either the amount of the fee charged or the type of facilities to be financed. The application shall be made in writing and filed with the city clerk no later than ten days prior to the public hearing on the development permit application for the project, or if no development permit is required, at the time of the filing of the request for a building permit. The application shall state in detail the factual basis for the claim of waiver, reduction or adjustment. The city council shall consider the application at the public hearing on the permit application or at a separate hearing held within sixty days after the filing of the fee adjustment application, whichever is later. The decision of the city council shall be final. If a reduction, adjustment or waiver is granted, any change in use within the project shall invalidate the waiver, adjustment or reduction of the fee. (Ord. 1170 § 2, 1991)
1. **Application of Policy.** This Policy on Residential Water Service (this “Policy”) shall apply to all City accounts for residential water service and other services billed on the same bill. Except as provided in Section 6, this Policy shall not apply to any accounts for non-residential service. To the extent this Policy conflicts with any other rules, regulations, or policies of the City (except ordinances), this Policy shall control.

2. **Contact Information.** For questions or assistance regarding your water bill, the City’s Customer Service staff can be reached at (714) 593-4420. Customers may also visit the Customer Service desk in City Hall during business hours. City Hall is located at 10200 Slater Avenue.

3. **Billing Procedures.** Water service charges are payable to the City on a bi-monthly basis. All bills are due and payable upon receipt. Any bills not paid by the due date stated on the bill are considered delinquent. A water bill shall be considered delinquent if it is not paid at the water billing department, in person or by mail, by five p.m. on or before the twentieth day after the bill is mailed to the customer. If the twentieth day falls on a Saturday, Sunday or legal holiday, the bill shall be considered delinquent after five p.m. of the next working day. As a penalty, customers who do not pay their water bills within the required time shall be assessed a 7% late charge or $10.00, whichever is greater.

4. **Discontinuation of Water Service for Nonpayment.** If a bill is delinquent for at least sixty (60) days, the City may discontinue water service to the service address and impose a disconnection service fee.

4.1 **Written Notice to Customer.** The City will provide a mailed notice to the customer of record at least twenty (20) days before discontinuation of water service. The notice will contain:

   (a) the name and address of the customer;

   (b) the amount of the delinquency;

   (c) the date by which payment or payment arrangements must be made to avoid discontinuation of service;

   (d) the procedure by which the customer may initiate a complaint or request an investigation or appeal concerning service or charges;

   (e) a description of the procedure by which the customer may request an alternative payment arrangement, which may include an extension, amortization, or alternative payment schedule;

   (f) the procedure for the customer to obtain information on financial assistance, if applicable; and

   (g) the telephone number where the customer may request a payment arrangement or receive additional information from the City.
4.2 Written Notice to Occupants or Tenants.

(a) The City will also send a notice to the occupants living at the service address at least twenty (20) days before discontinuation of water service under the following circumstances: (1) the City furnishes individually metered service to a single-family dwelling, multi-unit residential structure, mobile home park, or farm labor camp and the owner, manager, or operator is the customer of record, and such owner, manager, or operator is not also the occupant of the residence; or (2) the customer of record’s mailing address is not the same as the service address. The notice will be addressed to “Occupant,” will contain the information required in Section 4.1 above, and will inform the residential occupants that they have the right to become customers of the City without being required to pay the amount due on the delinquent account. Terms and conditions for occupants to become customers of the City are provided in Section 9 below.

(b) If the City furnishes water through a master meter in a multi-unit residential structure, mobile home park, or permanent residential structures in a labor camp and the owner, manager, or operator is the customer of record, the City will make a good faith effort to inform the occupants, by means of written notice posted on the door of each residential unit at least twenty (20) days prior to termination, that the account is in arrears and the service will be terminated on a date specified in the notice. If it is not reasonable or practicable to post the notice on the door of each unit, the City will post two (2) copies of the notice in each accessible common area and at each point of access to the structure or structures. The notice will inform the residential occupants that they have the right to become customers of the City without being required to pay the amount due on the delinquent account. The notice will also specify what the occupants are required to do in order to prevent termination of, or to reestablish service; the estimated monthly cost of service; the title, address, and telephone number of a representative of the City who can assist the occupants in continuing service; and the address or telephone number of a qualified legal services project that has been recommended by the local county bar association. Terms and conditions for occupants to become customers of the City are provided in Section 9 below.

4.3 In-Person or Telephonic Notice. The City will also make a reasonable, good faith effort to contact the customer of record or adult person living at the premises of the customer in person or by telephone at least seven (7) business days before discontinuation of service. The City will offer to provide in writing a copy of this Policy and to discuss options to avert discontinuation of water service for nonpayment, including the possibility of an extension or other payment arrangement.

4.4 Posting of Notice at Service Address. If the City is unable to make contact with the customer or an adult person living at the service address in person or by telephone, the City will make a good faith effort to leave a notice of imminent discontinuation of residential service and a copy of this Policy in a conspicuous place at the service address. The notice and copy of this Policy will be left at the residence at least forty-eight (48) hours before discontinuation of service. The notice will include:

(a) the name and address of the customer;

(b) the amount of the delinquency;

(c) the date by which payment or payment arrangements must be made to avoid discontinuation of service;
the procedure for the customer to obtain information on financial assistance, if applicable; and

(e) the telephone number where the customer may request a payment arrangement or receive additional information from the City.

4.5 Circumstances Under Which Service Will Not Be Discontinued. The City will not discontinue residential water service for nonpayment under the following circumstances:

(a) During an investigation by the City of a customer dispute or appeal as set forth in Section 5.1 below; or

(b) During the period of time in which a customer’s payment is subject to a City-approved extension, amortization, or alternative payment schedule under Section 7 below, and the customer remains in compliance with the approved payment arrangement.

4.6 Circumstances Under Which Service Through a Master Meter Will Not Be Discontinued. If the City furnishes water through a master meter in a multi-unit residential structure, mobile home park, or permanent residential structures in a labor camp and the owner, manager, or operator of the dwelling, structure, or park is the customer of record, the City will not discontinue residential water service for nonpayment under the following circumstances:

(a) When the customer’s indebtedness is owed to another public agency, or when the obligation represented by the delinquent account or indebtedness was incurred with any public agency other than the City’s water utility;

(b) If a delinquent account relates to another property owned, managed, or operated by the customer;

(c) If a public health or building officer certifies that termination would result in a significant threat to the health or safety of the residential occupants or the public.

4.7 Special Medical and Financial Circumstances Under Which Services Will Not Be Discontinued.

(a) The City will not discontinue water service if all of the following conditions are met:

(i) The customer, or a tenant of the customer, submits to the City the certification of a licensed primary care provider that discontinuation of water service will be life threatening to, or pose a serious threat to the health and safety of, a resident of the premises where residential service is provided;

(ii) The customer demonstrates that he or she is financially unable to pay for residential service within the City’s normal billing cycle. The customer is deemed financially unable to pay during the normal billing cycle if: (a) any member of the customer’s household is a current recipient of an assistance program (i.e. CalWorks, CalFresh, Medi-Cal, Supplemental Security Income, etc.) or (b) the
customer declares under penalty of perjury that the household’s annual income is less than 200 percent of the federal poverty level; and

(iii) The customer is willing to enter into an alternative payment arrangement with respect to the delinquent charges.

(b) For any customers who meet all of the above conditions, the City shall offer the customer one of the following options, to be selected by the City in its discretion: (1) an extension of the payment period; (2) amortization of the unpaid balance; or (3) an alternative payment schedule. The City’s Finance Director or designee will select the most appropriate payment arrangement, taking into consideration the information and documentation provided by the customer, as well as the City’s payment needs.

(c) The customer is responsible for demonstrating that the conditions in subsection (a) have been met. Upon receipt of documentation from the customer, the City will review the documentation and: (1) notify the customer of the alternative payment arrangement selected by the City and request the customer’s signed assent to participate in that alternative arrangement; (2) request additional information from the customer; or (3) notify the customer that he or she does not meet the conditions in subsection (a).

(d) The City may discontinue water service if a customer who has been granted an alternative payment arrangement under this section fails to do any of the following for sixty (60) days or more: (a) pay his or her unpaid charges by the extended payment date; (b) pay any amortized amount due under the amortization schedule; (c) pay any amount due under an alternative payment schedule; or (d) pay his or her current charges for water service. The City will post a final notice of intent to disconnect service in a prominent and conspicuous location at the service address at least five (5) business days before discontinuation of service. The final notice will not entitle the customer to any investigation or review by the City.

4.8 Time of Discontinuation of Service. The City will not discontinue water service due to nonpayment on a Saturday, Sunday, legal holiday, or at any time during which the City’s office is not open to the public.

4.9 Restoration of Service. Customers whose water service has been discontinued may contact the City by telephone or in person regarding restoration of service. Restoration shall be subject to payment of: (a) any past-due amounts, including applicable interest or penalties; (b) any reconnection fees, subject to the limitations in Section 8.1, if applicable; (c) and a security deposit, if required by the City.

5. Procedures to Contest or Appeal an Incorrect Bill.

5.1 Time to Initiate Complaint or Request an Investigation. A customer may initiate a complaint or request an investigation regarding the amount of a bill within five (5) days of receiving a disputed bill. For purposes of this Section 5.1 only, a bill shall be deemed received by a customer five (5) days after mailing and immediately upon e-mailing. A customer may initiate a
complaint or request an investigation by calling (714) 593-4420 or by submitting a written request and supporting documentation to City of Fountain Valley, 10200 Slater Avenue, Fountain Valley, CA 92708.

5.2 Review by City. A timely complaint or request for investigation shall be reviewed by the Finance Director or designee, who shall provide a written determination to the customer within fourteen (14) days of receipt of the dispute. The review will include consideration of whether the customer may receive an extension, amortization, or alternative payment schedule under Section 7. The City may, in its discretion, review untimely complaints or requests for investigation; however, such complaints or requests are not subject to appeal.

5.3 Appeal to City Manager. Any customer whose timely complaint or request for an investigation pursuant to this Section 5 has resulted in an adverse determination may appeal the determination to the City Manager by filing a written notice of appeal with the City Clerk within fourteen (14) days of the City’s mailing of its determination. If an appeal is received by the City Clerk within fourteen days of the date the reply was mailed, then the appeal shall be forwarded to the City Manager. The City Manager shall review the appeal and mail or deliver a written determination letter to the affected customer or representative. The City Manager’s decision is final.

5.4 Customer Responsibility for Actual Water Use. Customers are responsible for all actual water use on the property, including leaks. This includes a responsibility to maintain irrigation systems on the property and household plumbing such that any leaks are detected and repaired in a timely manner so as to reduce the risk of usage due to leaks. Customers may, however, be eligible for a water loss adjustment as provided in Section 6 below.

6. Water Loss Adjustments

6.1 Request for Adjustment; Required Documentation. Notwithstanding Section 5.4, the City may, upon written request of a customer, adjust a customer's bill in the case of loss of water due to circumstances beyond the customer’s reasonable control, such as a mechanical malfunction, blind leak, theft of water, vandalism, unexplained water loss or other unusual or emergency conditions. Adjustments will not be made for faucet leaks. The customer’s request must be supported by repair bills or other appropriate documentation. This Section 6 applies to both residential and non-residential accounts of the City.

6.2 Determination by City. The determination of whether an adjustment is granted will be made at the sole discretion of the City’s Finance Director or his or her designee; the determination will be final and is not subject to appeal. In making the determination, the City may take into account the cause of water loss, the customer’s opportunity, if any, to detect it, any negligence or fault of the customer in connection therewith, and the promptness with which the water loss was discovered, stopped and repairs made. For the customer to be eligible for an adjustment, the will consider the following factors after investigation:

(a) There was no evidence that the excessive use was due to the intentional or negligent act of the customer, or non-responsiveness of the customer to warning signals such as higher water and/or sewer bills, leak notifications, visible water, or other factors that should have made the customer reasonably aware of the existence of a leak;
(b) No third party responsible for water loss at the customer’s property can be pursued for reimbursement by the customer;

(c) After being notified by the City via heightened billing, letter, door hanger, or by any other means, the customer took prompt and reasonable action to ascertain the cause of the excessive use and to correct it; and

(d) The customer took corrective action immediately upon discovering or being notified of a leak, and provided the City with satisfactory evidence that the leak was repaired (copy of repair service bill, etc.).

6.3 Calculation of Adjustment Amount. If granted, the adjustment of the customer’s bill will be calculated as follows:

(a) The amount of the excess cost will be determined by taking the difference between the total cost of utility service for the bill in question less the total cost of utility service for the billing period immediately preceding that bill.

(b) The Customer is responsible for paying one-half of the amount calculated in subsection (a). The City will credit the customer’s account the other one-half of the amount; provided, however, that the City shall under no circumstance provide a credit in excess of $300.

6.4 Additional Conditions.

(a) Water loss adjustments will be limited to one adjustment every five years. The five-year period begins at the end of the last billing period for which a water loss adjustment was granted.

7. Extensions and Other Alternative Payment Arrangements.

7.1 Time to Request an Extension or Other Alternative Payment Arrangement. If a customer is unable to pay a bill during the normal payment period, the customer may request an extension or other alternative payment arrangement described in this Section 7. If a customer submits his or her request within thirteen (13) days after mailing of a written notice of discontinuation of service by the City, the request will be reviewed by the Finance Director or designee. At his or her own discretion, the City’s Finance Director or designee may consider requests for an extension or other alternative payment arrangement described in this Section 7 either before or after the thirteen (13) day period referenced in this Section 7. City decisions regarding extensions and other alternative payment arrangements are final and are not subject to appeal to the City Manager. As an inducement to enter into a payment arrangement, or for other purposes benefiting the City, the City’s Finance Director or designee may at his or her own discretion waive one or more late charges applied to an account.

7.2 Extension. If approved by the City, a customer’s payment of his or her unpaid balance may be temporarily extended for a period not to exceed six (6) months after the balance was originally due. The City’s Finance Director or designee shall determine, in his or her discretion, how long an extension shall be provided to the customer. The customer shall pay the full unpaid balance by the date set by the City and must remain current on all water service charges accruing during any subsequent billing periods.
7.3 **Amortization.** If approved by the City, a customer’s payment of his or her unpaid balance may be amortized over a period not to exceed twelve (12) months, as determined by the City’s Finance Director or designee, in his or her discretion. If amortization is approved, the unpaid balance will be divided by the number of months in the amortization period, and that amount will be added to the customer’s monthly bills for water service until fully paid. During the amortization period, the customer must remain current on all water service charges accruing during any subsequent billing periods. At the City’s Finance Director’s or designee’s sole discretion, a period longer than twelve (12) months may be used for the amortization period to avoid undue hardship based on the circumstances of the individual case.

7.4 **Alternative Payment Schedule.** If approved by the City, a customer may pay his or her unpaid balance pursuant to an alternative payment schedule that will not exceed twelve (12) months, as determined by the City’s Finance Director or designee, in his or her discretion. If approved, the alternative payment schedule may allow periodic lump-sum payments that do not coincide with the City’s established payment date or may provide for payments made more or less frequently than the City’s regular payment date. During the period of the alternative payment schedule, the customer must remain current on all water service charges accruing during any subsequent billing periods.

7.5 **Failure To Comply.** The City may terminate water service if a customer who has been granted a payment arrangement under this Section 7 fails to make a payment due under the payment arrangement, and at least 60 days have passed since the original bill became delinquent. Under such circumstances, the City may terminate service after posting only a final notice of intent to disconnect service in a prominent and conspicuous location at the service address at least five (5) business days before discontinuation of service. The final notice will not entitle the customer to any investigation or review by the City.

8. **Specific Programs for Low-Income Customers.**

8.1 **Reconnection Fee Limits and Waiver of Interest.** For residential customers who demonstrate to the City a household income below 200 percent of the federal poverty line, the City will limit any reconnection fees during normal operating hours to fifty dollars ($50), and during non-operational hours to one hundred fifty dollars ($150). The limits will only apply if the City’s reconnection fees actually exceed these amounts. These limits are subject to an annual adjustment for changes in the Bureau of Labor Statistics’ Consumer Price Index for All Urban Consumers (CPI-U) beginning January 1, 2021.

8.2 **Qualifications.** The City will deem a residential customer to have a household income below 200 percent of the federal poverty line if: (a) any member of the customer’s household is a current recipient of an assistance program (i.e. CalWorks, CalFresh, Medi-Cal, Supplemental Security Income, etc.) or (b) the customer declares under penalty of perjury that the household’s annual income is less than 200 percent of the federal poverty level.

9. **Procedures for Occupants or Tenants to Become Customers of the City.**

9.1 **Applicability.** This Section 9 shall apply only when the property owner, landlord, manager, or operator of a residential service address is listed as the customer of record and the customer of record is not the resident using water on the property and has been issued a notice of intent to discontinue water service due to nonpayment.
9.2 Agreement to City Terms and Conditions of Service. The City will make service available to the actual residential occupants if each occupant agrees to the terms and conditions of service to become a customer of the City and meets the requirements of the City’s rules and regulations. Notwithstanding, if one or more of the occupants are willing and able to assume responsibility for the subsequent charges to the account to the satisfaction of the City, or if there is a physical means, legally available to the City, of selectively discontinuing service to those occupants who have not met the requirements of the City’s rules and regulations, the City shall make service available to the occupants who have met those requirements.

9.3 Verification of Tenancy. To be eligible to become a customer without paying the amount due on the delinquent account, the occupant shall verify that the delinquent account customer of record is or was the landlord, manager, or agent of the dwelling. Verification may include, but is not limited to, a lease or rental agreement, rent receipts, a government document indicating that the occupant is renting the property, or information disclosed pursuant to Section 1962 of the Civil Code, at the discretion of the City.

9.4 Methods of Establishing Credit. If prior service for a period of time is a condition for establishing credit with the City, residence and proof of prompt payment of rent for that period of time is a satisfactory equivalent.

9.5 Deductions from Rental Payment. Pursuant to Public Utilities Code Section 10009.1(d), any occupant who becomes a customer of the City pursuant to this Section 9 and whose periodic payments, such as rental payments, include charges for residential water service, where those charges are not separately stated, may deduct from the periodic payment each payment period all reasonable charges paid by the occupant to the City for residential water service during the preceding payment period. This subsection is intended only as a statement of existing law under Public Utilities Code Section 10009.1(d); it does not establish any independent legal rights or duties on landlords or tenants and is not enforceable by the City.

10. Third Party Notification Service for Seniors and Dependent Adults. The City will make available, to residential customers who are 65 years or older, or who are dependent adults (as defined in Welfare and Institutions Code Section 15610(b)(1)), a third-party notification service whereby the City will attempt to notify a person designated by the customer to receive notification when the customer’s account is past-due and subject to termination. The notification will include information on what is required to prevent termination of service. The City will mail the notification to the designated third party at least ten (10) days before termination of service. To participate, the customer must submit a request for third-party notification in an email to the City’s Finance Director or designee. The notification service does not obligate the third party to pay any overdue charges, nor shall it prevent or delay termination of service.

11. Language for Certain Written Notices. All written notices under Section 4 and Section 7.5 of this Policy shall be provided in English, Spanish, Chinese, Tagalog, Vietnamese, Korean, and any other language spoken by ten percent (10%) or more people within the City’s service area.

12. Other Remedies. In addition to discontinuation of water service, the City may pursue any other remedies available in law or equity for nonpayment of water service charges, including, but not limited to: securing delinquent amounts by filing liens on real property, filing a claim or legal action, or referring the unpaid amount to collections.
13. **Discontinuation of Water Service for Other Customer Violations.** The City reserves the right to discontinue water service for any violations of City ordinances, rules, or regulations other than nonpayment.

14. **Fees and Charges Incurred.** Except as otherwise expressly stated in this Policy, any fees and charges incurred by a customer under any other rules, regulations, or policies of the City, including, but not limited to, delinquent charges, shall be due and payable as set forth therein.

15. **Decisions by City Staff.** Any decision which may be taken by the City’s Finance Director under this Policy may be taken by his or her designee.
CITY OF FOUNTAIN VALLEY
CITY COUNCIL
COUNCIL ACTION REQUEST

To: Honorable Mayor and Members of the City Council

Agenda Date: January 21, 2020

SUBJECT: Adoption of the City of Fountain Valley Six Month Strategic Objectives
For November 19, 2019 through April 15, 2020

EXECUTIVE SUMMARY:

On November 19, 2019 the City Council held a strategic planning session to help clearly define the goals and priorities of the city in which a finalized Six Month Strategic Objectives Matrix for November 19, 2019 through April 15, 2020 has been prepared for adoption.

DISCUSSION:

During the city’s strategic planning session held on November 19, 2019, the city council, management and staff in attendance reviewed the previously established mission statement, three year goals and six-month strategic planning objectives. The strategic plan has and will continue to serve as a guideline for both the council and staff as we work to achieve our goals over the next few years.

Our strategic planning efforts reconfirmed the existing city mission statement that states; “The City of Fountain Valley delivers cost-effective quality public services to provide a safe and desirable community that enriches its residents and businesses.”

The three year goals established by council were reviewed and discussion occurred to determine what the next three year goals should be.

The recommended goals are:

- Enhance economic development
- Achieve and maintain financial stability
- Enhance city infrastructure and facilities
- Attract, develop and retain quality staff
- Enhance community outreach and engagement
During the November 19, 2019 Strategic Planning Retreat six-month objectives were established in support of these goals. These objectives and staff's progress toward achieving them are attached for your reference under Attachment No. 1.

**FINANCIAL ANALYSIS**

There are no financial impacts related to this update.

**ATTORNEY REVIEW:**

City Attorney review was not necessary for this item.

**ALTERNATIVES:**

**Alternative No. 1:** Adopt the updated Six-Month Strategic Objectives Matrix for November 19, 2019 through April 15, 2020

**Alternative No. 2:** Direct staff to take an alternate action.

**RECOMMENDATION:**

Staff recommends that the City Council adopt the Six Month Strategic Objectives matrix for November 19, 2019 through April 15, 2020.

Prepared By: Kathy Heard, Executive Assistant to the City Manager

Fiscal Review by: Jason Al-Imam, Finance Director/City Treasurer

Approved By: Rob Houston, City Manager

Attachment 1: Six Month Strategic Objectives Matrix for November 19, 2019 through April 15, 2020
### THREE-YEAR GOAL: **ENHANCE ECONOMIC DEVELOPMENT**

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<thead>
<tr>
<th>WHEN</th>
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<tbody>
<tr>
<td>1. At the March 17, 2020 City Council Study Session</td>
<td>Planning &amp; Building Director</td>
<td>Present to the City Council for discussion limiting future self-storage commercial facilities throughout Fountain Valley.</td>
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<td>2. By April 1, 2020</td>
<td>Assistant to the City Manager and Community Services Director</td>
<td>Present to the City Manager the current progress and communication with small-sided soccer facility concessionaires.</td>
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<tr>
<td>3. By April 1, 2020</td>
<td>Planning &amp; Building Director and Assistant to the City Manager</td>
<td>Coordinate and hold a Commercial Broker Meeting to provide an update on economic development opportunities.</td>
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<tr>
<td>4. At the April 7, 2020 City Council meeting</td>
<td>Assistant to the City Manager and Planning &amp; Building Director</td>
<td>Provide a status update on economic development efforts at the Crossings Specific Area.</td>
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<tr>
<td>5. By April 15, 2020</td>
<td>Planning &amp; Building Director and Assistant to the City Manager</td>
<td>Coordinate and hold a meeting with Crossings Specific Plan property owners to connect and update them on economic development opportunities.</td>
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### THREE-YEAR GOAL: **ACHIEVE AND MAINTAIN FINANCIAL STABILITY**

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<tr>
<td>2. At the February 4, 2020 City Council meeting</td>
<td>City Manager and Finance Director, working with the HH Oversight Committee</td>
<td>Report to the City Council how Measure HH has been spent for FY 2018-2019 with respect to the Responsible Spending Pledge.</td>
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<tr>
<td>3. By April 1, 2020</td>
<td>City Manager and Finance Director</td>
<td>Present to the City Council for direction revenue opportunities and cost savings, while considering the effects on customer service and staff.</td>
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<tr>
<td>FUTURE: At the May 19, 2020 City Council Study Session</td>
<td>Finance Director</td>
<td>Present to the City Council an updated 20-Year Financial Plan with the goal of reducing the structural deficit in 2037 when Measure HH sunsets.</td>
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### THREE-YEAR GOAL: ENHANCE CITY INFRASTRUCTURE AND FACILITIES

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<tbody>
<tr>
<td>1. By December 7, 2019</td>
<td>IT Manager, with input from the Police Chief</td>
<td>Migrate the Police Department Computer Aided Dispatch (CAD) Record Management System (RMS) and Geolocation Systems to new hardware and VMware.</td>
<td>DONE</td>
<td></td>
</tr>
<tr>
<td>2. At the December 17, 2019 City Council meeting</td>
<td>Public Works Director</td>
<td>Present to the City Council for action a conceptual design of Recreation Center interior.</td>
<td>ON TARGET</td>
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</tr>
<tr>
<td>3. At the January 21, 2020 Council meeting</td>
<td>Fire Chief</td>
<td>Present a conceptual design to the City Council for Fire Station One and Two Gender Diversity Remodel.</td>
<td>REVISED</td>
<td></td>
</tr>
<tr>
<td>4. By March 1, 2020</td>
<td>Public Works Director</td>
<td>Complete design for Police Department locker/restroom renovation.</td>
<td>DONE</td>
<td></td>
</tr>
<tr>
<td>5. At the March 3, 2020 City Council meeting</td>
<td>Public Works Director</td>
<td>Present to the City Council for action the City’s Bus Shelter and Bus Bench Program proposals.</td>
<td>ON TARGET</td>
<td></td>
</tr>
<tr>
<td>6. At the March 17, 2020 City Council meeting</td>
<td>Public Works Director</td>
<td>Present to the City Council for consideration a construction contract for Phase I of arterial median landscaping.</td>
<td>ON TARGET</td>
<td></td>
</tr>
<tr>
<td>7. At the March 17, 2020 City Council meeting</td>
<td>Assistant to the City Manager and Public Works Director</td>
<td>Present to the City Council an update on small cell and other technologies intended to provide better connectivity throughout the city.</td>
<td>ON TARGET</td>
<td></td>
</tr>
<tr>
<td>8. At the March 17, 2020 City Council meeting</td>
<td>Fire Chief and Public Works Director</td>
<td>Report to the City Council results of the Emergency Vehicle Preemption (EVP) Pilot Study and make recommendations for future installations.</td>
<td>ON TARGET</td>
<td></td>
</tr>
<tr>
<td>9. By April 1, 2020</td>
<td>IT Manager</td>
<td>Complete a City Staff Technology Audit, with recommendations, for presentation to the City Manager.</td>
<td>REVISED</td>
<td></td>
</tr>
</tbody>
</table>
## THREE-YEAR GOAL: **ATTRACT, DEVELOP AND RETAIN QUALITY STAFF**

<table>
<thead>
<tr>
<th>WHEN</th>
<th>WHO</th>
<th>WHAT</th>
<th>STATUS</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. By January 15, 2020</td>
<td>HR Director</td>
<td>Develop and recommend to the City Manager a Citywide Recruitment Incentive Program.</td>
<td>DONE</td>
<td>ON TARGET</td>
</tr>
<tr>
<td>2. By March 15, 2020</td>
<td>HR Director and Community Services Director</td>
<td>Complete a compensation review of part-time positions in relation to California minimum wage and report the findings to the City Manager.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FUTURE: By July 15, 2020</td>
<td>HR Director, working with a consultant</td>
<td>Hold a Citywide Safe and Respectful Work Environment Training.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## THREE-YEAR GOAL: ENHANCE COMMUNITY OUTREACH AND ENGAGEMENT

<table>
<thead>
<tr>
<th>WHEN</th>
<th>WHO</th>
<th>WHAT</th>
<th>STATUS</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. By February 1, 2020</td>
<td>City Clerk and IT Manager</td>
<td>Launch a public portal for document search for public records.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. At the February 4, 2020 City Council meeting</td>
<td>IT Manager and Assistant to the City Manager</td>
<td>Report to the City Council on the implementation of the refresh of the City and Police websites.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. At the February 4, 2020 City Council Study Session</td>
<td>City Manager, with input from the community</td>
<td>Present to the City Council for review a draft Community Outreach Plan.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. By March 1, 2020</td>
<td>Planning &amp; Building Director and Councilmember Cheryl Brothers</td>
<td>Educate residents on State housing rules and other mandates and their impact on the community.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. By April 15, 2020</td>
<td>Planning &amp; Building Director, working with a consultant</td>
<td>Provide a General Plan update to the City Council and community.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY:

In 1989 Care Ambulance Service, Incorporated (Care) began providing emergency ambulance transportation services for the City of Fountain Valley (City). Prior to that date, a comprehensive request for proposal (RFP) for ambulance transportation service for the City was conducted, and Care was awarded the contract. Contract 98-3 expired on January 31, 2011; therefore, according to council policy the RFP process was conducted again starting in 2010 and Care was awarded a ten-year contract beginning on February 1, 2011.

Since Care’s start of service on February 1, 1998, they met or exceeded their contractual performance obligations. The initial contract with Care was for a period of one year with options to renew in one or two year increments, not to exceed a total contract period of ten years based upon the recommendation of the fire chief. City staff is currently negotiating an updated contract with Care Ambulance. Care’s current performance meets specifications outlined in the contract; therefore, staff recommends council approve Amendment No. 5 to the Ambulance Services Agreement thereby renewing contract 11-09 for a period of one year or until the commencement of an updated contract or further agreement, whichever comes first, commencing on February 1, 2020.

DISCUSSION:

As part of the contract amendment process and to ensure the highest level of emergency ambulance service within the City, staff reviewed Care’s performance to assure compliance specified in contract 11-09. The following seven performance categories were reviewed as part of the contract renewal process: 1. Clinical performance, 2. Equipment and maintenance practices, 3. In-service training, 4. Commitment to response time performance, 5. Pre-hospital care reimbursement, 6. Responsiveness to contract specifications and 7. Performance history. Care met or exceeded all seven contract requirements.

FINANCIAL ANALYSIS

The City is reimbursed $18.15 by Care, for each patient transported. This reimbursement is for fire department medical supplies such as, but not limited to, splints, cervical collars, bandages, IV sets, and EKG electrodes, used by fire personnel that is necessary for the care and treatment of patients during evaluation and transportation to the hospital. Reimbursement for medical supplies amounts to approximately $65,000 annually based on 2018/19 transportation data provided by Care.
Council Action Request  
Authorization to renew contract 11-09 for Ambulance Services with Care Ambulance, Inc. for one (1) Year  
January 21, 2020  
Page 2

Care processes and collects the fees for non-members of the paramedic subscription program for the City, which includes the emergency medical advanced assessment fee for both residents and non-residents. Care also collects reimbursement for paramedic services on advanced life support (ALS) transports. These fees and reimbursements are estimated to generate approximately $600,000 of revenue annually.

ATTORNEY REVIEW:

The City Attorney has reviewed the proposal to renew the Care Ambulance contract for one year and has signed the attached AMENDMENT NO. 5 TO AMBULANCE SERVICES AGREEMENT CONTRACT 11-09.

PUBLIC NOTIFICATION:

This item has been agenized pursuant to the Brown Act.

ALTERNATIVES:

Alternative No. 1:

Approve the attached Amendment No. 5 to the Ambulance Services Agreement Contract 11-09, thereby, renewing the contract for emergency ambulance transportation and billing services with Care for one year or until the commencement of an updated contract or further agreement, whichever comes first.

Alternative No. 2:

Do not approve the attached Amendment No. 5 to the Ambulance Services Agreement, Contract 11-09, for a one-year extension and provide direction to staff.

RECOMMENDATION:

Staff recommends Alternative No. 1, approving the attached Amendment No. 5 to the Ambulance Services Agreement Contract 11-09, thereby renewing the contract for emergency ambulance transportation services with Care for one year.

Prepared By: Bill McQuaid, Battalion Chief  
Approved By: Ron Cookston, Fire Chief  
Fiscal Review By: Jason Al-Imam, Finance Director/ City Treasurer  
Approved By: Rob Houston, City Manager
Council Action Request
Authorization to renew contract 11-09 for Ambulance Services with Care Ambulance, Inc. for one (1) Year
January 21, 2020
Page 3

Attachment 1: Amendment No. 5 to Ambulance Services Agreement, Contract 11-09

Attachment 2: Certification of Liability Insurance
AMENDMENT NO. 5 TO AMBULANCE SERVICES AGREEMENT
CONTRACT 11-09

This Agreement is made and entered into this 1st day of February 2020, by and between the CITY OF FOUNTAIN VALLEY, a California municipal corporation, (hereafter “City”) and CARE AMBULANCE SERVICE, INC., a California corporation (hereafter “Care”).

RECITALS

WHEREAS, the City Council has adopted Chapter 4.70 establishing procedures for the competitive selection of ambulance providers; and

WHEREAS, Care has previously served as City’s ambulance provider and participated in the bidding process conducted by City, which resulted in Contract No. 11-09, where City awarded Care an exclusive contract for the services solicited in that process on February 1, 2011 (hereafter “Contract”); and

WHEREAS, the Fire Chief has reviewed the services provided by Care during the last two years and has recommended that the Contract be extended for one year, as authorized by the Contract; and

WHEREAS, the City Council has considered the Chief’s recommendation and concurs that the Contract should be extended for one year with all other terms and conditions to remain the same;

NOW, THEREFORE, the City and Care do hereby agree as follows:

1. That the Contract shall be extended for one year and until January 31, 2021.
2. That all other terms and conditions of the Contract shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day any year first above written.

ATTEST: CITY OF FOUNTAIN VALLEY

___________________________ ______________________________
City Clerk City Mayor

APPROVED AS TO FORM:
CARE AMBULANCE

HARPER & BURNS LLP

__________________________ ______________________________
Attorneys for the City President
**CERTIFICATE OF LIABILITY INSURANCE**

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFER NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

**PRODUCER**
Willis of Seattle, Inc.
c/o 26 Century Blvd
P.O. Box 305191
Nashville, TN 372305191 USA

**INSURED**
Care Ambulance Services, Inc.
1517 West Braden Court
Orange, CA 92868 USA

**CONTACT**
City of Fountain Valley
Olga Vellanoweth, Risk Mngmt. Specialist
Fountain Valley, CA 92780

**CERTIFICATE HOLDER**
Willis of Seattle, Inc.
c/o 26 Century Blvd
P.O. Box 305191
Nashville, TN 372305191 USA

**COVERAGES**

<table>
<thead>
<tr>
<th>INSR LTR</th>
<th>TYPE OF INSURANCE</th>
<th>ADDL SUB/ EXC</th>
<th>POLICY NUMBER</th>
<th>POLICY EFF</th>
<th>POLICY EXP</th>
<th>LIMITS</th>
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<tbody>
<tr>
<td>A</td>
<td>COMMERCIAL GENERAL LIABILITY</td>
<td>Y</td>
<td>5-10013</td>
<td>10/01/2019</td>
<td>10/01/2020</td>
<td>EACH OCCURRENCE $1,000,000</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>DAMAGE AUTHENTICATED PREMISES (Ea occurrence) $50,000</td>
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<td></td>
<td></td>
<td></td>
<td>MED EXP (Any one person) $5,000</td>
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<td></td>
<td></td>
<td></td>
<td>PERSONAL &amp; ADV INJURY $1,000,000</td>
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<td></td>
<td></td>
<td></td>
<td>GENERAL AGGREGATE $2,000,000</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td>PRODUCTS - COMPO/AGG $2,000,000</td>
</tr>
<tr>
<td>B</td>
<td>AUTOMOBILE LIABILITY</td>
<td></td>
<td>RAD500047604</td>
<td>10/01/2019</td>
<td>10/01/2020</td>
<td>COMBINED SINGLE LIMIT $1,000,000</td>
</tr>
<tr>
<td>C</td>
<td>UMBRELLA LIABILITY</td>
<td></td>
<td>UMB5414770-06</td>
<td>10/01/2019</td>
<td>10/01/2020</td>
<td>EACH OCCURRENCE $5,000,000</td>
</tr>
<tr>
<td>D</td>
<td>WORKERS COMPENSATION</td>
<td>Y/N</td>
<td>RMD300095504</td>
<td>10/01/2019</td>
<td>10/01/2020</td>
<td>E.L. EACH ACCIDENT $1,000,000</td>
</tr>
<tr>
<td></td>
<td>AND EMPLOYERS LIABILITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>E.L. DISEASE - EA EMPLOYEE $1,000,000</td>
</tr>
<tr>
<td></td>
<td>ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED?</td>
<td>Y</td>
<td>RMD300095504</td>
<td>10/01/2019</td>
<td>10/01/2020</td>
<td>E.L. DISEASE - POLICY LIMIT $1,000,000</td>
</tr>
</tbody>
</table>

**DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES**

Aggregate limit per location only applies where required by written contract.

SEE ATTACHED

**CERTIFICATE HOLDER**
City of Fountain Valley
Olga Vellanoweth, Risk Mngmt. Specialist
Fountain Valley, CA 92780

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### AGENCY
Willis of Seattle, Inc.

### NAMED INSURED
Care Ambulance Services, Inc.
1517 West Braden Court
Orange, CA 92868 USA

### POLICY NUMBER
See Page 1

### CARRIER
See Page 1

### NAIC CODE
See Page 1

### EFFECTIVE DATE:
See Page 1

---

**ADDITIONAL REMARKS**

<table>
<thead>
<tr>
<th>Misc Medical Professional:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverys Specialty Insurance Company - Policy #5-10013</td>
</tr>
<tr>
<td>Professional Liability - $1M Occurrence / $2M Aggregate</td>
</tr>
<tr>
<td>Sexual Misconduct - $1M Occurrence / $2M Aggregate</td>
</tr>
</tbody>
</table>

City of Fountain Valley is included as Additional Insured in accordance with the policy provisions of the General Liability policy.

Waiver of Subrogation applies in favor of Additional Insured with respects to Workers Compensation, as permitted by law.
ADDITIONAL INSURED – DESIGNATED PERSON OR ORGANIZATION

<table>
<thead>
<tr>
<th>Attached to and forming part of Policy Number:</th>
<th>First Named Insured:</th>
<th>Policy Period:</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-10013</td>
<td>Falck USA, Inc.</td>
<td>10/1/2019 to 10/1/2020</td>
</tr>
</tbody>
</table>

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the following:

Commercial General Liability Coverage Part

SCHEDULE

<table>
<thead>
<tr>
<th>Name of Additional Insured Person(s) or Organization(s):</th>
</tr>
</thead>
<tbody>
<tr>
<td>All entities or organizations contracted with the Named Insured with respect to Ambulance Services rendered by the insured</td>
</tr>
</tbody>
</table>

A. Section II. Definition of Insured is amended to include as an additional INSURED the person(s) or organization(s) shown in the Schedule above, but only with respect to liability for INJURY caused, in whole or in part, by a NAMED INSURED'S acts or omissions or the acts or omissions of those acting on a NAMED INSURED'S behalf:

1. In the performance of a NAMED INSURED'S ongoing operations; or
2. In connection with a NAMED INSURED'S premises owned by or rented to a NAMED INSURED.

However:

1. The insurance afforded to such additional INSURED only applies to the extent permitted by law; and
2. If coverage provided to the additional INSURED is required by a contract or agreement, the insurance afforded to such additional INSURED will not be broader than that which a NAMED INSURED is required by the contract or agreement to provide for such additional INSURED.

B. With respect to the insurance afforded to the additional INSUREDS shown in the Schedule above, if coverage provided to the additional INSURED is required by a contract or agreement, the most WE will pay on behalf of the additional INSURED is the amount of insurance:

1. Required by the contract or agreement; or
2. Available under the applicable Limit of Liability shown in the DECLARATIONS; whichever is less.

Nothing in this endorsement shall vary, alter, waive or extend any of the terms and conditions of the POLICY, other than as expressly stated above.

Gregg L. Hanson  
President & CEO

Richard G. Hayes  
Treasurer
WAIVER OF OUR RIGHT TO RECOVER FROM OTHERS ENDORSEMENT

We have the right to recover our payments from anyone liable for an injury covered by this policy. We will not enforce our right against the person or organization named in the Schedule. (This agreement applies only to the extent that you perform work under a written contract that requires you to obtain this agreement from us.)

This agreement shall not operate directly or indirectly to benefit anyone not named in the Schedule.

Schedule

Where required by written agreement signed prior to loss.

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement Effective: October 1, 2018
Insured: Falck USA, Inc.

Insurance Company: XL Specialty Insurance Company

WC 00 03 13
(Ed. 4-84)
To: Honorable Mayor and Members of the City Council

Agenda Date: January 21, 2020

SUBJECT: 1) Waive the Bidding Requirements Pursuant to FVMC 2.36.070 and Award a Contract to Charles Abbott Associates, Inc. for Continued Public Works Project Management Services in an Amount Not to Exceed $230,000; and 2) Amend the 2019/20 Budget in the Amount of $180,000

EXECUTIVE SUMMARY:

Due to the tremendous need and amid a heavy capital project workload, the City has utilized Charles Abbott Associates, Inc. over the past year for Public Works Project Management Services under the City Manager’s contract authority. Beginning in December 2018, Mark Bray fulfilled the role of Project Manager for several public works capital improvement projects, including but not limited to the following projects: Recreation Center Interior Improvement, Project No. GF341, Police Department Interior Locker Room/Restroom Remodel, Project No. GF794, and Pre-Manufactured Metal Building Addition at Fire Station No. 2, GF790.

The City Manager’s purchasing authority has been exhausted, and the tremendous need for Project Management Services remains as the projects are currently in pre-construction phase and remain ongoing.

Charles Abbott has provided the City with a number of professional services throughout the Planning, Building and Safety, and Public Works Department for many years. In addition, the City has been very happy with Charles Abbott and the professional services they have provided.

Staff recommends that the City Council waive the bidding requirements and award a contract to Charles Abbott Associates, Inc. for continued Public Works Project Management Services in an amount not to exceed $230,000. In addition, it is requested that the City Council amend the 2019/20 Budget in the amount of $180,000.

DISCUSSION:

Charles Abbott Associates, Inc. has been a national alternative service provider to state and local government agencies since 1984. Their expertise allows them to provide public
agencies with the best value for building & safety, city engineering, public works, environmental, and fire prevention services. With decades of successful experience as a firm serving public agencies, Charles Abbott has the knowledge and attitude to bring the highest degree of care and professionalism.

In 2010, the City distributed a Request for Proposal to solicit building firms with the experience and technical qualifications to provide comprehensive building management services. Seven proposals were received. Based on the content of their proposal, quality of dedicated contract personnel, references, and price, Staff recommended that the City Council accept the proposal and award a contract to Charles Abbott. On October 19, 2010, the City Council awarded a contract to Charles Abbott.

Due to the tremendous need and amid a heavy capital project workload, the City utilized Charles Abbott Associates, Inc. over the past year for Public Works Project Management Services. In late 2018, Charles Abbott began to provide the Public Works Department with Project Management Services, which utilized the hourly rates set forth in the 2010 competitively procured contract that was approved by the City Council. Project Management Services have been performed by Mark Bray within the City Manager’s contract authority.

Mark Bray is currently serving the role of Project Manager for several public works capital improvement projects, including but not limited to the following projects: Recreation Center Interior Improvement, Project No. GF341, Police Department Interior Locker Room/Restroom Remodel, Project No. GF794, and Pre-Manufactured Metal Building Addition at Fire Station No. 2, GF790.

However, at this time, the City Manager’s contract authority has been expended. In order to ensure that capital projects continue to move forward it is recommended that the City Council approve an agreement with Charles Abbott for Project Management Services.

The scope of work includes project management services through December 31, 2020 and will involve the following responsibilities, project development, bid assistance, and construction management services to help facilitate these projects for successful completion. The fee arrangement is based on an hourly rate of $110 per hour that coincides with the rate set forth in the 2010 competitively procured contract for a Senior Building Inspector.

Professional services contracts greater than $50,000 are generally retained in connection with a competitively procured process involving a Request for Proposal that is project-specific and has a defined scope and fee. Section 2.36.070 of the Fountain Valley Municipal Code provides that bidding may be dispensed with when “piggybacking” off the pricing that was previously established in a competitive manner or when the public interest requires that bidding be dispensed with.
It is recommended that bidding be dispensed with for the following reasons:

- The hourly rate that is proposed by Charles Abbott for Mark Bray’s time is based on an hourly rate that was established in connection with a competitively procured process.

- Mark Bray has been actively involved in overseeing projects for the past twelve months and therefore has an intimate understanding of the City’s process and project needs.

- If the City continues to use Mark Bray for project management services, the capital projects that he is overseeing will continue to move forward whereas alternatively these projects would be delayed by 8-12 weeks if a competitive procurement process was conducted.

**FINANCIAL ANALYSIS:**

The estimated cost associated with Public Works Project Management Services to be performed by Charles Abbott Associates, Inc. equates to $230,000 for calendar year 2020. The estimated breakdown of costs by project is $50,000 for the Pre-Manufactured Metal Building Addition at Fire Station No. 2, with the remainder split between the Recreation Center Interior Improvement Project and Police Department Interior Locker Room/Restroom Remodel Project at $90,000 each.

The budget associated with the Pre-Manufactured Metal Building Addition at Fire Station No. 2 is sufficient to cover the estimated costs. However, the budgets associated with the Recreation Center Interior Improvement Project and Police Department Interior Locker Room/Restroom Remodel Project do not have sufficient funding. Therefore, it is recommended that an appropriation of $180,000 be made from General Fund Capital Reserves, which has a budgetary reserve balance of approximately $14 million.

It should also be noted that additional funding will be required for the Recreation Center Interior Improvement Project and Police Department Interior Locker Room/Restroom Remodel Project, which will be requested at a later date when the City Council considers the award of a construction contract for these two projects.

**ATTORNEY REVIEW:**

The Attorney for the City has reviewed and approved the contract.

**ALTERNATIVES:**

**Alternative No.1:** 1) Waive the bidding requirements pursuant to FVMC 2.36.070 and award a contract to Charles Abbott Associates, Inc. for continued
Public Works Project Management Services in an amount not to exceed $230,000; and 2) Amend the 2019/20 Budget in the amount of $180,000. This is the recommended action.

**Alternative No. 2:** Do not approve alternative No. 1 and provide staff with direction for evaluating other alternatives. This is not the recommended action as Project Management Services are needed to complete the ongoing capital improvement projects.

**RECOMMENDATION:**

It is recommended that the City Council approve Alternative No. 1, which is to: 1) waive the bidding requirements pursuant to FVMC 2.36.070 and award a contract to Charles Abbott for continued Public Works Project Management Services in an amount not to exceed $230,000; and 2) amend the 2019/20 budget in the amount of $180,000.

Prepared by: Fatana Temory, Management Aide
Approved by: Temo Galvez, Acting Director of Public Works/City Engineer
Fiscal Review by: Jason Al-Imam, Finance Director/City Treasurer
Approved By: Rob Houston, City Manager

Attachment: Charles Abbott Contract
AGREEMENT FOR CONSULTANT SERVICES
CON-19-
PUBLIC WORKS PROJECT MANAGEMENT SERVICES

This AGREEMENT is made and effective as of January 21, 2020, between the City of Fountain Valley, a municipal corporation ("CITY") and Charles Abbott Associates, Inc. ("CONSULTANT"). In consideration of the mutual covenants and conditions set forth herein, the parties agree as follows:

1. **TERM**

   This AGREEMENT shall commence on January 21, 2020 ("EFFECTIVE DATE") and remain and continue in effect until all tasks described herein are completed but in no event later than December 31, 2020, unless sooner terminated or extended pursuant to the provisions of this AGREEMENT.

2. **SERVICES**

   CONSULTANT shall perform the tasks described and set forth in Exhibit A, attached hereto and incorporated herein as though set forth in full. CONSULTANT shall complete the tasks according to the schedule of performance, which is also set forth in Exhibit A.

3. **PERFORMANCE**

   CONSULTANT shall at all times faithfully, competently, and to the best of his/her/its ability, experience, and talent perform all tasks described herein. CONSULTANT shall employ, at a minimum, generally accepted standards and practices utilized by persons engaged in providing similar services as are required of CONSULTANT hereunder in meeting its obligations under this AGREEMENT.

4. **CITY MANAGEMENT**

   Terno Galvez, City Engineer shall represent CITY in all matters pertaining to the administration of this AGREEMENT, including review and approval of all products submitted by CONSULTANT, but not including the authority to enlarge the tasks to be performed or change the compensation due to CONSULTANT. The City Manager shall be authorized to act on CITY'S behalf and to execute all necessary documents that enlarge the tasks to be performed or change CONSULTANT's compensation, subject to Section 5 hereof.

5. **PAYMENT**

   (a) CITY agrees to pay CONSULTANT in accordance with the payment rates, terms, and schedule of payment set forth in Exhibit A, attached hereto and incorporated herein by this reference as though set forth in full, based upon actual time spent on the above tasks. This amount shall not exceed two-hundred and thirty thousand dollars ($230,000) ("TOTAL CONTRACT SUM") for the total term of this AGREEMENT unless payment is approved as provided in this AGREEMENT.

   (b) CONSULTANT shall not be compensated for any services rendered in
connection with its performance of this AGREEMENT that are in addition to those set forth herein, unless such additional services are authorized in advance and in writing by the City Manager. This written authorization requirement cannot be waived. CONSULTANT shall be compensated for any additional services in the amounts and in the manner as agreed to by the City Manager and CONSULTANT at the time CITY's written authorization is given to CONSULTANT for the performance of said additional services. The City Manager's authority to approve additional compensation is subject to Fountain Valley Municipal Code section 2.36.110. Approval of additional compensation that exceeds the City Manager's authority as specified in Fountain Valley Municipal Code section 2.36.110 must be obtained from the City Council.

(c) CONSULTANT will submit invoices for actual services performed. Invoices shall be submitted on or about the first business day of each month, or as soon thereafter as practical, for services provided in the previous month. Payment shall be made within thirty (30) days of receipt of each invoice as to all non-disputed fees. If the City disputes any of CONSULTANT'S fees it shall give written notice to CONSULTANT within thirty (30) days of receipt of an invoice of any disputed fees set forth on the invoice.

6. SUSPENSION OR TERMINATION OF AGREEMENT WITHOUT CAUSE

(a) CITY may at any time, for any reason, with or without cause, suspend or terminate this AGREEMENT, or any portion hereof, by serving upon CONSULTANT, at least thirty (30) days prior, written notice. Upon receipt of said notice, CONSULTANT shall immediately cease all work under this AGREEMENT, unless the notice provides otherwise. If CITY suspends or terminates a portion of this AGREEMENT such suspension or termination shall not make void or invalidate the remainder of this AGREEMENT.

(b) In the event this AGREEMENT is terminated pursuant to this section, CITY shall pay to CONSULTANT the actual value of the work performed up to the time of termination, provided that the work performed is of value to CITY. Upon termination of the AGREEMENT pursuant to this section, CONSULTANT will submit an invoice to CITY detailing work performed up to the time of termination.

7. DEFAULT OF CONSULTANT

(a) CONSULTANT's failure to comply with the provisions of this AGREEMENT shall constitute a default. In the event that CONSULTANT is in default for cause under the terms of this AGREEMENT, CITY shall have no obligation or duty to continue compensating CONSULTANT for any work performed after the date of default and can terminate this AGREEMENT immediately by written notice to CONSULTANT. If such failure by the CONSULTANT to make progress in the performance of work hereunder arises out of causes beyond CONSULTANT'S control, and without fault or negligence of CONSULTANT, it shall not be considered a default.

(b) As an alternative to the procedure for immediate termination for default set forth in subparagraph (a), if CITY determines that CONSULTANT is in default in the performance of any of the terms or conditions of this AGREEMENT, CITY may in its discretion cause to be served upon CONSULTANT a written notice of the default and demand to cure. CONSULTANT shall have ten (10) calendar days after service upon it
of said notice to cure the default by rendering a satisfactory performance. In the event that CONSULTANT fails to cure its default within such period of time, CITY shall have the right, notwithstanding any other provision of this AGREEMENT, to terminate this AGREEMENT without further notice and without prejudice to any other remedy to which it may be entitled at law, in equity, or under this AGREEMENT.

8. **OWNERSHIP OF DOCUMENTS**

(a) CONSULTANT shall maintain complete and accurate records with respect to services provided and other such information required by City that relate to the performance of services under this AGREEMENT. CONSULTANT shall maintain adequate records of services provided in sufficient detail to permit an evaluation of services. All such records shall be maintained in accordance with generally accepted accounting principles and shall be clearly identified and readily accessible. CONSULTANT shall provide free access to the representatives of CITY or its designees at reasonable times to such books and records; shall give CITY the right to examine and audit said books and records; shall permit CITY to make copies and transcripts therefrom as necessary; and shall allow inspection of all work, data, documents, proceedings, and activities related to this AGREEMENT. Such records, together with supporting documents, shall be maintained for a period of three (3) years after receipt of final payment.

(b) Upon completion, termination, or suspension of this AGREEMENT all data, files, reports, documents both electronic and paper prepared in the course of providing the services to be performed pursuant to this AGREEMENT shall become the sole property of CITY and may be used, reused, or otherwise disposed of by CITY without the permission of CONSULTANT. With respect to computer files, CONSULTANT shall make available to CITY, at CONSULTANT’s office and upon reasonable written request by CITY, the necessary computer software and hardware for purposes of accessing, compiling, transferring, and printing computer files.

9. **INDEMNIFICATION**

(a) **Indemnification for Professional Liability.** When the law establishes a professional standard of care for CONSULTANT’s services, to the fullest extent permitted by law, CONSULTANT shall indemnify, protect, defend, and hold harmless CITY and any and all of its officials, employees, and agents ("INDEMNIFIED PARTIES") from and against any and all losses, liabilities, damages, costs, and expenses, including attorney's fees and costs to the extent the same are caused in whole or in part by any negligent or wrongful act, error, or omission of CONSULTANT, its officers, agents, employees, or subconsultants (or any entity or individual that CONSULTANT shall bear the legal liability thereof) in the performance of professional services under this AGREEMENT. With respect to the design of public improvements, CONSULTANT shall not be liable for any injuries or property damage resulting from the reuse of the design at a location other than that specified in this AGREEMENT without the written consent of CONSULTANT.

(b) **Indemnification for Other Than Professional Liability.** Other than in the performance of professional services and to the full extent permitted by law, CONSULTANT shall indemnify, defend, and hold harmless CITY, and any and all of its employees, officials, and agents from and against any liability (including liability for claims,
sults, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, losses, expenses, or costs of any kind, whether actual, alleged, or threatened, including attorneys fees and costs, court costs, interest, defense costs, and expert witness fees), where the same arise out of, are a consequence of, or are in any way attributable to, in whole or in part, the performance of this AGREEMENT by CONSULTANT or by any individual or entity for which CONSULTANT is legally liable, including but not limited to officers, agents, employees, or subconsultants of CONSULTANT.

(c) General Indemnification Provisions. CONSULTANT agrees to obtain executed indemnity agreements with provisions identical to those set forth here in this section from each and every subconsultant or any other person or entity involved by, for, with or on behalf of CONSULTANT in the performance of this AGREEMENT. In the event CONSULTANT fails to obtain such indemnity obligations from others as required here, CONSULTANT agrees to be fully responsible according to the terms of this section. Failure of CITY to monitor compliance with these requirements imposes no additional obligations on CITY and will in no way act as a waiver of any rights hereunder. This obligation to indemnify and defend CITY as set forth here is binding on the successors, assigns, or heirs of CONSULTANT and shall survive the termination of this AGREEMENT or this section. Nothing in this indemnity shall be construed as authorizing any award of attorney's fees in any action on or to enforce the terms of this Indemnity or AGREEMENT. This indemnity shall apply to all claims and liability regardless of whether any insurance policies are applicable.

10. INSURANCE

Prior to performing any work or receiving any compensation under this AGREEMENT, CONSULTANT shall obtain, and thereafter maintain for the duration of this AGREEMENT, insurance coverage as specified in Exhibit B, attached hereto and incorporated herein as though set forth in full.

11. INDEPENDENT CONTRACTOR

(a) CONSULTANT is and shall at all times remain as to the CITY a wholly independent contractor. The personnel performing the services under this AGREEMENT on behalf of CONSULTANT shall at all times be under CONSULTANT's exclusive direction and control. Neither CITY nor any of its officers, employees, or agents shall have control over the conduct of CONSULTANT or any of CONSULTANT's officers, employees, or agents, except as set forth in this AGREEMENT. CONSULTANT shall not at any time or in any manner represent that it or any of its officers, employees, or agents are in any manner officers, employees, or agents of the CITY. CONSULTANT shall not incur or have the power to incur any debt, obligation, or liability whatsoever against CITY, or bind CITY in any manner.

(b) No employee benefits shall be available to CONSULTANT in connection with the performance of this AGREEMENT. Except for the fees paid to CONSULTANT as provided in this AGREEMENT, CITY shall not pay salaries, wages, or other compensation to CONSULTANT for performing services hereunder for CITY. CITY shall not be liable for compensation or indemnification to CONSULTANT for injury or sickness arising out of performing services hereunder. In addition to the indemnification provisions of Section 11, CONSULTANT shall indemnify, defend, and hold CITY harmless from claims or liability arising from CONSULTANT's employees for CITY benefits including, but not limited to, pension, health benefits, holiday, vacations, etc.
12. **LEGAL RESPONSIBILITIES**

CONSULTANT shall keep itself informed of State and Federal laws and regulations which in any manner affect those employed by it or in any way affect the performance of its service pursuant to this AGREEMENT. CONSULTANT shall at all times observe and comply with all such laws and regulations. CITY, and its officers and employees, shall not be liable at law or in equity occasioned by failure of CONSULTANT to comply with this Section.

13. **UNDUE INFLUENCE**

CONSULTANT declares and warrants that no undue influence or pressure is used against or in concert with any officer or employee of CITY in connection with the award, terms, or implementation of this AGREEMENT, including any method of coercion, confidential financial arrangement, or financial inducement. No officer or employee of the CITY will receive compensation, directly or indirectly, from CONSULTANT, or from any officer, employee, or agent of CONSULTANT, in connection with the award of this AGREEMENT or any work to be conducted as a result of this AGREEMENT. Violation of this section shall be a material breach of this AGREEMENT entitling CITY to any and all remedies at law or in equity.

14. **NO BENEFIT TO ARISE TO LOCAL EMPLOYEES**

No member, officer, or employee of CITY, or their designees or agents, and no public official who exercises authority over or responsibilities with respect to the project during his/her tenure or for one year thereafter, shall have any interest, direct or indirect, in any agreement or sub-agreement, or the proceeds thereof, for work to be performed in connection with this AGREEMENT.

15. **RELEASE OF INFORMATION / CONFLICTS OF INTEREST**

(a) All information gained by CONSULTANT in performance of this AGREEMENT shall be considered confidential and shall not be released by CONSULTANT without CITY's prior written authorization. CONSULTANT, its officers, employees, agents, or subconsultants, shall not without written authorization from the City Manager or unless requested by the Attorney for the City, voluntarily provide declarations, letters of support, testimony at depositions, response to interrogatories, or other information concerning the work performed under this AGREEMENT or relating to any project or property located within the CITY. Response to a subpoena or court order shall not be considered "voluntary" provided CONSULTANT gives CITY notice of such court order or subpoena.

(b) CONSULTANT shall promptly notify CITY should CONSULTANT, its officers, employees, agents, or subconsultants be served with any summons, complaint, subpoena, notice of deposition, request for documents, interrogatories, requests for admissions, or other discovery request, court order, or subpoena from any person or party regarding this AGREEMENT and the work performed thereunder or with respect to any project or property located within the CITY. CITY retains the right, but has no obligation, to represent CONSULTANT and/or be present at any deposition, hearing, or similar proceeding. CONSULTANT agrees to cooperate fully with CITY and to provide the opportunity to review any response to discovery requests provided by
CONSULTANT. However, CITY's right to review any such response does not imply or mean the right by CITY to control, direct, or rewrite said response.

16. **SECURITY OF INFORMATION**

CONSULTANT shall identify reasonably foreseeable internal and external risks to the privacy and security of personal information acquired during performance of this AGREEMENT that could result in the unauthorized disclosure, misuse, alteration, destruction, or other compromise of the information. CONSULTANT shall regularly assess the sufficiency of any safeguards and information security awareness training in place to control reasonably foreseeable internal and external risks, and evaluate and adjust those safeguards in light of the assessment.

17. **NOTICES**

Any notices which either party may desire to give to the other party under this AGREEMENT must be in writing and may be given either by (i) personal service, (ii) delivery by a reputable document delivery service, such as but not limited to, Federal Express, which provides a receipt showing date and time of delivery, or (iii) mailing in the United States Mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below or at any other address as that party may later designate by notice:

**CITY**
City of Fountain Valley  
10200 Slater Avenue  
Fountain Valley, California 92708  
Attention: City Clerk

**CONSULTANT**
Charles Abbott Associates, Inc.  
27401 Los Altos #220  
Mission Viejo, CA 92691  
Attention: Mark Abbott

18. **ASSIGNMENT**

CONSULTANT shall not assign the performance of this AGREEMENT, nor any part thereof, nor any monies due hereunder, without the prior written consent of CITY.

19. **LICENSES**

At all times during the term of this AGREEMENT, CONSULTANT shall have in full force and effect, all licenses required of it by law for the performance of the services described in this AGREEMENT including, but not limited to, a Fountain Valley business license.

20. **GOVERNING LAW**

CITY and CONSULTANT understand and agree that the laws of the State of California shall govern the rights, obligations, duties, and liabilities of the parties to this AGREEMENT and also govern the interpretation of this AGREEMENT. Any litigation concerning this AGREEMENT shall take place in Orange County Superior Court or Central District of California Federal District Court.
21. **ENTIRE AGREEMENT**

   This AGREEMENT contains the entire understanding between the parties relating to the obligations of the parties described in this AGREEMENT. All prior or contemporaneous agreements, understandings, representations, and statements, oral or written, are merged into this AGREEMENT and shall be of no further force or effect. Each party is entering into this AGREEMENT based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material.

22. **INTERPRETATION**

   In the event of conflict or inconsistency between this AGREEMENT and any other document, including any proposal or Exhibit hereto, this AGREEMENT shall control unless a contrary intent is clearly stated. This AGREEMENT shall be interpreted as though drafted by all parties hereto.

23. **MODIFICATION**

   No modification to this AGREEMENT shall be effective unless it is in writing and signed by authorized representatives of the parties hereto. The written modification requirement cannot be waived.

24. **ATTORNEY FEES**

   In any action or proceeding brought by either party against the other party arising out of or in any way connected to this AGREEMENT, or where any provision hereof is validly asserted as a defense, the parties shall bear their own attorney's fees, costs, and expenses. Nothing in this provision shall excuse CONSULTANT's duty to provide CITY with a defense at CONSULTANT's cost when CITY receives a complaint, petition, or other pleading from a third party requiring CITY to defend itself.

25. **AUTHORITY TO EXECUTE THIS AGREEMENT**

   The person or persons executing this AGREEMENT on behalf of CONSULTANT warrants and represents that he/she/they has the authority to execute this AGREEMENT on behalf of CONSULTANT and has the authority to bind CONSULTANT to the performance of his/her/its obligations hereunder.
IN WITNESS WHEREOF, the parties hereto have caused this AGREEMENT to be
execeived the day and year first above written.

CITY OF FOUNTAIN VALLEY

__________________________
Cheryl Brothers, Mayor

ATTEST:

__________________________
City Clerk

Approved as to Form:

HARPER & BURNS LLP

__________________________
Attorneys for the City

CONSULTANT

__________________________
Signature

__________________________
Typed Name

__________________________
CEO

Title

Corporate seal (or attach Notary acknowledgment)
Exhibit "A"
Scope of Services and Payment Terms
EXHIBIT A
SCOPE OF SERVICES AND PAYMENT TERMS

Charles Abbott Associates, Inc. will provide Mark Bray to fulfill the role of Project Manager for the City of Fountain Valley on several capital improvement projects, including but not limited to the following projects: Recreation Center Interior Improvement, Police Department Interior Locker Room/Restroom Remodel, Pre-Manufactured Metal Building Addition at Fire Station No. 2. Services to be performed include, but are not limited to: project development, bid assistance, and construction management services.

Services shall be provided at an hourly rate of $110 per hour. Time associated with each project shall be tracked and reported to the City on a monthly basis.
Exhibit “B”
Insurance Specifications

Without limiting CONSULTANT’s indemnification of CITY, and prior to performing any work under this AGREEMENT or receiving any compensation, CONSULTANT shall obtain, provide and maintain at its own expense during the term of this AGREEMENT, policies of insurance of the type and amounts described below and in a form that is satisfactory to CITY.

General liability insurance. CONSULTANT shall maintain commercial general liability insurance with coverage at least as broad as Insurance Services Office form CG 00 01, in an amount not less than $1,000,000.00 dollars per occurrence, $2,000,000.00 dollars general aggregate, for bodily injury, personal injury, and property damage, including without limitation, blanket contractual liability.

Automobile liability insurance. CONSULTANT shall maintain automobile insurance at least as broad as Insurance Services Office form CA 00 01 covering bodily injury and property damage for all activities of CONSULTANT arising out of or in connection with the work to be performed under this AGREEMENT, including coverage for any owned, hired, non-owned, or rented vehicles, in an amount not less than $ 1,000,000.00 dollars combined single limit for each accident.

Workers’ compensation insurance. CONSULTANT shall maintain Workers’ Compensation Insurance (Statutory Limits) and Employer’s Liability Insurance (with limits of at least $ 1,000,000.00 dollars). CONSULTANT shall submit to CITY, along with the certificate of insurance, a Waiver of Subrogation endorsement in favor of CITY, its officers, agents, employees, and volunteers.

Professional liability (errors & omissions) insurance. CONSULTANT shall maintain professional liability insurance that covers the services to be performed in connection with this AGREEMENT, in the minimum amount of $1,000,000.00 dollars per claim and in the aggregate. Any policy inception date, continuity date, or retroactive date must be before the effective date of this AGREEMENT and CONSULTANT agrees to maintain continuous coverage through a period no less than three years after completion of the services required by this AGREEMENT.

Proof of insurance. CONSULTANT shall provide certificates of insurance to CITY as evidence of the insurance coverage required herein, along with a waiver of subrogation endorsement for workers’ compensation. Insurance certificates and endorsement must be approved by CITY prior to commencement of performance. Current certification of insurance shall be kept on file with CITY at all times during the term of this contract. CITY reserves the right to require complete, certified copies of all required insurance policies, at any time.
Duration of coverage. CONSULTANT shall procure and maintain for the duration of the AGREEMENT insurance against claims for injuries to persons or damages to property, which may arise from or in connection with the performance of this AGREEMENT by CONSULTANT, his/her/its agents, representatives, employees, or subconsultants. If this AGREEMENT involves construction, CONSULTANT must maintain general liability and umbrella or excess liability insurance for as long as there is a statutory exposure to completed operations claims. CITY and its officers, officials, employees, and agents shall continue as additional insureds under such policies.

CITY's rights of enforcement. In the event any policy of insurance required under this AGREEMENT does not comply with these specifications or is canceled and not replaced, CITY has the right but not the duty to obtain the insurance it deems necessary and any premium paid by CITY will be promptly reimbursed by CONSULTANT or CITY will withhold amounts sufficient to pay premium from CONSULTANT’s payments. In the alternative, CITY may cancel this AGREEMENT.

Acceptable insurers. All insurance policies shall be issued by an insurance company currently authorized by the Insurance Commissioner to transact business of insurance in the State of California, with an assigned policyholders’ Rating of A- (or higher) and Financial Size Category Class VII (or larger) in accordance with the latest edition of Best’s Key Rating Guide, unless otherwise approved by CITY. Notwithstanding the foregoing, XCU insurance shall have a rating of at least B-VI.

Waiver of subrogation. All insurance coverage maintained or procured pursuant to this AGREEMENT shall be endorsed to waive subrogation against CITY, its elected or appointed officers, agents, officials, employees, and volunteers or shall specifically allow CONSULTANT or others providing insurance evidence in compliance with these specifications to waive their right of recovery prior to a loss. CONSULTANT hereby waives its own right of recovery against CITY, and shall require similar written express waivers and insurance clauses from each of its subconsultants.

Enforcement of contract provisions (non estoppel). CONSULTANT acknowledges and agrees that any actual or alleged failure on the part of CITY to inform CONSULTANT of noncompliance with any requirement imposes no additional obligations on the CITY nor does it waive any rights hereunder.

Specifications not limiting. Requirements of specific coverage features or limits contained in this Section are not intended as a limitation on coverage, limits, or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue and is not intended by any party or insured to be all inclusive, or to the exclusion of other coverage, or a waiver of any type.

Notice of cancellation. CONSULTANT agrees to oblige its insurance agent or broker and insurers to provide to CITY with a thirty (30) day notice of cancellation (except for nonpayment for which a ten (10) day notice is required) or nonrenewal of coverage for each required coverage.
**Additional insured status.** General liability policies shall provide or be endorsed to provide that CITY and its officers, officials, employees, and agents shall be additional insureds under such policies. This provision shall also apply to any excess liability policies. Coverage available to the additional insured shall be primary and non-contributory.

**Agency's right to revise specifications.** CITY reserves the right at any time during the term of the AGREEMENT to change the amounts and types of insurance required by giving CONSULTANT ninety (90) days advance written notice of such change. If such change results in substantial additional cost to CONSULTANT, CITY and CONSULTANT may renegotiate CONSULTANT's compensation.

**Self-insured retentions.** Any self-insured retentions must be declared to and approved by CITY. CITY reserves the right to require that self-insured retentions be eliminated, lowered, or replaced by a deductible. Self-insurance will not be considered to comply with these specifications unless approved by CITY.

**Timely notice of claims.** CONSULTANT shall give CITY prompt and timely notice of claims made or suits instituted that arise out of or result from CONSULTANT's performance under this AGREEMENT, and that involve or may involve coverage under any of the required liability policies.

**Additional insurance.** CONSULTANT shall also procure and maintain, at its own cost and expense, any additional kinds of insurance, which in its own judgment may be necessary for its proper protection and prosecution of the work.
To: Honorable Mayor and Members of the City Council

Agenda Date: January 21, 2020


EXECUTIVE SUMMARY:

The Fountain Valley Municipal Code (FVMC) currently requires all restaurants to obtain a Conditional Use Permit (CUP). Currently, small restaurants, such as Jamba Juice or Subway, which operate during normal business hours and pose no negative impacts to surrounding uses are required to go through the same CUP process as larger restaurants and restaurants that include activities that could cause negative impacts, such as late hours, a drive-thru, and entertainment. The proposed amendment would streamline the process and save money for smaller and more typical restaurants by eliminating both the CUP processing time of 2-3 months as well as the CUP application fee of $3,465 and replace it with an over-the-counter process and a $120 application fee. This should encourage the establishment of more restaurants, something that the community has expressed a strong desire.

The proposed Code Amendment will establish two different categories of restaurants in Fountain Valley – Small Format Restaurants and Large Format Restaurants. Small Format Restaurants would be those with 50 seats or less that have no impact to uses surrounding them while Large Format Restaurants would be those with 51 seats or more. Applicants that plan to operate compliant with the requirements of the Small Format Restaurant Permit will sign the application and be issued the permit at business license issuance. Follow up and inspections will occur by Planning Staff during Building Department Final. Applicants that plan to operate their business outside of the requirements of the Small Format Restaurant Permit, or those that will have 51 seats or more, will be required to obtain a Conditional Use Permit.

On May 29, 2019, at a Special Meeting of the City Council Strategic Planning Study Session, direction was given to Planning & Building Director to present to the City Council options to permit restaurants without a CUP to help enhance economic development in the City of Fountain Valley. Planning staff conducted a survey of cities in Orange County and presented results to the Planning Commission and City Council at Study Sessions on September 11, 2019, and October 1, 2019, respectively. With input from the survey of Orange County cities, and direction from the Planning Commission and City Council Study Sessions, staff formulated Code Amendment No. 19-08.
At the Planning Commission meeting of December 11, 2019, the Planning Commission voted 5-0 recommending the City Council approve Code Amendment No. 19-08.

Staff recommends the City Council approve the attached Ordinance approving Code Amendment No. 19-08 to amend FVMC Sections 21.10.030 and 21.90.020 for restaurant uses and add FVMC Section 21.10.060 to establish standards for Small Format Restaurant Uses allowed by-right.

Proposal:

An amendment to FVMC Sections 21.10.030 and 21.90.020 for restaurant uses and the addition of FVMC Section 21.10.060 to establish standards for Small Format Restaurant uses allowed by-right in the City of Fountain Valley.

Current Code Requirements:

Per FVMC Section 21.10.030 Table 2-6, all restaurants, including those that serve on-premises beer and wine, are required to obtain a CUP to operate in the City of Fountain Valley. Additionally, per FVMC Section 21.90.020, restaurants that provide accessory entertainment uses, including restaurants that include televisions screens for their customers that measure larger than 30 inches diagonal, are required to obtain a CUP.

DISCUSSION:

On May 29, 2019, at a Special Meeting of the City Council Strategic Planning Study Session, direction was given to Planning & Building Director to present to the City Council options to permit restaurants without a CUP to help enhance economic development in the City of Fountain Valley.

Existing Regulations

The current FVMC definition of a restaurant includes any retail business selling food for on or off premises consumption. FVMC Section 21.90.020(18) Definitions “R” states;

“Restaurant” means a retail business selling food and beverages prepared on the site, for on- or off-premises consumption. These include eating establishments where customers are served from a walk-up ordering counter for either on- or off-premises consumption, and establishments where most customers are served food at tables for on-premises consumption, but may include providing food for take-out. Also includes coffee houses.

For larger restaurants that may or may not include features such as late operating hours, a drive-thru or walk-up service window, close proximity to residential properties, alcohol sales, or accessory uses including accessory entertainment, the requirement of a CUP allows staff the time to analyze the use further to determine if the restaurant will cause any negative impacts to the property or commercial center in which they are located or to nearby noise sensitive uses, including all residential uses. Additionally, if there are potential negative impacts, the Planning Commission can impose conditions of approval to
help mitigate any negative impacts a project may bring. Examples of these types of large restaurants are Claim Jumper, The Recess Room, and McDonalds.

For smaller restaurants that have little or no negative impacts to the property or commercial center in which they are located or to nearby noise sensitive uses, the requirement of a CUP can be burdensome in terms of cost and time. This is especially the case if those restaurants do not include activities that may require careful scrutiny, such as operation outside of normal business hours, a drive-thru or walk-up window, location near residential units, alcohol sales, and accessory entertainment uses. An example of these kinds of small restaurants are Subway, Jamba Juice, Flame Broiler, and Yang’s Braised Chicken.

Initial Discussion

The City sent out a survey to 32 Orange County Cities and received 17 responses. Staff asked cities if they required a CUP for restaurants and, if they did, what triggered that requirement. Out of the 17 cities that responded, 15 do not require CUP’s for restaurants with little or no impacts, while two require CUP’s for any type of restaurant, similar to current requirements in Fountain Valley (Attachment #1). Of the cities that did not require a CUP for restaurant uses, certain accessory uses did trigger the requirement of a CUP. These results are included in Attachment #1 and include:

- Located in low parking zones such as Industrial or Manufacturing zones
- Accessory Entertainment
- Alcohol sales
- Late hours of operation
- Drive-thru’s
- Walk-up service
- Close proximity to residential uses
- Large restaurant size
- Large seating area
- Deviation from parking

Staff analyzed the input received from the survey, and presented possible amendments to Planning Commission and City Council during study sessions on September 11, 2019, and October 1, 2019, respectively. The Planning Commission provided positive comments and suggested allowing on-site beer and wine sales as an allowed use. The City Council was also receptive to loosening requirements for restaurant CUPs and to allowing beer and wine sales; however, the Council expressed some concern about the ability to enforce performance standards absent a CUP as a CUP allows a process for revocation when restaurants don’t abide by their conditions of approval.

Proposed Ordinance

Staff gathered the survey results and input from the Planning Commission and City Council and formulated the code amendment as detailed in Attachment #2 and discussed below.

Ordinance Summary
The proposed ordinance would make it easier for Small Format Restaurants, defined as those with 50 or less seats, to establish their business in the City of Fountain Valley. Similar to the existing city process when a restaurant plans to open in the city, a restaurant owner inquiring about, or applying for a business license for new restaurant, would be notified by Planning Department staff of the requirements for either a Large or Small Format Restaurant. If the restaurant is a Large Format Restaurant, a CUP would be required, and the application would go through the normal entitlement process for Planning Commission approval. If the restaurant is a Small Format Restaurant, the restaurant owner would speak to a Planning Department staff member to make sure they qualify per the guidelines of the Small Format Restaurant Permit (Attachment #3). If they do, the restaurant owner would fill out and sign the Small Format Restaurant Permit and be subject to the standard conditions outlined by each city department. Once signed, a business license would be issued, and building permits could be signed off when ready; however, the Small Format Restaurant Permit would not be valid until an on-site inspection has verified compliance with necessary physical improvements such as posting of required signage, grease interceptors, fire extinguishers, etc. If the restaurant were ever to change ownership or close, a new owner would be required to apply for a new Small Format Restaurant Permit to operate within the guidelines of the ordinance when applying for a new business license.

The proposed changes to the FVMC summarized above and outlined below will help ensure internal consistency within the FVMC for the proposed ordinance. The following changes will include:

- Amending the definitions of accessory entertainment use and restaurant
- Amending the land use and permitting requirements for Large and Small Format Restaurants
- Providing standards for Small Format Restaurants including those providing on-premises beer and wine sales that will be administered through a Small Format Restaurant Permit

FVMC 21.90.020 – Definitions

Accessory entertainment uses - This amendment is proposed to clarify the definition of “accessory entertainment use” to delete “television screens over thirty inches diagonal” from the definition (Attachment #2). The definition of accessory entertainment use currently reads;

“Accessory entertainment use” means a use that is incidental to the main use which involves entertainment devices and equipment (e.g., electronic and mechanical games and rides, amplified music, television screens over thirty inch diagonal and similar devices) and live entertainment and performances (e.g., music, dance, comedy act, karaoke).

This definition has been in place since December 7, 2000, when Ordinance 1308 approved Title 21 – Development Code. Accessory entertainment uses require a CUP per FVMC Section 21.10.030 for the sole purpose of alleviating noise impacts to adjacent businesses and properties. Since the year 2000, the television industry as seen a fundamental change
from smaller to larger screens to the point where it is difficult to find a television smaller than 30 inches in a retail store today. Additionally, several restaurants are now utilizing television screens to display their menus to allow them more flexibility to manipulate menu items and prices. For these reasons, staff is proposing to eliminate the size limitation to televisions in the definition of accessory entertainment uses as it is outdated and the size of a television screen is not directly related to the noise impacts.

Restaurant – This amendment is proposed to clarify the definition of “restaurant” to include a distinction between large and small restaurants based on the number of customer seats (Attachment #2). “Large format restaurants” would be those that provide 51 or more seats while “Small Format Restaurants” would be those that provide 50 or less seats. Per this proposed code amendment, a Large Format Restaurant would require a CUP in any situation, regardless of any other accessory uses, while a Small Format Restaurant may be permitted by-right if compliant with the standards of a Small Format Restaurant, as noted below.

FVMC 21.10.030 – Permitted Uses

FVMC Section 21.10.030 Table 2-6 lists allowed uses by commercial and manufacturing zoning districts. The proposed amendment would allow on-premises beer and wine sales subject to a Small Format Restaurant Permit. Also, restaurant uses would be split into two different categories; Restaurants – Large Format and Restaurants – Small Format (Attachment #2). Large format restaurants would follow the same permitting requirements for any restaurant by zone per today’s code, while Small Format Restaurants would be permitted by-right in commercial zones and subject to the standards of a small format restaurant noted below.

FVMC 21.10.060 – Standards for Small Format Restaurants Including Those Providing On-Premises Beer and Wine Sales

As detailed in Attachment #2, this proposed Section in the FVMC would include new standards for Small Format Restaurants that include the following topics:

Purpose and Applicability – These sections establish the intent of the new ordinance, which is to streamline the permitting process for Small Format Restaurants including those providing on-premises beer and wine sales to benefit tenants, property managers, and the public. Small Format Restaurants including those proving on-premises beer and wine sales that have little or no negative impacts to the property or commercial center in which they are located or to nearby noise sensitive uses, including all residential uses, would be administratively permitted subject to clearly establish standards for Small Format Restaurants including those providing on-site premises beer and wine sales.

Permit – A Small Format Restaurant permit (Attachment #3) would be required as part of the business license application to establish permitted hours of operation, establish operating standards that eliminate or minimize nuisance factors such as noise, odors, smoke, waste disposal, loitering, property maintenance, outdoor storage, and signage, and would be required to be signed by the applicant and property owner/manager prior to being reviewed by applicable City Departments. The permit would not be valid until an on-site
inspection has verified compliance with necessary physical improvements, would have to be renewed annually at the time of renewal of the business license, and may be transferred upon closure of the business or change of ownership upon issuance of a new Small Format Restaurant Permit in conjunction with the issuance of a business license.

**Standard Requirements** – Small Format Restaurants shall be subject to a number of standard requirements normally issued through a conditional use permit as conditions of approval from the Planning, Building, Police, Fire, and Public Works Departments (Attachment #3). Applicants applying for a Small Format Restaurant Permit would be subject to requirements that address the following concerns:

- Noise and impact to neighbors – This would be addressed through the limits on the hours of operation, hours of delivery, maximum occupancy, no live entertainment, and requirements on signage, trash dumping, and litter/graffiti.
- Building/Fire Code - Restaurants would be subject to requirements to address disabled access, energy conservation, construction and maintenance, grease collection, fire sprinklers and extinguishers, carbon dioxide storage for soft drinks, and exiting requirements.
- Safety requirements – Restaurants would be required to install security cameras, alarms, and prohibit loitering of school age youth.
- City Impacts – Restaurants would be required to pay traffic impact fees and install a reduce pressure principle device/backflow devices to prevent contaminants from entering back into the city’s water flow.

**Beer & Wine Requirements** – In addition to the standard requirements for a Small Format Restaurant, restaurants that apply for an on-premises beer and wine license would also be subject to the following provisions:

- Posting of alcohol signage limiting alcohol to persons 21 years and older.
- Posting requiring ID to purchase alcohol.
- Licensee Education on Alcohol and Drugs (LEAD) certification required for restaurant employees.
- Food shall be required to be served at all hours
- Quarterly gross alcohol sales cannot exceed gross food sales.
- Advertising signage of alcohol beverages.
- No loitering within 100 feet of the restaurant.
- The surrender, lapse, termination, suspension, or payment of fine in-lieu of suspensions/termination of the alcohol license issued by ABC shall be grounds for revocation of city approvals.

**Revocation** – The section would also clearly establish the parameters in which a Small Format Restaurant or a restaurants providing on-premises beer and wine sales may be revoked. Revocation may be initiated if:

- The restaurant operations change by the applicant to a degree that the public convenience, health, interest, safety, or welfare require revocation.
- The restaurant owner misrepresents or omits information on their application.
- Requirements of the permit have not been fulfilled or have been violated.
- The restaurant is in violation of any code, law, ordinance, or statute of the city, state, or federal government.
- The restaurant is creating a nuisance.

General Plan Consistency

The proposed amendments will meet the City Council’s Strategic Plan Goal #3 to enhance economic development in the City of Fountain Valley. The amendment will also meet General Plan Goal 2.12.1 to enhance the city’s economic base and business environment by assisting in the improvement and intensification of commercial development in the City of Fountain Valley. Additionally, the amendments will preserve the conditions of approval that are normally placed into a CUP from each City Department as well as allow an avenue to revoke a Small Format Restaurant permit if necessary.

ENVIRONMENTAL REVIEW:

This request is exempt from environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines sections 15060(c)(2)(the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15061(b)(3)(there is no possibility the activity in question may have a significant effect on the environment). The project will amend the city review process to allow Small Format Restaurants that provide 50 or less seats, including those that serve beer and wine, that pose little or no negative impacts to the property or commercial center in which they are located or to nearby noise sensitive uses, including all residential uses, and that follow a strict set of standards outlined in the proposed amendment set in place by the Planning, Building, Public Works, Fire, and Police Departments, to be permitted by-right, subject to review of an administrative permit (Attachment #4).

FINANCIAL ANALYSIS:

The proposed code amendment will reduce fees collected for Conditional Use Permit review by about 22%. Last Fiscal year (FY 2018-2019), the Planning Departments annual budget for conditional use permits was $75,000 and the actual intake of fees totaled $108,351. Of the conditional use permits the city reviewed, the number of applications that would have qualified for the Small Format Restaurant would have been seven (7) for a total of $23,815.

ATTORNEY REVIEW:

The Attorney for the City has reviewed the attached Ordinance.

PUBLIC NOTIFICATION:

The item was published in the Fountain Valley View and public notices were posted at City Hall, Recreation Center, and Fountain Valley Library.

ALTERNATIVES:
1. Adopt the attached Ordinance approving a notice of exemption in accordance with the California Environmental Quality Act (CEQA) and Code Amendment No. 19-08 to amend FVMC Sections 21.10.030 and 21.90.020 for restaurant uses as well as to add Section 21.10.060 to establish standards for restaurant uses allowed by-right.

2. Do not adopt the attached Ordinance approving a notice of exemption in accordance with the California Environmental Quality Act (CEQA) and Code Amendment No. 19-08 to amend FVMC Sections 21.10.030 and 21.90.020 for restaurant uses as well as to add Section 21.10.060 to establish standards for restaurant uses allowed by-right.

3. Continue the request for additional information.

**Recommended Action**

Staff recommends that the City Council select Alternative No. 1 – Adopt the attached Ordinance approving a notice of exemption in accordance with the California Environmental Quality Act (CEQA) and Code Amendment No. 19-08 to amend FVMC Sections 21.10.030 and 21.90.020 for restaurant uses as well as to add Section 21.10.060 to establish standards for restaurant uses allowed by-right.

Prepared By: Steven Ayers, Principal Planner

Approved By: Brian James, Planning and Building Director

Fiscal Review By: Jason Al-Imam, Finance Director/Treasurer

Approved By: Rob Houston, City Manager

Attachments:
1. Survey results of CUP requirements for restaurants
2. Ordinance for Code Amendment No. 19-08
3. Draft Small Format Restaurant Permit
4. Notice of Exemption
<table>
<thead>
<tr>
<th>City</th>
<th>Use</th>
<th>Industrial Zone</th>
<th>Accessory Entertainment</th>
<th>Alcohol</th>
<th>Late Hours</th>
<th>Drive-Thru</th>
<th>Walk-Up Service</th>
<th>Close to Residential</th>
<th>Large Restaurant Size</th>
<th>Large Seating Area</th>
<th>Deviation from Parking</th>
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ORDINANCE NO.

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FOUNTAIN VALLEY APPROVING A CATEGORICAL EXEMPTION PER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) AND APPROVING CODE AMENDMENT (CA) NO. 19-08 TO AMEND THE FOUNTAIN VALLEY MUNICIPAL CODE (FVMC) SECTIONS 21.10.030 AND 21.90.020 FOR RESTAURANT USES AS WELL AS TO ADD SECTION 21.10.060 TO ESTABLISH STANDARDS FOR RESTAURANT USES ALLOWED BY-RIGHT

WHEREAS, the Fountain Valley City Council adopted the Development Code Update on December 7, 2000; and

WHEREAS, on May 29, 2019, at a Special Meeting of the City Council Strategic Planning Study Session, direction was given to Planning & Building Director to present to the City Council options to permit restaurants without a Conditional Use Permit (CUP) to help enhance economic development in the City of Fountain Valley; and

WHEREAS, on September 11, 2019, the Planning Department presented options to the Planning Commission during a study session to permit certain types of restaurants without a CUP and received input; and

WHEREAS, on October 1, 2019, the Planning Department presented options to the City Council during a study session options to permit certain types of restaurants without a CUP and received input; and

WHEREAS, the amendments to FVMC 21.10.030, 21.90.020, and 21.10.060 incorporate input received from both study sessions of the Planning Commission on September 11, 2019 and City Council on October 1, 2019; and

WHEREAS, the Fountain Valley Planning Commission considered the proposed Code Amendment No. 19-08 at a duly noticed public hearing on December 11, 2019, and the Planning Commission recommended the City Council approve a categorical exemption per CEQA and approve CA 19-08 to amend FVMC 21.10.030 and 21.90.020 for restaurant uses as well as to add section 21.10.060 to establish standards for restaurant uses allowed by right; and

WHEREAS, the proposed Code Amendment No. 19-08 has been publicly noticed in accordance with State Law and the Fountain Valley Municipal Code.

SECTION 1

The City Council hereby determines that Code Amendment No. 19-08 is not subject to review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines sections 15060(c)(2)(the activity will not result in a direct or reasonably foreseeable indirect
physical change in the environment) and 15061(b)(3)(there is no possibility the activity in question may have a significant effect on the environment).

SECTION 2

The City Council finds that due notice of the public hearing on January 21, 2020, conducted in the City Council Chambers, 10200 Slater Avenue, Fountain Valley, was given as required by the Fountain Valley Municipal Code, Title 21, and the State of California. Public notice of this hearing and a copy of the Planning Commission agenda were posted at City Hall, Recreation Center and the Fountain Valley Library.

SECTION 3

Pursuant to Fountain Valley Municipal Code section 21.34.050 the City Council does hereby find as follows:

1. The proposed amendment ensures and maintains internal consistency with the actions, goals, objectives and policies of the General Plan, and would not create any inconsistencies with Title 21, in the case of a title amendment. The proposed amendment would enhance the city’s economic base and business environment by assisting in the improvement and intensification of commercial development (General Plan Goal/Policy 2.12.1). FVMC Sections 21.10.030 and 21.90.020 would be updated to provide internal consistency with the newly added Section 21.10.060 to address requirements for restaurants in the City of Fountain Valley.

2. The proposed amendment would not be detrimental to the public convenience, health, interest, safety or welfare of the city. The proposed amendment would clearly identify standards that must be met for restaurants seeking approval to be permitted by right as well as clearly identify standards for restaurants that require a conditional use permit.

3. The proposed amendment has been reviewed in compliance with the provisions of the California Environmental Quality Act (CEQA) and the city’s environmental review procedures as addressed in Section 1 above.

4. The proposed amendment is internally consistent with other applicable provisions of Title 21. As noted in finding 1 above, FVMC Sections 21.10.030 and 21.90.020 would be updated to provide internal consistency with the added Section 21.10.060 to address requirements for restaurants in the City of Fountain Valley. There are no other known inconsistencies with the proposed amendment and other applicable provisions of Title 21.

SECTION 4

Section 21.90.020(1) Definitions “A” is hereby amended to read as follows:

“…
“Accessory entertainment use” means a use that is incidental to the main use which involves entertainment devices and equipment (e.g., electronic and mechanical games and rides, amplified music, television screens over thirty inch diagonal and similar devices) and live entertainment and performances (e.g., music, dance, comedy act, karaoke).

SECTION 5

Section 21.90.020(18) Definitions “R” is hereby amended to read as follows:

“…

“Restaurant” means a retail business selling food and beverages prepared on the site, for on- or off-premises consumption. These include eating establishments where customers are served from a walk-up ordering counter for either on- or off-premises consumption, and establishments where most customers are served food at tables for on-premises consumption, but may include providing food for take-out. Also includes coffee houses. For permitting purposes, the City categorizes Restaurants as:

- Restaurant - Large Format – Establishments with 51 seats or more.
- Restaurant - Small Format – Establishments with 50 seats or less.

…”

SECTION 6

Section 21.10.030 Table 2-6 allowed uses for Alcoholic beverage sales, on-premises, Restaurants – Large Format, and Restaurants – Small Format is hereby partially amended to read as follows:

“…

TABLE 2-6

<table>
<thead>
<tr>
<th>Allowed Uses and Permit Requirements for Commercial and Manufacturing Zoning Districts</th>
<th>PERMIT REQUIRED BY DISTRICT</th>
<th>Specific Use Regs.</th>
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</thead>
<tbody>
<tr>
<td>LAND USE (1)</td>
<td>CP</td>
<td>C1</td>
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<tr>
<td>AGRICULTURE AND OPEN SPACE USES</td>
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<tr>
<td>Agricultural production</td>
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<tr>
<td>Agricultural produce market, wholesale</td>
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<tr>
<td>Greenhouses, commercial, wholesale only</td>
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<tr>
<td>MANUFACTURING AND PROCESSING USES</td>
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<tr>
<td>Allowed Uses and Permit Requirements for Commercial and Manufacturing Zoning Districts</td>
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<td>CUP</td>
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<tr>
<td>Agricultural products processing</td>
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<tr>
<td>Apparel and fabric products manufacturing</td>
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<tr>
<td>Assembly of prepared materials</td>
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<tr>
<td>Bakery products distribution</td>
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<tr>
<td>Chemical product manufacturing</td>
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<tr>
<td>Concrete, gypsum, and plaster products</td>
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<tr>
<td>Electronics and appliance manufacturing</td>
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<tr>
<td>Food and beverage product manufacturing</td>
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<tr>
<td>Furniture/fixtures manufacturing, cabinet shops</td>
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<td>Fuel storage</td>
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<td>Glass product manufacturing</td>
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<td>Handcraft industries, small-scale manufacturing</td>
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<td>Laundries and dry cleaning plants</td>
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<td>Leather, fur products</td>
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<td>Machinery manufacturing</td>
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<td>Metal products fabrication, machine/welding shops</td>
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<td>Paper product manufacturing</td>
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<td>Petroleum bulk storage</td>
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<td>Plastics, synthetics, rubber products manufacturing</td>
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<td>Recycling – Large collection facility</td>
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<td>Warehousing, wholesaling and distribution facilities</td>
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<td>RECREATION, EDUCATION AND PUBLIC ASSEMBLY USES</td>
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<td>Billiard and pool halls</td>
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<td>Clubs, lodges, membership meeting halls</td>
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<tr>
<td>Building material stores</td>
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<td>Convenience stores</td>
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<tr>
<td>Department stores</td>
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<td>Drive-in and drive-through sales</td>
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<tr>
<td>Drug stores, pharmacies</td>
<td>CUP</td>
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<td>Butcher shops</td>
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<tr>
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SERVICES
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**Allowed Uses and Permit Requirements for Commercial and Manufacturing Zoning Districts**

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<tr>
<th>LAND USE (1)</th>
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<td>Personal services, accessory use</td>
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<td>Personal services, primary use</td>
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<td>Pest control services</td>
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<td>Repair services for consumer products</td>
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<td>Storage, personal self-service (mini-storage)</td>
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TRANSPORTATION AND COMMUNICATIONS USES

<table>
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<td>Heliports</td>
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<td>Parking lots and garages</td>
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<td>Transit stations and terminals</td>
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<td>Vehicle and freight terminals</td>
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<td>Wireless telecommunications facilities (3)</td>
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</table>

Notes:

1. See Chapters 21.66 through 21.84 of this title for land use definitions. See Section 21.02.020 regarding uses not listed.
2. Emergency shelters are limited to no more than 30 occupants per site as a permitted use. Emergency shelters with more than 30 occupants per site are permitted subject to the approval of a CUP.
3. Wireless telecommunications facilities may also be permitted by a conditional use when the planning/building director determines that the project’s complexity or the public interest warrants the referral.
4. On-premises beer and wine sales may be permitted per section 21.10.060.

SECTION 7

Section 21.10.060 is hereby added as follows:

“...21.10.060 Standards for Small Format Restaurants including those providing on-premises beer and wine sales.

(a) Purpose. It is the purpose of this Section to:

1. Streamline the permitting process for small format restaurants including those providing on-premises beer and wine sales to benefit tenants, property managers, and the public.

2. Administratively permit small format restaurants including those proving on-premises beer and wine sales that have little or no negative impacts to the property or commercial center in which they are located or to nearby noise sensitive uses, including all residential uses.

3. Clearly establish standards for Small Format Restaurants including those providing on-site premises beer and wine sales.

4. Clearly establish the parameters in which a permit for a Small Format Restaurant or restaurants providing on-premises beer and wine sales may be revoked.
(b) Applicability. Except as noted in Section 21.10.060(c), all Small Format Restaurants, as defined in Chapter 21.90, shall be subject to the following provisions:

(1) Approval of a Small Format Restaurant Permit by the Planning Director or his/her designee. The Small Format Restaurant Permit shall:

(A) Establish hours of operation;

(B) Establish operating standards that eliminate or minimize nuisance factors (e.g., noise, odors, smoke, waste disposal, loitering, property maintenance, outdoor storage, signage and banners);

(C) Establish operating standards applicable to restaurants that propose to serve on premise beer & wine;

(D) Be reviewed by applicable City Departments prior to issuance;

(E) Be acknowledged and signed by the applicant and property owner/manager prior to issuance;

(F) Be valid for the period of the business license and shall be renewed annually at the time of renewal of the business license;

(G) Be able to be transferred upon closure of the business or change of ownership upon issuance of a new Small Format Restaurant Permit in conjunction with issuance of the business license; and

(H) Not be valid until an on-site inspection has verified compliance with necessary physical improvements for a new Small Format Restaurant. An on-site inspection may or may not be necessary upon renewal subject to the review and approval of the Planning & Building Director.

(2) Issuance of Business License.

(c) The following small format restaurants shall require issuance of a Conditional Use Permit per Chapter 21.36:

(1) Restaurants with accessory entertainment;

(2) Restaurants in the M1-Manufacturing Zone;

(3) Restaurants with drive-thru facilities;

(4) Restaurants with exterior amplified sound (e.g. music, ordering)

(5) Restaurants proposing public operating hours between 12:00 a.m. and 5:00 a.m.

(6) Restaurant openings, such as windows or doors, within 50 feet of a residential property line and, in the opinion of the Planning Director, have the potential to result in negative impacts associated with noise, odors, public access, outdoor use, or involve an operator with a prior enforcement history.

(7) Restaurants that have the potential for heavy parking demand subject to review by the Planning Director.

(8) Except as noted in Section 21.10.060(e), restaurants serving alcohol.

(9) Restaurants that, in the opinion of the Planning Director, have the potential for an impact resulting from issues such as noise, odors, public access, outdoor use, or involve an operator with a prior enforcement history.
(d) Small Format Restaurant Standards. As applicable, the following standards shall apply to small format restaurants. At the discretion of the City, additional standards may be applied to address specific impacts arising from the nature and location of the proposed business subject to a conditional use permit.

(1) Planning Department standards for small format restaurants.
   a. Public operating hours shall be limited to 5:00 a.m. to 12:00 a.m.
   b. Hours of delivery shall be restricted to the hours of 7:00 a.m. to 10:00 p.m. Monday through Saturday, and no time on Sunday or legal holiday.
   c. The number of persons inside the business shall not exceed the maximum occupancy load as determined by the Fire Department. If required by the Fire Department, signs indicating the occupant load shall be posted in a conspicuous place near the main entrance.
   d. Signs for the business shall comply with the sign regulations of the Fountain Valley Sign Code and applicable Shopping Center Sign Program.
   e. The windows of the business shall be free of any obstruction, tinting, or painting, except for window signage as permitted by the Fountain Valley Sign Code.
   f. There shall be no trash dumping from the restaurant between the hours of 10:00 p.m. and 7:00 a.m., seven (7) days a week.
   g. To prevent scavenging, illegal dumping, and to contribute to the general cleanliness of the shopping center, the business shall provide a refuse containment area with a screened and securable gate if not already provided by the property owner. Also, if not already provided by the property owner, exterior signage shall be provided outside of the trash enclosure prohibiting the scavenging of any material from the trash dumpster. Any refuse containment area and signage shall be included in the applicant’s plan check submittal to the Building Department and shall be installed prior to issuance of certificate of occupancy for the restaurant.
   h. To maintain the cleanliness of the shopping center, the restaurant owner shall be responsible for maintaining the area adjacent to their premises, over which they have control, free of litter and graffiti.
   i. The rear and/or side access door(s) (other than the main entrance) must remain closed 24 hours a day and shall only be used in cases of emergencies and deliveries.
   j. The restaurant owner shall comply with Labor Code Section 6404.5 prohibiting smoking in restaurants and public places, such as eating establishments and shall install “No Smoking” signage per the provisions of this statute.
   k. The establishment will not provide any video or arcade games.

(2) Building Department standards for small format restaurants.
   a. Restaurant owner shall comply with California Building Code including requirements for California Disabled Access, Title 24, and grease interceptors.

(3) Police Department standards for small format restaurants.
   a. There shall be no live entertainment within the facility.
   b. Install, and maintain in working order, security cameras to provide visual coverage of the areas available to the public on the inside of the restaurant, as well as the parking area adjacent to the restaurant.
c. The restaurant owner acknowledges that Education Code Section 48200 et. seq. provides that persons between the ages of 6 and 18 are subject to compulsory education and are required to be in school unless exempted. Permittee agrees not to allow the business to become a "hang out" for truants and agrees not to allow youths to congregate or otherwise loiter in or around the business. Permittee shall take reasonable steps to control the conduct of others on this property so that it does not become a nuisance or otherwise disturb the peace and quiet of the neighborhood or peace, health and safety of the community.

d. An alarm system shall be installed and be of a type that sounds a signal when it is activated.

(4) Fire Department standards for small format restaurants.
   a. Restaurant owner shall comply with California Fire Code requirements for Group “A” occupancies, automatic fire sprinklers, premises identification with address numbers, portable fire extinguishers, Knox box, commercial cooking systems, combustible materials, CO2 storage, public assembly permits, exits or exit access doorways, and panic and fire exit hardware.

(5) Public Works Department standards for small format restaurants.
   a. As required by the City Engineer, install a reduced pressure principle device on the domestic water supply line to the buildings and install approved backflow devices for irrigation systems.

(e) On-premises Beer and Wine Standards. The following standards, in addition to the standards for a small format restaurant in section 21.10.060(d) above, shall apply to restaurants that are applying for an on-premises sale of beer and wine license from the California Department of Alcoholic Beverage Control (ABC), which authorizes the sale of beer and wine for consumption on or off the premises where sold. Distilled spirits may not be on the premises (except brandy, rum, or liqueurs for use solely for cooking purposes). Must operate and maintain the licensed premises as a bona fide eating place. Must maintain suitable kitchen facilities, and must make actual and substantial sales of meals for consumption on the premises. Minors are allowed on the premises.

(1) Standards for Small Format Restaurants with on-premises beer and wine sales;
   a. Restaurant owner shall post signage in the restaurant stating, "No person under 21 will be served alcoholic beverages" and "Valid ID is required to purchase alcoholic beverages."
   b. Restaurant owner shall ensure all pertinent employees have obtained Licensee Education on Alcohol and Drugs (LEAD) Certificates and copies of such certificates shall be kept on-site and made available for inspection by a public official upon request.
   c. Food shall be required to be served at all hours that the establishment is open for business.
   d. The quarterly gross sales of alcoholic beverages shall not exceed the gross sales of food during the same period.
e. The sale of alcoholic beverages may not be advertised by signs directed toward persons outside of the building.
f. The operator will ensure that there will be no drinking and/or loitering in the parking lot or within 100 feet of the establishment.
g. No alcoholic beverages shall be consumed on any property adjacent to the licensed premises under the control of the licensee.
h. All requirements of an on-premises beer and wine ABC license and of the City shall be observed at all times. The surrender, lapse, termination, suspension, or payment of a fine in lieu of suspension/termination, of the Alcoholic Beverage License issued for the site by the ABC shall be grounds for revocation of city approvals.

(2) Revocations. If approval for beer and wine sales is revoked or modified per Section 21.10.060(f) and 4.04.100, operator may continue to operate under the provisions of a Small Format Restaurant subject to approval of a revised Small Format Restaurant approval. Also, per Section 4.04.100, if a beer and wine sales permit is revoked, no other application for a permit to carry on a similar business by such a person shall be considered for a period of one year.

(f) Revocation or Modification. A Small Format Restaurant Permit may be revoked or modified per Section 4.04.100 if any one of the following findings of fact can be made:

(1) Circumstances under which the Small Format Restaurant Permit was granted have been changed by the applicant to a degree that the public convenience, health, interest, safety or welfare require the revocation or modification;

(2) The Small Format Restaurant Permit was issued, in whole or in part, on the basis of a misrepresentation or omission of a material statement in the application;

(3) One or more of the requirements of the Small Format Restaurant Permit have not been substantially fulfilled or have been violated;

(4) The improvement/use authorized in compliance with the Small Format Restaurant permit approval is in violation of any code, law, ordinance, regulation or statute of the city, state or federal governments; or

(5) The improvement/use authorized in compliance with the Small Format Restaurant Permit has become detrimental to the public convenience, health, interest, safety or welfare, or the manner of operation constitutes or is creating a nuisance.

(g) Unlawful to operate without approval. It is unlawful for any owner, operator, tenant, or other person in control of property within the city for which the standards set forth in this section apply, to operate a business or land use in a zone requiring a Conditional Use Permit or Small Format Restaurant Permit without such a permit, or to fail to comply with each and every condition of that Conditional Use Permit or Small Format Restaurant Permit.

..."
decision shall not affect the validity of the remaining portions of the ordinance. The City Council declares that it would have passed this ordinance and each and every section, subsection, sentence, clause or phrase not declared invalid or unconstitutional without regard to whether any portion of the ordinance would subsequently be declared invalid or unconstitutional.

SECTION 9

The City Clerk shall certify to the adoption of this ordinance and cause it to be published as required by law. This ordinance shall become effective thirty (30) days after the date of its adoption.

PASSED, APPROVED AND ADOPTED THIS 21ST DAY OF JANUARY, 2020.

ATTEST:

________________________  ________________________
City Clerk                  Mayor

APPROVED AS TO FORM

HARPER & BURNS LLP

___________________________
Attorneys for the City
CITY OF FOUNTAIN VALLEY
SMALL FORMAT RESTAURANT PERMIT

BUSINESS INFORMATION
BUSINESS NAME: ____________________________
ADDRESS: __________________________________
BUSINESS PHONE NUMBER: _____________________

APPLICANT INFORMATION
APPLICANT NAME: ___________________________
BUSINESS PHONE NUMBER: _____________________
APPLICANT EMAIL: ______________________________________________________________________

PLANNING DEPARTMENT USE ONLY
APPLICATION APPROVED PERMIT NUMBER DATE
INSPECTION FINAL APPROVAL INSPECTION FINAL DATE

SMALL FORMAT RESTAURANT PERMIT
(Ref: FVMC 21.10.060)

- THIS PERMIT IS ONLY VALID FOR BUSINESS LISTED ABOVE
- THIS PERMIT SHALL ONLY BE VALID FOR THE PERIOD OF THE BUSINESS LICENSE
- THIS PERMIT MAY BE RENEWED ANNUALLY UPON RENEWAL OF A BUSINESS LICENSE
- THIS PERMIT MAY BE TRANSferred UPON CLOSURE OR CHANGE OF OWNERSHIP UPON ISSUANCE OF A NEW SMALL FORMAT RESTAURANT PERMIT IN CONJUNCTION WITH ISSUANCE OF A BUSINESS LICENSE
- THIS PERMIT SHALL NOT BE VALID UNTIL ISSUANCE OF BUSINESS LICENSE AND AN ON-SITE INSPECTION BY CITY STAFF
- TO SCHEDULE INSPECTION TO VERIFY COMPLIANCE WITH CONDITIONS BELOW PLEASE CALL (714) 593-4425
Planning Department Conditions
1. Public operating hours shall be limited to 5:00 a.m. to 12:00 a.m.
2. Hours of delivery shall be restricted to the hours of 7:00 a.m. to 10:00 p.m. Monday through Saturday, and no time on Sunday or legal holiday.
3. The number of persons in the restaurant and/or outdoor dining area shall not exceed the maximum occupancy load as determined by the Fire Department. If required by the Fire Department, signs indicating the occupant load shall be posted in a conspicuous place near the main entrance and must be posted prior to final inspection and prior to issuance of a certificate of occupancy for the restaurant.
4. Signs for the business shall comply with the sign regulations of the Fountain Valley Sign Code and applicable Shopping Center Sign Program.
5. The windows of the business shall be free of any obstruction, tinting, or painting, except for window signage as permitted by the Fountain Valley Sign Code.
6. There shall be no trash dumping from the facility between the hours of 10:00 p.m. and 7:00 a.m., seven (7) days a week. The applicant shall work with the property owner to have signage installed near the trash dumpster prohibiting trash dumping during the hours of 10:00 p.m. – 7:00 a.m. compliant with FVMC 6.28.050. If not already provided by the property owner, signage shall be installed prior to issuance of a certificate of occupancy for the restaurant.
7. To prevent scavenging, illegal dumping, and to contribute to the general cleanliness of the shopping center, the business shall provide a refuse containment area with a screened and securable gate if not already provided by the property owner. Also, if not already provided by the property owner, exterior signage shall be provided outside of the trash enclosure prohibiting the scavenging of any material from the trash dumpster. Any refuse containment area and signage shall be included in the applicant’s plan check submittal to the Building Department and shall be installed prior to issuance of certificate of occupancy for the restaurant.
8. To maintain the cleanliness of the shopping center, the restaurant owner shall be responsible for maintaining the area adjacent to their premises over which they have control free of litter.
9. The restaurant owner shall be responsible for maintaining the premises free of graffiti.
10. The rear and/or side access door(s) (other than the main entrance) must remain closed 24 hours a day and shall only be used in cases of emergencies and deliveries.
11. The restaurant owner shall comply with Labor Code Section 6404.5 prohibiting smoking in restaurants and public places, such as eating establishments and shall install "No Smoking" signage per the provisions of this statute.
12. The establishment will not provide any video or arcade games.

Building Department Conditions
13. Install, maintain and provide for all California Disabled Access compliance per the California Building Code and the Division of State Architect. No encroachment into the disabled path of travel is allowed under any condition with the exception of emergency vehicles and personnel.
14. Projects must comply with the California Code of Regulations, Title 24; Fountain Valley Ordinances, and California law in effect at the time of plan submittal.
15. Existing buildings which cannot meet current standards for disabled access, may be required to consult a Disabled Access Consultant to verify unreasonable hardship status or to provide alternative means of compliance.

16. As deemed necessary by the Building Official, a grease interceptor shall be installed and sized per Section 1014 of the California Plumbing Code as adopted by the City of Fountain Valley in conformance with Chapter 14.38 of the Fountain Valley Municipal Code.

17. Grease interceptors are to be maintained in proper working order. Interceptors are to be inspected and accumulated fats, oils, and grease removed every three months at minimum. High use and/or production of fats, oils, or grease may mandate more frequent treatment. Records must be generated and remain onsite for all maintenance procedures for a minimum of three years. Records shall be made available upon request to Orange County Environmental Health Care Agency representatives and City Officials. Operation and maintenance shall comply with Fountain Valley Municipal Code Chapters 14.36, Sewers; and Chapter 14.40, Stormwater Regulations.

**Police Department Conditions**

18. There shall be no live entertainment within the facility.

19. Install security cameras around the premises and maintain them in working order. These cameras should include, but are not limited to, visual coverage of the areas available to the public on the inside of the restaurant, as well as the parking area adjacent to the restaurant. These cameras will have high resolution and low-light capability; video from all cameras will be recorded and made available to the Police Department upon request.

20. The restaurant owner acknowledges that Education Code Section 48200 et. seq. provides that persons between the ages of 6 and 18 are subject to compulsory education and are required to be in school unless exempted. Permittee agrees not to allow the business to become a "hang out" for truants and agrees not to allow youths to congregate or otherwise loiter in or around the business. Permittee shall take reasonable steps to control the conduct of others on this property so that it does not become a nuisance or otherwise disturb the peace and quiet of the neighborhood or peace, health and safety of the community.

21. An alarm system shall be installed and be of a type that sounds a signal when it is activated.

**Fire Department Conditions**

22. Group B and/or A2 occupancies shall comply with 2016 California Fire Code (CFC), 2016 California Building Code (CBC), and current Fountain Valley Municipal Code (FVMC).

23. Automatic Fire Sprinkler Systems. An automatic fire sprinkler system shall be provided in accordance with the 2016 California Building Code and for “A” occupancies of occupant loads over 99 or 3,500 square feet or larger.

24. Premise Identification. Approved numbers or addresses shall be provided for all new and existing buildings in such a position as to be plainly visible and legible from the street or road fronting the property. CFC 505.1

25. Portable Fire Extinguishers. Provide one 2A10BC State Fire Marshal tagged fire extinguisher for every 3000 square feet of floor area. Travel distance not to exceed 75 feet. CFC 906.3

26. Knox Box. Where access to or within a structure or area is restricted because of secured openings or where immediate access is necessary for life-saving or firefighting purposes, the fire code official is authorized to require a key box to be installed in an approved location. The key box shall be of an approved type and shall contain keys to gain necessary access as required by the fire code official. CFC 506.1
27. Commercial Cooking Systems. All existing dry chemical and wet chemical extinguishing systems shall comply with UL 300. Commercial cooking equipment that produces grease laden vapors shall be provided with a Type 1 Hood, in accordance with the California Mechanical Code, and an automatic fire extinguishing system that is listed and labeled for its intended use. CFC 904.11

28. Combustible Materials. All drapes, hangings, curtains, drops and all other decorative material, including Christmas trees that would tend to increase the fire and panic hazard. These materials may also include natural and artificial decorative vegetation. These materials shall be made from a nonflammable material, or shall be treated and maintained in a flame-retardant condition by means of a flame-retardant solution or process approved by the State Fire Marshal. The State Fire Marshal seal shall be attached to these items or a certificate of flame retardancy shall be provided to the Fire Department. CCR Title 19, Division 1, Section 3.08

29. CO2 storage. If more than 100 lbs. of CO2 storage is used, the following requirements apply.
   a. Provide a monitoring system for CO2 storage.
   b. See CFC Section 5307, California Health and Safety Code 6.95 and NFPA 55.
   c. Submit plans to FVFD and FVBD.
   d. An annual fire permit will be required.
   e. Electronic filing with the state website “CERS” is mandatory.
   f. An assembly permit will be issued after final inspection and every year thereafter.

30. Permits. Secure a permit to operate a Public Assembly from the Fire Department. CFC 105

31. Exits or exit access doorways. Where two exits or exit access doorways are required from any portion of the exit access, the exit doors or exit access doorways shall be placed a distance apart equal to not less than one-half of the length of the maximum overall diagonal dimension of the building or area to be served measuring a straight line between exit doors or exit access doorways. CFC [B] 1015.2.1

32. Panic and fire exit hardware. Doors serving rooms or spaces with an occupant load of 50 or more in a Group A occupancy, shall not be provided with a latch or lock unless it is panic hardware or fire exit hardware listed in accordance with UL 305. CFC [B] 1008.1.10

Public Works Department Conditions

33. Install a reduced pressure principle device on the domestic water supply line to the buildings as required by the City Engineer.

34. Install approved backflow devices for irrigation systems as required by the City Engineer.

35. Pay a Traffic Impact Fee in the amount of $59 per net increase in vehicle trips ends generated by subject development as determined by City Engineer. The developer may, at its cost, contract the services of a Registered Traffic Engineer to prepare a trip generation analysis study for purposes of identifying the net increase in vehicle trip ends. The results of such study shall be subject to the approval of the City Engineer. No reduction for linked trips is allowed.


BY SIGNING BELOW, THE APPLICANT ACKNOWLEDGES ACCEPTANCE OF THE BENEFITS OF THIS PERMIT AND AGREES TO WAIVE ANY RIGHT TO LATER CHALLENGE ANY CONDITION(S) IMPOSED AS UNFAIR, UNNECESSARY, OR UNREASONABLE.
By checking this box, I certify that I am not applying for an alcohol license through the City or with Alcoholic Beverage Control with my Small Format Restaurant Permit.

SMALL FORMAT RESTAURANT PERMIT

WITH BEER/WINE SALES

If applying for an On-premises Beer and Wine License, the following conditions apply in addition to the conditions above for a Small Format Restaurant

On-premises Beer & Wine Sales Conditions

36. The Applicant shall post a prominent, permanent sign or signs stating, "No person under 21 will be served alcoholic beverages" and "Valid ID is required to purchase alcoholic beverages." These signs shall be included in the applicant’s plan check submittal to the Building Department and shall be installed prior to issuance of a certificate of occupancy.

37. The applicant shall ensure all pertinent employees have obtained Licensee Education on Alcohol and Drugs (LEAD) Certificates and copies of such certificates shall be kept on-site and made available for inspection by a public official upon request.

38. Food shall be required to be served at all hours that the establishment is open for business.

39. The quarterly gross sales of alcoholic beverages shall not exceed the gross sales of food during the same period.

40. The sale of alcoholic beverages may not be advertised by signs directed toward persons outside of the building.

41. The operator will ensure that there will be no drinking and/or loitering in the parking lot or within 100 feet of the establishment.

42. No alcoholic beverages shall be consumed on any property adjacent to the licensed premises under the control of the licensee.

43. All requirements of a Type 41 ABC License and the City shall be observed at all times and such requirements shall be a condition of approval. The surrender, lapse, termination, suspension, or payment of a fine in lieu of suspension/termination, of the Alcoholic Beverage License issued for the site by the ABC shall be grounds for revocation of the CUP.


BY SIGNING BELOW, THE APPLICANT ACKNOWLEDGES ACCEPTANCE OF THE BENEFITS OF THIS PERMIT AND AGREES TO WAIVE ANY RIGHT TO LATER CHALLENGE ANY CONDITION(S) IMPOSED AS
UNFAIR, UNNECESSARY, OR UNREASONABLE.

__________________________ / __________________________
Date Applicant Sign/Print

__________________________ / __________________________
Date Property Owner Sign/Print
Notice of Exemption

TO: Office of Planning and Research
    P.O. Box 3044, Room 113
    Sacramento, CA 95812-3044

FROM: City of Fountain Valley
    Planning Department
    10200 Slater Avenue
    Fountain Valley, CA 92708

County Clerk
County of Orange
12 Civic Center Plaza
Santa Ana, CA 92701

Project Title: Code Amendment No. 19-08
Project Location/Address: Citywide


Public Agency Approving Project: City of Fountain Valley, Orange County, California

Project Applicant: City of Fountain Valley, Planning Department
Project Applicant’s Address: 10200 Slater Ave, Fountain Valley, CA 92708 Phone Number: 714-593-4425

Exempt Status: (check one):

☐ Ministerial (Sec. 21080 (b)(1); 15268);
☐ Declared Emergency (Sec. 21080 (b)(3); 15269 (a));
☐ Emergency Project (Sec. 21080 (b)(4); 15269 (b) (c));
☒ Categorical Exemption. State type and section number: 15060(c)(2), 15061(b)(3)
☐ Statutory Exemptions. State code number: 

Reasons why project is exempt:

CEQA Guidelines allows for exemptions for activities that will not result in a direct or reasonably foreseeable indirect physical change in the environment [15060(c)(2)] and if there is no possibility the activity in question may have a significant affect on the environment [15061(b)(3)].

The project will amend the city review process to allow Small Format Restaurants, including those that serve beer/wine, that pose little or no negative impacts to the property or commercial center in which they are located or to nearby sensitive uses, and that follow standards outlined in the amendment, subject to an administrative permit.

Lead Agency
Contact Person: Steven Ayers, Principal Planner
Contact Phone: 714-593-4431

If filed by applicant:
1. Attach certified document of exemption finding.
2. Has a Notice of Exemption been filed by the public agency approving the project?: ☐ Yes ☐ No

Signature: ___________________________ Date: 12/11/19 Title: Principal Planner
☐ Signed by Lead Agency ☐ Signed by Applicant
To: Honorable Mayor and Members of the City Council  
Agenda Date: January 21, 2020

Subject: Authorization of Distribution of a Proposition 218 Notification Regarding a Proposed Residential Trash Collection Rate Increase

EXECUTIVE SUMMARY:

During study sessions on November 5, 2019 and November 19, 2019, Republic Services presented on Assembly Bill (AB) 1594 and on the options available to the City to comply with this State mandate. As of January 1, 2020, AB 1594 disallows the City from counting the green waste that is disposed and used as daily cover at the landfill towards mandated diversion requirements. Of the five options to dispose of and process green waste presented by Republic Services at the study sessions, the land application option is the most cost effective and compliant method for disposing of and processing green waste material that will apply to the City’s diversion requirements.

Initially, Republic Services proposed a monthly residential rate of $22.69 per household, which represented a $1.87 per month increase over the current rate. The proposed rate increase was reviewed by the Finance Department and Michael Balliet Consulting, LLC, an independent solid waste industry expert. Ultimately, City Staff and Republic Services agreed upon a request to increase the monthly residential trash rate by $0.98, which corresponds to the estimated costs associated with the recommended land application process. The current monthly residential rate is $20.82 and senior discount rate is $18.40. If approved, the new residential trash collection monthly rate would be $21.80 and senior discount monthly rate would be $19.38.

It is recommended that the City Council authorize staff to distribute a notification regarding proposed residential trash collection rate increase of $0.98 in compliance with Proposition 218.

DISCUSSION:

In 2014 the State passed AB 1594 to reduce organic waste disposed in landfills in an effort to reduce the amount of methane, a greenhouse gas, that is produced from the degradation of green waste. As of January 1, 2020, AB 1594 disallows the City from counting green waste that is generated in the city that is used as alternative daily cover at landfills towards its waste diversion rate requirements. The waste diversion rate is the volume of trash generated per resident and is calculated annually by CalRecycle.
Currently the City’s target is 6.9 pounds per person per day. In 2018, the City met this goal at 5.9 lb./person/day; however, CalRecycle calculates that if the City’s green waste continues to be disposed at the landfill, the City’s waste diversion rate will be within .1 lb./person/day of the waste diversion mandate. If a program to divert the green waste material from the landfill is not implemented, the City may not meet the diversion requirement and be subject to enforcement actions by CalRecycle.

During the two study sessions Republic Services presented five options to dispose of and process green waste. From the lowest cost to the most expensive, the options were as follows:
1) Do nothing and dispose of green waste as trash
2) A hybrid model to dispose half as trash and land apply the other half
3) Land application of all of the material
4) Compost
5) Anaerobic digestion.

Of these five options the most cost effective and compliant option is to land apply the material. This option is a process that requires additional labor to sort and screen the material to .5% contamination, grind the material, and transport it to a 300-acre facility in Los Alamitos where it is tilled into the soil as a soil amendment.

Initially, Republic Services proposed a monthly residential rate of $22.69 per household, which represented a $1.87 per month increase over the current rate. The proposed rate increase was reviewed by the Finance Department and Michael Balliet Consulting, LLC, an independent solid waste industry expert. Ultimately, City Staff and Republic Services agreed-upon a request to increase the monthly residential trash rate by $.98, which corresponds to the estimated costs associated with the recommended land application process.

The following shows the agreed-upon rate components, annual cost increase on a per ton basis and costs attributable to each household:

<table>
<thead>
<tr>
<th>Rate Component Per Ton</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRF Processing Cost</td>
<td>$29.62</td>
<td>$30.25</td>
</tr>
<tr>
<td>Green Waste Diversion</td>
<td>16.66</td>
<td>40.19</td>
</tr>
<tr>
<td>Host Fee</td>
<td>0.92</td>
<td>1.32</td>
</tr>
<tr>
<td>Sub-Total Per Ton</td>
<td>$47.20</td>
<td>$71.76</td>
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<tr>
<td>Negotiated Annual Per-Ton Increase</td>
<td></td>
<td>$24.56</td>
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<tr>
<td>Annual Residential Green Waste Tons</td>
<td></td>
<td>6,884</td>
</tr>
<tr>
<td>Annual Cost Increase</td>
<td></td>
<td>$169,071.04</td>
</tr>
<tr>
<td>Residential Households</td>
<td></td>
<td>14,347</td>
</tr>
</tbody>
</table>
Per Household Per Year Amount $11.78
Monthly Cost Increase per Household $0.98

The current monthly residential rate is $20.82 and senior discount rate is $18.40. If approved, the new residential trash collection monthly rate would be $21.80 and senior discount monthly rate would be $19.38.

Staff has prepared the "Notice of Public Protest Hearing Regarding Proposed Residential Trash Collection Rate Increase" in accordance with Proposition 218 requirements. Notices will be distributed by a separate mailing with the format and content shown on the attached Draft "Notice of Public Protest Hearing." Once distributed, there will be a minimum 45-day period prior to the Public Protest Hearing wherein affected customers can protest the rate increase. Townhomes and attached dwellings up to five units are considered residential accounts. Only if a majority of customers (at least 50% plus 1) file written protests to the proposed rate increases will it be defeated by a Proposition 218 "vote." Absent the majority protest, the City Council can move forward with its consideration of the proposed rate increase. The proposed date of the Public Protest Hearing will be at the regular City Council Meeting March 17, 2020. The proposed rate, if adopted by the Council would be effective immediately following approval of the City Council at the Public Protest Hearing during the regular City Council Meeting on March 17, 2020.

FINANCIAL ANALYSIS:

Republic Services will pay for the printing and mailing of the Prop. 218 notice. There is no fiscal impact to the General Fund.

ATTORNEY REVIEW:

The Attorney for the City has reviewed and approved the proposed procedure and Draft "Notice of Public Protest Hearing" as it pertains to Proposition 218 requirements.

PUBLIC NOTIFICATION:

This item was noticed publicly as a Council agenda item for action in accordance with rules and regulations regarding noticing of public meetings and agendized items and topics for discussion and/or action. In advance of the March 17, 2020 Public Protest Hearing, the City Clerk will notice the item in accordance with the laws and regulations relating to posting of public hearings.

ALTERNATIVES:

Alternative No. 1: Authorize Staff to Distribute Public Hearing Notices Regarding Proposed Residential Trash Collection Rate Increase in
Compliance with Proposition 218. This is the recommended action.

**Alternative No. 2:** Do not authorize staff to distribute a notification regarding the proposed increase. This is not the recommended action as this notice is required to comply with Proposition 218 for rate increases. If the City does not consider rate increases to cover the aforementioned costs, the City may not achieve trash diversion mandates and be subject to enforcement actions by the regulatory agency, CalRecycle.

**Alternative No. 3:** Direct staff to prepare alternations to the attached draft “Notice of Public Protest Hearing.” This is not recommended. Staff and a consultant have diligently worked to negotiate a rate that is fair and appropriate.

**Alternative No. 4:** Direct staff to implement an alternate method of disposing of and processing green waste material. This is not recommended. The land application method is the most cost effective and compliant option.

**RECOMMENDED ACTION:**

It is recommended that the City Council approve Alternative No. 1, which is Authorize Staff to Distribute Public Hearing Notices Regarding Proposed Residential Trash Collection Rate Increase in Compliance with Proposition 218.

Prepared by: Loriana Hornik, Environmental Services Administrator

Approved by: Temo Galvez, Acting Director of Public Works/City Engineer

Fiscal Review by: Jason Al-Imam, Finance Director/Treasurer

Approved by: Rob Houston, City Manager

Attachment 1: Rate Increase Request from Republic Services
Attachment 2: Draft Notice of Public Protest Hearing
NOTICE OF PUBLIC PROTEST HEARING REGARDING PROPOSED RESIDENTIAL TRASH COLLECTION RATE INCREASE

NOTICE is hereby given that the City Council of the City of Fountain Valley will conduct a public protest hearing on **Tuesday, March 17, 2020, at 6:00 p.m.**, in the City Council Chambers, 10200 Slater Avenue, Fountain Valley, to consider an increase in residential trash collection rates. If approved, the new rate would be effective immediately.

The proposed residential trash collection rate increase by Republic Services is to comply with California Assembly Bill 1594 (AB 1594). AB 1594 was passed to reduce organic waste, including green waste, from being disposed in landfills. In an effort to comply with this mandate, green waste must be processed and diverted from landfills. Republic Services, the City’s franchised waste hauler and recycling company, proposes a green waste processing rate increase by $0.98 to pay for increased costs that will incur to comply with this law. The current residential trash collection rate is $20.82 per household per month. If approved, the new residential trash collection rate would be $21.80 per household per month. The current senior citizen discount rate is $18.40 per household per month. If approved, the new senior citizen discount rate would be $19.38 per household per month.

The charge is imposed bimonthly and collected through water bills.

Questions or comments regarding the proposed rate may be directed to the City of Fountain Valley Public Works Department at (714) 593-4441 or by e-mail at fvproudfountainvalley.org.

Under Proposition 218, protests to the proposed increase in residential trash collection rates must be delivered in writing to the City Clerk, City of Fountain Valley, 10200 Slater Avenue, Fountain Valley, CA, 92708, prior to the conclusion of the Public Protest Hearing on March 17, 2020. Please include the Fountain Valley address of the affected property with any correspondence.
January 9, 2020

Rob Houston
City Manager
City of Fountain Valley
10200 Slater Ave
Fountain Valley, CA 92708

RE: 2020 Recycling & Solid Waste Change in Compensation for AB1594 – Green Material Used as ADC (Alternative Daily Cover)

Dear Mr. Houston,

Rainbow Disposal Inc., Co., a Republic Services Company is requesting a rate adjustment to compensate for processing changes required by California AB1594.

In Orange County, green waste material is sent to landfills as alternative daily cover (ADC) and up until December 31, 2019 counted as diversion. ADC covers the landfill each night and control vectors, fires, odors, blowing litter and scavenging.

In 2014, AB1594 was passed to help reduce the amount of organic materials going to the landfills by disallowing diversion credit for use of green waste as ADC beginning January 1, 2020. Green waste will not be counted and charged as municipal waste if not composted.

Cost models and rate recovery fees have been provided to the City reflecting a $.98 increase allocated to Residential accounts only. Republic Services respectfully requests the implementation of the City of Fountain Valley’s change in compensation to be made timely as close to January 1, 2020 as possible.

Thank you for the opportunity to serve the recycling and solid waste needs of the City of Fountain Valley. Please let us know if you have questions or comments.

Sincerely,

[Signature]

Chris Kentopp, General Manager
Republic Services
CITY OF FOUNTAIN VALLEY
CITY COUNCIL
COUNCIL ACTION REQUEST

TO: Honorable Mayor and Members of the City Council

Agenda Date: January 21, 2020

SUBJECT: Opposition to the Modified Regional Housing Needs Assessment Approved by the SCAG Regional Council on November 7, 2019, and by the State Department of Housing and Community Development on January 13, 2020

DISCUSSION:

California State housing law requires that each city plan for existing and future housing needs in accordance with the outcome of the Regional Housing Needs Assessment (RHNA) process.

In late August, 2019, the California Department of Housing and Community Development (HCD) provided a draft regional housing allocation for the Southern California Association of Governments (SCAG) region of 1,344,740 housing units. Several jurisdictions, including the City of Fountain Valley, and SCAG objected to that allocation and, on October 15, 2019, HCD revised the regional allocation downward by 2,913 units to 1,341,827 units.

SCAG is responsible for developing a uniform methodology for the distribution of HCD’s RHNA allocation to member jurisdictions for the current 6th cycle RHNA, covering the period from October 2021 through October 2029. The process for developing the methodology to distribute the RHNA allocation is required to be transparent and collaborative. SCAG staff followed this requirement and, over the past year, provided multiple opportunities for engagement, including detailed analysis of three draft allocation methodologies. Based in part on stakeholder input, SCAG staff developed a single recommended RHNA allocation methodology, which was introduced in September 2019 at a public workshop, subsequently reviewed and approved by both the SCAG RHNA Subcommittee and the SCAG Community, Economic and Human Development (CEHD) Committee, and finally recommended for SCAG Regional Council approval before submittal to HCD.

However, at the November 7, 2019, meeting of the SCAG Regional Council to consider the recommended RHNA allocation methodology, a substitute motion was made by the City of Riverside introducing a modified RHNA methodology, which effectively shifted a significant portion of the 6th cycle RHNA allocation away from developing areas in Riverside and San Bernardino Counties to the largely developed coastal areas, mainly into Orange County. Ignoring the recommendation of its staff and the significant public vetting process, a majority of SCAG’s
Regional Council voted to accept the substitute motion without full discussion allowed. The substitute motion was opposed by the City’s representatives and the other Orange County cities. As it stands, the new draft methodology results in 4,756 units that the City of Fountain Valley would need to accommodate (not build, but ensure zoning capacity for). This is a much larger RHNA allocation than anticipated, and much larger than the version originally offered by SCAG staff (1,371 units). The modified methodology increases the City’s housing target by 1,228.5% over the current RHNA allocation (358 units) without regard for feasibility, infrastructure capacity, land availability, community desires, market realities, fiscal considerations, construction costs, and sound planning and growth principals.

Despite the fact that these serious procedural and practical issues were communicated to the State by Fountain Valley and numerous other coastal communities, on January 13, 2020, HCD approved the draft SCAG RHNA Methodology.

It is not clear that the City will be able to find space for these units, let alone space that will be accepted by HCD when they review the Housing Element for compliance with State housing law. As a reminder, the Housing Element must be approved by October 2021 and will be created as a part of the ongoing General Plan Update. Through this update process, Staff will work with the housing consultant, General Plan Advisory Committee (GPAC), Planning Commission, City Council, and the community to develop scenarios that attempt to address the RHNA allocation.

It should be noted that on January 1, 2020, a package of new housing bills became effective that greatly expanded the ability to develop accessory dwelling units (ADUs). The new laws allow three units on every single-family lot (the main house, an ADU, and a Junior ADU) and ADUs in multi-family developments. These laws create a capacity for roughly 26,000 new units in the City of Fountain Valley. The only likely feasible scenario in which the City’s RHNA allocation will be achieved is if HCD allows cities to assume ADUs (none of which now need be owner-occupied) to accommodate a large proportion of the City’s RHNA allocation.

It should also be stressed that the City of Fountain Valley is in full compliance with the 5th cycle housing element and RHNA allocation and all State housing laws and has not denied an application for housing or ADUs. The City has also approved an application for the development of 50 units of affordable housing to the extremely, very, and low income categories and an affordable housing agreement to loan the developer $8.2 million dollars from the Low Moderate Income Housing Asset Fund (equating to 75% of the fund’s total assets) for property acquisition and development costs. Unfortunately, this project was not awarded the desired 9% tax credits from the State Tax Credit Allocation Committee (TCAC) in 2019 and is in the process of re-applying.

The attached Resolution expresses the Council’s opposition to the RHNA allocation because of the manner in which it was approved and that it sets forth unrealistic requirements. The result of this is that the City of Fountain Valley and other Orange County jurisdictions are now effectively set up to fail to achieve compliance with State housing laws.
PUBLIC NOTICE:

The standard City Clerk’s agenda notification process was used for this item.

FINANCIAL ANALYSIS:

There is no fiscal impact associated with approving the proposed Resolution.

ATTORNEY REVIEW:

The Attorney for the City has reviewed the attached ordinance.

ALTERNATIVES:

1. Adopt the Resolution Opposing the Modified Reginal Housing Needs Assessment Approved by the SCAG Regional Council on November 7, 2019, and by the State Department of Housing and Community Development on January 13, 2020, and direct staff to notify HCD of the Council’s action and to develop and report on strategies to respond to the current RHNA allocation through the General Plan Update.

2. Do not adopt the proposed Resolution and provide Staff with direction.

3. Modify the proposed Resolution and provide Staff with direction.

RECOMMENDATION:

Staff recommends that the City Council select Alternative No. 1: Adopt the Resolution Opposing the Modified Regional Housing Needs Assessment Approved by the SCAG Regional Council on November 7, 2019, and by the State Department of Housing and Community Development on January 13, 2020, and direct staff to notify HCD of the Council’s action and to develop and report on strategies to respond to the current RHNA allocation through the General Plan Update.

Prepared By: Brian James, Planning and Building Director

Fiscal Review by: Jason Al-Imam, Finance Director/Treasurer

Approved by: Robert Houston, City Manager

Attachment 1: Resolution Opposing the Modified Regional Housing Needs Assessment Approved by the SCAG Regional Council on November 7, 2019, and by the State Department of Housing and Community Development on January 13, 2020.
Attachment 2: Letter from the Mayor of the City of Fountain Valley dated December 19, 2019, urging HCD to reject the Draft RHNA allocation methodology approved by SCAG on November 7, 2019.
RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FOUNTAIN VALLEY OPPOSING THE MODIFIED REGIONAL HOUSING NEEDS ASSESSMENT METHODOLOGY APPROVED BY THE SCAG REGIONAL COUNCIL ON NOVEMBER 7, 2019, AND BY THE STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT ON JANUARY 13, 2020

WHEREAS, California State housing law requires that each city and county plan for existing and future housing needs in accordance with the outcome of the Regional Housing Needs Assessment (RHNA) process; and

WHEREAS, the Southern California Association of Governments (SCAG) is responsible for developing a uniform methodology for the distribution of the RHNA allocation among member cities and counties; and

WHEREAS, as required by Government Code 65584.04(d), a transparent and collaborative approach to regional planning involving opportunity for informed stakeholder input and thoughtful deliberation is critical to achieving desirable and equitable outcomes; and

WHEREAS, SCAG staff’s process to develop the allocation methodology for the 6\textsuperscript{th} cycle RHNA, covering the planning period from October 2021 through October 2029, included multiple opportunities for stakeholder engagement, including detailed analysis of three draft allocation methodologies during a series of public meetings and hearings over an approximately year-long effort; and

WHEREAS, based in part on stakeholder input, SCAG staff developed a single recommended RHNA allocation methodology, which was introduced in September 2019 at a public workshop, subsequently reviewed and approved by both the SCAG RHNA Subcommittee and the SCAG Community, Economic and Human Development (CEHD) Committee, and finally recommended for SCAG Regional Council approval before submittal to the California Department of Housing and Community Development (HCD); and

WHEREAS, at the November 7, 2019, meeting of the SCAG Regional Council to consider the recommended RHNA allocation methodology, a substitute motion was made by the City of Riverside introducing a modified RHNA methodology, which effectively shifted a significant portion of the 6\textsuperscript{th} cycle RHNA allocation away from developing areas in Riverside and San Bernardino Counties to the largely developed coastal areas, mainly into Orange County; and

WHEREAS, the modified RHNA allocation methodology was approved for submittal to HCD by the SCAG Regional Council on a contested vote of 43-19 (opposed by all Orange County SCAG representatives) in violation of procedural by-laws and despite a lack of detailed regarding the associated impacts of the proposed methodology changes, supporting documentation, and opportunity for informed input; and

WHEREAS, the City of Fountain Valley did not receive advance notice that SCAG would entertain a substantially modified methodology. To the contrary, SCAG consistently recommended certain methodologies upon which the City of Fountain Valley relied in developing its plans and position on the RHNA allocation process; and
WHEREAS, the modified RHNA allocation fails to take into account the first of three major objectives of the RHNA process as described by HCD: “…increase the housing supply and the mix of housing types, tenure (rental or ownership), and affordability in all cities and counties within the region in an equitable manner;” and

WHEREAS, the modified methodology fails to account for local input and growth forecast data and, due to the late introduction by substitute motion, was unable to be analyzed for potential impacts by SCAG staff before the vote of the Regional Council; and

WHEREAS, the modified methodology would increase the City’s housing target by 1,228.5% over the current RHNA allocation without regard for feasibility, infrastructure capacity, land availability, community desires, market realities, fiscal considerations, construction costs, and sound planning and growth principals; and

WHEREAS, the ramifications of this abrupt, unvetted, and non-transparent shift in methodologies must also be viewed in the context of recently passed State housing laws with which local jurisdictions are obligated to comply. These include SB 35 streamlining requirements that preempt local land use authority over residential development applications proposing affordable housing for jurisdictions that fail to make sufficient progress toward meeting their RHNA allocations; and

WHEREAS, pursuant to Government Code Section 65584.04(i), HCD is required to review the draft RHNA methodology submitted by SCAG to determine whether the methodology furthers the statutory objectives described in Government Code Section 65584(d); and

WHEREAS, despite the fact that these serious procedural and practical issues were communicated to the State by Fountain Valley and numerous other coastal communities, on January 13, 2020, HCD found that the draft SCAG RHNA Methodology furthers the five statutory objectives of RHNA; and

WHEREAS, on January 1, 2020, a package of new housing bills became effective that greatly expanded the ability to develop accessory dwelling units (ADUs). The new laws allow three units on every single-family lot (the main house, an ADU, and a Junior ADU) and ADUs in multi-family developments. These laws create a capacity for roughly 26,000 new units in the City of Fountain Valley; and

WHEREAS, the only feasible scenario in which the RHNA allocation will be achieved is if HCD allows cities to assume ADUs to accommodate a significant proportion of the City’s RHNA allocation; and

WHEREAS, the City of Fountain Valley is in full compliance with the 5th cycle housing element and RHNA allocation and all State housing laws and has not denied an application for housing or ADUs; and

WHEREAS, the City of Fountain Valley is expending significant local resources to address housing and recently approved an application for the development of 50 units of affordable housing to the extremely, very, and low income categories and an affordable housing agreement to loan the developer $8.2 million dollars from the Low Moderate Income Housing Asset Fund (equating to 75% of the fund’s total assets) for property acquisition and development costs. Unfortunately, this project was not awarded the desired 9% tax credits from the State Tax Credit Allocation Committee (TCAC) in 2019 and is in the process of re-
applying; and

WHEREAS, because the modified RHNA allocation methodology approved by the SCAG Regional Council and by HCD sets forth unrealistic requirements, the City of Fountain Valley and other Orange County jurisdictions are now effectively set up to fail to achieve compliance with State housing laws.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

SECTION 1

The recitals provided in this Resolution are true and correct and are incorporated into the operative part of this Resolution.

SECTION 2

As evidenced by full compliance with housing laws, full support of housing development, and financial assistance to further affordable housing goals, the City Council is a strong advocate for the development of housing, including affordable housing. The City Council is also a strong advocate for local control and intelligent planning as the best means to protect the City of Fountain Valley, its residents and businesses, ensure sound growth, comply with regional planning efforts, and promote the various goals and priorities of the community. The modified RHNA allocation methodology, the manner in which it as approved by the SCAG Regional Council, and the failure of HCD to consider these serious concerns undermine the integrity of what is mandated to be a collaborative RHNA process and the months of good-faith discussion and public input and pose a significant threat of lasting damage to the region and the City of Fountain Valley.

SECTION 3

The City Council hereby publically states its opposition to the modified RHNA allocation methodology approved by the SCAG Regional Council and HCD, and that it will seek all means to address this injustice, and that HCD must allow a significant proportion of the vast potential of ADUs to account for new housing and affordable housing in the 6th cycle RHNA.

SECTION 4

The City Council hereby authorizes and directs the Planning and Building Director to notify HCD of the Council’s action and to develop and report on strategies that respond to the current 6th cycle RHNA allocation through the General Plan Update process.

PASSED, APPROVED and ADOPTED this 21st day of January, 2020, by the following vote:

AYES:
NAYS:
ABSENT:
ABSTAIN:

__________________________________
Cheryl Brothers, Mayor

ATTEST:
Rick Miller, City Clerk

APPROVED AS TO FORM

HARPER & BURNS LLP

Colin Burns
Attorney for the City
December 19, 2019

Doug McCauley, Acting Chair
California Department of Housing and Community Development
2020 West El Camino Avenue
Sacramento, CA 95833

Subject: SCAG’s Draft RHNA Allocation Methodology

Dear Mr. McCauley:

The City of Fountain Valley urges the Department of Housing and Community Development (HCD) to reject the Draft Regional Housing Needs Assessment (RHNA) allocation methodology approved by the Southern California Association of Governments (SCAG) on November 7, 2019. The basis for this objection is that the proposed methodology:

1. Failed to meet the requirements for public engagement per GC 65584.04(d)
2. Does not result in fair-share distribution
3. Generates an allocation that is unrealistic without unprecedented reliance on ADUs

1) Failed to meet the requirements for public engagement per GC 65584.04(d)

The latest methodological change was unveiled and approved without adequate warning, public vetting, or discussion. Furthermore, the substitute methodology was approved against the recommendation of SCAG staff without full discussion allowed (except for a few key cities that supported the amendment). The adoption process did not permit the November 7, 2019, attendees or their staff any time to review and provide input. Certainly, the substitute methodology was not evaluated and vetted in any systematic manner like the methodology proposed by SCAG staff and relied upon by member cities.

2) Does not result in fair-share distribution

The purported rational for shifting units from inland counties was to put people closer to jobs and transit. Accordingly, the methodology distributes existing need based upon 50% job
accessibility and 50% of share of population within a High Quality transit Area (HQTA). However, this rationale is distorted in the proposed methodology by the:

a) **Income/social equity distribution.** This factor reallocated a portion of RHNA allocations from “extremely disadvantaged communities” (defined as jurisdictions where 50% or more of the population live in very low resource census tracts) to other jurisdictions. This methodology ignores the scale of jurisdictions and assigns a RHNA allocation for Fountain Valley that is 50% greater than that of Santa Ana, despite the following facts:

   i) Fountain Valley is 1/3 of the physical size and contains 1/6 of the population of Santa Ana.

   ii) Santa Ana has roughly the same number of households with incomes above $100,000 (17,814) as the total number of households in Fountain Valley (18,527, 2017 ACS).

b) **Transit access distribution.** This factor allocates projected need based on where residents are projected to live within an HQTA in 2045. Applications of this methodology appear to treat all transit areas equally and do not encourage job-rich jurisdictions to expand transit areas.

   i) When SCAG increased the size of HQTAs from ¼-mile to ½-mile, it did not account for the potential within those expanded areas. In absolute and proportional terms, Santa Ana has far more land within HQTAs—nearly the entirety of Santa Ana is within an HQTA, both in the previous boundaries and the draft 2045 boundaries. Fountain Valley’s HQTA boundaries, however, are slated to dramatically expand, despite the predominant pattern of single family housing and a mile-square park sapping the potential for intensification along those corridors within Fountain Valley.

   ii) Regardless of the location or amount of jobs within their boundaries, cities that are served by fewer transit lines receive fewer units. Much of the City of Irvine, for example, contains the same land use pattern as Fountain Valley, yet the HQTA boundaries capture comparatively little of the City—largely because there are fewer transit lines serving most of the City. This results in an inequity where cities that are near or even contain major jobs centers are allocated proportionally fewer units because of geography or the fact that bus lines have not yet been routed through their jurisdictions.

c) **Job accessibility distribution.** This factor allocates growth based on the proximity to jobs—the amount of jobs and residents that would be within a 30-minute commute shed in 2045. The issue of a better jobs-to-housing balance in context of reducing commute distances and times is by its nature a regional matter in southern California. However, in this matter, SCAG’s methodology does not account for those jurisdictions who are already providing a balanced mix of jobs and housing. Instead, the applied
methodology requires some jurisdictions to accommodate and pay for job growth in other communities.

i) Like population and housing, job growth in Fountain Valley has been level. The number of jobs actually decreased by 3,159 between 2007 and 2017 (to 31,745), and job growth is not expected to exceed 2007 levels in the future. The City of Fountain Valley contains 19,023 units and therefore has a jobs-to-housing ratio of 1.67 (generally considered very healthy).

ii) In comparison, the city of El Segundo, with 7,433 units and 48,515 jobs (ratio of 6.5:1), receives a RHNA allocation of 523 units. In Santa Ana, the jobs-to-housing ratio is 2.1 (163,503 jobs and 78,052 units) and its current draft RHNA is 3,087 units.

iii) The current draft methodology clearly fails to put housing where jobs are and forces cities like Fountain Valley to provide the housing for workers in these cities, while dramatically reducing the amount of land that could be used to generate the growth in jobs to help pay for the services and infrastructure needed for future housing.

3) Generates an allocation that is unrealistic without unprecedented reliance on ADUs

Finally, SCAG’s current methodology will make it extremely difficult, if not impossible, for the City of Fountain Valley to maintain compliance with Housing Element law. This conclusion is based on the fact that there are 58 vacant acres in the City. There are, if any, underutilized sites that may have a potential of recycling to residential. The City’s industrial and retail markets are extremely healthy and there is a strong likelihood that, outside of the vacant sites, there will not be much more land that will be considered acceptable sites by HCD.

While it is understandable that jurisdictions may need to change their currently planned land use patterns to accommodate pent up demand, the required degree of change is not just unrealistic, but counterproductive. The required average density on all of the 58 acres to accommodate the current draft RHNA would be 70-90 units per acre. We know that the construction costs necessary to build such intense housing would make it even more expensive and therefore less likely to be affordable (even if funding were found to subsidize developers losing money on 40% of the units).

The only scenario in which this type of RHNA allocation can be achieved is if HCD allows cities to assume ADUs to accommodate nearly all of the City’s lower income RHNA allocation, especially in light of new laws requiring jurisdictions to allow three units per single-family lot (none of which now need be owner-occupied).

In conclusion, we urge HCD to consider our input. This is not a ploy to avoid a reasonable fair share allocation. This is a plea for a more accurate and fair methodology and acknowledgement of new state ADU requirements. We understand how difficult it is to develop a methodology for the entire SCAG region without relying on broad assumptions and factors, but seek a
methodology that better aligns with the region’s goals of placing growth next to viable transit lines and job centers—both now and in the future.

The City will make every attempt to submit a compliant housing element, but there is a strong likelihood that this will not be possible. If the result of this process is a non-compliant housing element, then the allocation process is a failure. Non-compliance is not the result that the City desires and we can only assume that it is not the result that SCAG or HCD desires.

In Fountain Valley, not a single permit for a residential project or an ADU has been denied in staff’s memory. Regardless, the City will likely be in a position where it continues to approve every residential permit but could be penalized for not meeting its quota of housing. Again, this is a failure of the process and unrealistic allocations.

Please contact Brian James, City of Fountain Valley Planning and Building Director, at 714-593-4426 or brian.james@fountainvalley.ca.gov if you wish to discuss these concerns.

Sincerely,

Cheryl Brothers
Mayor

CC
Kome Ajise
Executive Director
Southern California Association of Governments
900 Wilshire Blvd., Ste. 1700
Los Angeles, CA 90017

December 19, 2019