CITY OF LAGUNA HILLS
CITY COUNCIL/PLANNING AGENCY
REGULAR MEETING AGENDA
DECEMBER 09, 2014

Closed Session at 6:00 PM *(when scheduled)*
General Business Session at 7:00 PM

Andrew Blount, Mayor

Dore J. Gilbert, M.D., Mayor Pro Tempore **Melody Carruth, Council Member**
Randal Bressette, Council Member **Barbara Kogerman, Council Member**

Location: City Council Chamber, 24035 El Toro Road, Laguna Hills, California 92653

Any person wishing to address the City Council/Planning Agency on any matter, whether or not it appears on this Agenda, is asked to complete a pink "Request to Speak" form available on the table at the back of the Chamber. The completed form is to be submitted to the City Clerk prior to an individual being heard by the City Council/Planning Agency. Completion of the form is voluntary. All persons may attend the meeting regardless of whether this form is completed.

Members of the public wishing to address the City Council can do so during the Public Comments portion of the Agenda with a time limitation of three minutes per person, an overall time limit of ten minutes for any one subject, and a total time limit of thirty minutes for Public Comments. If you are commenting on an Agenda item, your comments will be heard at the time that item is scheduled on the Agenda. If you are addressing the City Council on an item not listed on the Agenda, the City Council is prohibited by law from discussing or taking any action on that item.

GENERAL BUSINESS - CONVENING AT 7:00 PM

CALL TO ORDER

Resolution No. 96-04-09-1 established rules of decorum for public meetings held by the City of Laguna Hills. Resolution No. 96-04-09-1 is available on the table at the back of the City Council Chamber.

PLEDGE OF ALLEGIANCE: COUNCIL MEMBER KOGERMAN

ROLL CALL

CITY COUNCIL REORGANIZATION

2014 GENERAL MUNICIPAL ELECTION, INSTALLATION OF NEW OFFICERS, AND OATHS OF OFFICE

RECOMMENDATION: THAT THE CITY COUNCIL RECEIVE AND FILE THE REPORT.

REMARKS OF OUTGOING MAYOR

ELECTION OF MAYOR

RECOMMENDATION: THAT THE CITY COUNCIL NOMINATE AND ELECT A MAYOR.

RECOGNITION OF OUTGOING MAYOR

RESOLUTION OF COMMENDATION, ANDREW BLOUNT, MAYOR

RECOMMENDATION: THAT THE CITY COUNCIL ADOPT A RESOLUTION ENTITLED: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, COMMENDING ANDREW BLOUNT AS MAYOR"; AND THAT THE CITY COUNCIL PRESENT A RESOLUTION AND PLAQUE TO ANDREW BLOUNT RECOGNIZING HIS SERVICE TO THE CITY AS MAYOR.

REMARKS OF COUNCIL MEMBERS REGARDING MAYOR BLOUNT'S SERVICE TO THE CITY

REMARKS OF NEWLY ELECTED MAYOR

ELECTION OF MAYOR PRO TEMPORE

RECOMMENDATION: THAT THE CITY COUNCIL NOMINATE AND ELECT A MAYOR PRO TEMPORE

RECESS AND RECONVENE

1. PRESENTATIONS AND PROCLAMATIONS

1.1 LAGUNA HILLS HIGH SCHOOL LIAISON

RECOMMENDATION: THAT THE CITY COUNCIL RECEIVE AN ORAL REPORT FROM LAGUNA HILLS HIGH SCHOOL STUDENT LIAISON DANIEL BUSHNER.

2. PUBLIC COMMENTS

This is the time to address the City Council on any matter not listed on this Agenda that is within the subject matter jurisdiction of the City Council. Public Comments are limited to three minutes per person, and overall time limit of ten minutes for any one subject, and a total time limit of thirty minutes.

3. CONSENT CALENDAR

All matters listed under “CONSENT CALENDAR” are considered to be routine and will be enacted by one motion approving the recommendation listed on the Agenda. There will be no separate discussion unless Members of the City Council or Staff request specific items be removed from the Consent Calendar.

3.1 WAIVE READING IN FULL OF ALL ORDINANCES AND RESOLUTIONS ON THE AGENDA

RECOMMENDATION: THAT THE CITY COUNCIL WAIVE READING IN FULL OF ALL ORDINANCES AND RESOLUTIONS ON THE AGENDA AND DECLARE THAT SAID TITLES WHICH APPEAR ON THE PUBLIC AGENDA SHALL BE DETERMINED TO HAVE BEEN READ BY TITLE AND FURTHER READING WAIVED.

3.2 APPROVAL OF MINUTES FOR NOVEMBER 25, 2014

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE MINUTES OF THE NOVEMBER 25, 2014, REGULAR MEETING.

3.3 APPROVAL OF WARRANT REGISTER FOR PERIOD ENDED DECEMBER 9, 2014

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE WARRANT REGISTER IN THE AMOUNT OF $838,558.12.

3.4 PRESENTATION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2014

RECOMMENDATION: THAT THE CITY COUNCIL RECEIVE AND FILE THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, TOGETHER WITH THE AUDIT LETTERS.

3.5 PROGRESS PAYMENT NO. 11 FOR LA PAZ OPEN SPACE PROJECT, CIP NO. 615A

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE PROGRESS PAYMENT NO. 11, IN THE NET AMOUNT OF $1,140.00, TO ENVIRONMENTAL CONSTRUCTION, INC., FOR LA PAZ OPEN SPACE IMPROVEMENTS, CIP NO. 615A.

3.6 PROGRESS PAYMENT NO. 3 FOR CITYWIDE PAVEMENT REHABILITATION PROJECT, CIP NO. 101-I

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE PROGRESS PAYMENT NO. 3, IN THE NET AMOUNT OF $597,248.41, TO ALL AMERICAN ASPHALT, FOR CITYWIDE PAVEMENT REHABILITATION PROJECT, CIP NO. 101-I.

3.7 PROGRESS PAYMENT NO. 4, FINAL, FOR EL TORO ROAD PAVEMENT REHABILITATION PROJECT, CIP NO. 179, AND RIDGE ROUTE DRIVE PAVEMENT REHABILITATION PROJECT, CIP NO. 172

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE PROGRESS PAYMENT NO. 4, FINAL, IN THE NET AMOUNT OF $31,754.12, TO ALL AMERICAN ASPHALT, FOR EL TORO ROAD PAVEMENT REHABILITATION PROJECT, CIP NO. 179, AND RIDGE ROUTE DRIVE PAVEMENT REHABILITATION PROJECT, CIP NO. 172, AND AUTHORIZE THE FILING OF THE NOTICE OF COMPLETION AND SUBSEQUENT RELEASE OF RETENTION IN 35 DAYS, IF NO LIENS HAVE BEEN FILED.

3.8 AFFIRMATION OF APPOINTMENTS LIST FOR ALL CITY BOARDS, COMMISSIONS AND COMMITTEES

RECOMMENDATION: THAT THE CITY COUNCIL AFFIRM THE LOCAL APPOINTMENTS LIST AND DIRECT THAT IT BE POSTED IN THE LAGUNA HILLS BRANCH TECHNOLOGY LIBRARY, IN ACCORDANCE WITH THE MADDY ACT.

3.9 ANNUAL REVIEW OF INVESTMENT POLICIES AND DELEGATION OF INVESTMENT AUTHORITY TO THE CITY TREASURER

RECOMMENDATION: THAT THE CITY COUNCIL ADOPT A RESOLUTION ENTITLED: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DELEGATING INVESTMENT AUTHORITY TO THE CITY TREASURER AND APPROVING A POLICY FOR THE INVESTMENT OF SURPLUS CITY FUNDS AND RESCINDING RESOLUTION NO. 2013-12-10-4."

3.10 2015 CITY COUNCIL MEETING SCHEDULE

RECOMMENDATION: THAT THE CITY COUNCIL ADOPT THE PROPOSED CALENDAR FOR 2015.

3.11 PROPOSED LEASE WITH DAYLE MCINTOSH CENTER FOR THE DISABLED, INC., FOR 24031 EL TORO ROAD, SUITE 320, LAGUNA HILLS, CALIFORNIA

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE LEASE WITH DAYLE MCINTOSH CENTER FOR THE DISABLED, INC., FOR 24031 EL TORO ROAD, LAGUNA HILLS, CALIFORNIA, AND AUTHORIZE THE CITY MANAGER TO EXECUTE THE LEASE.

3.12 COOPERATIVE AGREEMENT NO. C-4-1883 BETWEEN ORANGE COUNTY TRANSPORTATION AUTHORITY AND CITIES OF MISSION VIEJO, ALISO VIEJO, LAGUNA HILLS AND LAGUNA NIGUEL FOR LA PAZ ROAD REGIONAL TRAFFIC SIGNAL SYNCHRONIZATION PROJECT, CIP NO. 168B

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE COOPERATIVE AGREEMENT NO. C-4-1883 BETWEEN ORANGE COUNTY TRANSPORTATION AUTHORITY AND CITIES OF MISSION VIEJO, ALISO VIEJO, LAGUNA HILLS AND LAGUNA NIGUEL FOR LA PAZ ROAD REGIONAL TRAFFIC SIGNAL SYNCHRONIZATION PROJECT AND AUTHORIZE THE MAYOR TO EXECUTE THE AGREEMENT.

3.13 RESOLUTIONS AMENDING THE MEMORANDUM OF UNDERSTANDING (MOU) WITH THE LAGUNA HILLS CITY EMPLOYEES ASSOCIATION AND AMENDING RESOLUTION NO. 2013-09-10-1

RECOMMENDATION: THAT THE CITY COUNCIL ADOPT THE FOLLOWING:

(1) "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA AMENDING THE MEMORANDUM OF UNDERSTANDING WITH THE LAGUNA HILLS CITY EMPLOYEES ASSOCIATION TO PROVIDE FOR ONE ADDITIONAL HOLIDAY IN 2014 AND TO IMPLEMENT A FLEXIBLE SPENDING ACCOUNT FOR BARGAINING UNIT EMPLOYEES"; AND

(2) "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING RESOLUTION NO. 2013-09-10-1 TO PROVIDE FOR ONE ADDITIONAL HOLIDAY IN 2014 AND TO IMPLEMENT A FLEXIBLE SPENDING ACCOUNT FOR MANAGEMENT, CONFIDENTIAL AND PART-TIME EMPLOYEES."

3.14 AUTHORIZATION TO CLOSE CITY HALL ON DECEMBER 26, 2014

RECOMMENDATION: THAT THE CITY COUNCIL ADOPT A RESOLUTION ENTITLED: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AUTHORIZING THE CLOSURE OF THE LAGUNA HILLS' CITY HALL ON DECEMBER 26, 2014, THE DAY AFTER CHRISTMAS."

3.15 AWARD OF CONTRACT FOR CITY WEBSITE REDESIGN AND DEVELOPMENT PROJECT

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE CONSULTING SERVICES AGREEMENT WITH CIVICPLUS FOR CITY WEBSITE REDESIGN AND DEVELOPMENT AND AUTHORIZE THE CITY MANAGER TO EXECUTE THE AGREEMENT.

3.16 MEASURE M2 EXPENDITURE REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

RECOMMENDATION: THAT THE CITY COUNCIL: (1) APPROVE THE MEASURE M2 EXPENDITURE REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, FOR SUBMITTAL TO OCTA; AND (2) ADOPT A RESOLUTION ENTITLED: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, CONCERNING THE MEASURE M2 EXPENDITURE REPORT FOR THE CITY OF LAGUNA HILLS FOR FISCAL YEAR ENDING JUNE 30, 2014."

ITEMS REMOVED FROM THE CONSENT CALENDAR

4. PLANNING AGENCY

4.1 ROLL CALL OF PLANNING AGENCY MEMBERS

4.2 PUBLIC COMMENTS

This is the time to address the Planning Agency on any matter not listed on this Agenda that is within the subject matter jurisdiction of the Planning Agency. Public Comments are limited to three minutes per person, an overall time limit of ten minutes for any one subject, and a total time limit of thirty minutes.

4.3 APPROVAL OF MINUTES FOR NOVEMBER 25, 2014

RECOMMENDATION: THAT THE PLANNING AGENCY APPROVE THE MINUTES OF THE NOVEMBER 25, 2014, REGULAR MEETING.

4.4 ADMINISTRATIVE REPORTS

4.5 PLANNING AGENCY PUBLIC HEARINGS

PLANNING AGENCY ADJOURNMENT

5. CITY COUNCIL PUBLIC HEARINGS

6. ADMINISTRATIVE REPORTS

6.1 City Manager

6.1.1 2014 CITY MANAGER'S YEAR END REPORT

RECOMMENDATION: THAT THE CITY COUNCIL RECEIVE AND FILE THE 2014 CITY MANAGER'S YEAR END REPORT.

7. MATTERS AGENDIZED AND PRESENTED BY CITY COUNCIL MEMBERS AND MAYOR

8. CITY COUNCIL MEMBER COMMENTS

9. CLOSED SESSION

The City Council shall convene in Closed Session, in the City Council Conference Room, City Hall, to consider the following matters:

9.1 PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Pursuant to Government Code Section 54957(b)(1)
Public Employee Title: City Manager - Annual Performance Evaluation

9.2 CONFERENCE WITH LABOR NEGOTIATOR

Pursuant to Government Code Section 54957.6
Agency Negotiator: Andrew Blount, Council Member
Unrepresented Employee: Bruce E. Channing, City Manager

RECONVENE

Reconvene in regular session in the City Council Chambers.

CLOSED SESSION REPORT

Report on whether any reportable action was taken on any matters considered during Closed Session.

10. CONSIDERATION OF COMPENSATION FOR CITY MANAGER

RECOMMENDATION: THAT THE CITY COUNCIL TAKE SUCH ACTION AS IT SO DETERMINES.

ADJOURNMENT

The December 23, 2014, City Council/Planning Agency Meeting will not be held. The next Regular Meeting of the City Council will be January 13, 2015, in the City Council Chamber, located at 24035 El Toro Road, Laguna Hills, California.

CERTIFICATION

I, PEGGY J. JOHNS, City Clerk of the City of Laguna Hills, do hereby certify that a copy of the foregoing Agenda was posted at Laguna Hills City Hall, Laguna Hills Community Center, and the Courtyard at La Paz Center by December 5, 2014, at 5:00 PM.

Peggy J. Johns
PEGGY J. JOHNS, CITY CLERK

December 5, 2014
DATE

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, you should contact the office of the City Clerk at (949) 707-2635. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to this meeting.

Materials related to an item on this Agenda submitted to the City Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office at 24035 El Toro Road, Laguna Hills, California, during normal business hours.

City Council Members receive no additional compensation or stipend as a result of simultaneously convening meetings of the Laguna Hills Planning Agency.

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: DECEMBER 9, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: PEGGY J. JOHNS
CITY CLERK

ISSUE: 2014 GENERAL MUNICIPAL ELECTION, INSTALLATION OF NEW OFFICERS, AND OATHS OF OFFICE

RECOMMENDATION: THAT THE CITY COUNCIL RECEIVE AND FILE THE REPORT.

SUMMARY:

The City's General Municipal Election was scheduled for November 4, 2014 with three seats on the City Council up for election. However, at the close of the extended nomination period at 5 PM on August 13, 2014, only three candidates were nominated for the three open seats. Section 10229(a) of the Elections Code allows one of the following courses of action to be taken by the City Council in the event there are not more persons nominated than offices to be elected at a General Municipal Election: (1) Appoint to office the person(s) who have been nominated; or (2) Hold the election.

BACKGROUND:

On August 20, 2014, the City Council called a Special Meeting to take action to adopt Resolution No. 2014-08-20-1, a Resolution of the City Council of the City of Laguna Hills, California, cancelling the election and providing for the appointment of nominees Melody Carruth, Barbara Kogerman, and Don Sedgwick to the offices of this City that were to be elected during the General Municipal Election on Tuesday, November 4, 2014. These persons appointed shall qualify, take office, and serve exactly as if elected at a municipal election for the office. By cancelling the election, the City was able to save approximately $21,000. Attached to this report are the August 20, 2014, staff report and Resolution cancelling the election.

Mayor Pro Tempore Gilbert will be administering the "ceremonial" Oaths of Office at this meeting. However, the City Clerk will administer, in advance, the legally required Oaths of Office and the Council Members-elect shall execute the required Oath certification form. The City Clerk will present Certificates of Election to Council Members Carruth, Kogerman and Sedgwick at the meeting.

ATTACHMENTS:

- August 20, 2014 Staff Report
- Resolution No. 2014-08-20-1

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: AUGUST 20, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: PEGGY J. JOHNS
CITY CLERK

ISSUE: CANCELLATION OF 2014 GENERAL MUNICIPAL ELECTION AND APPOINTMENT OF NOMINEES TO THE CITY COUNCIL

RECOMMENDATION: THAT THE CITY COUNCIL TAKE THE FOLLOWING ACTIONS:

(1) ADOPT A RESOLUTION ENTITLED: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, CANCELLING THE ELECTION AND PROVIDING FOR THE APPOINTMENT OF NOMINEES TO THE OFFICES OF THIS CITY THAT WERE TO BE ELECTED DURING THE GENERAL MUNICIPAL ELECTION ON TUESDAY, NOVEMBER 4, 2014";

(2) DIRECT THE CITY CLERK TO FORWARD A COPY OF THE RESOLUTION TO THE OC REGISTRAR OF VOTERS; AND

(3) DIRECT THE CITY CLERK TO REFUND TO THE NOMINEES THE DEPOSIT FOR THE CANDIDATE'S STATEMENTS.

SUMMARY:

The City's General Municipal Election is scheduled for Tuesday, November 4, 2014. Three seats on the City Council are up for election. At the close of the extended nomination period, on August 13, 2014, three candidates were nominated for the three seats. State law gives the City Council the option of appointing the nominees to office thereby cancelling the election. The City Clerk caused a Notice to be published in the Orange County Register on August 15, 2014, describing the facts and certifying that at the close of the nomination period on August 13, 2014, there were not more persons nominated than offices to be elected, and that following the 5th day of publication, the City Council could call a Special City Council meeting to consider the courses of action available and either make the appointments or direct that an election be held.

BACKGROUND:

Elections Code Section 10229(a) provides for appointment of a nominee if at the close of the nomination period only one nominee is nominated for an open elective office. The City has faced this same situation in November 1998, and in November 2006, at which time the City Council appointed the nominees to office and, thereby, cancelled the election. Historically, most city councils with the opportunity to appoint the nominees and to cancel an election have taken that action.

If an election were to be held, there is a provision for write-in candidacy. Between September 8, 2014, and October 14, 2014, any person who desires to have his or her name appear on the ballot may file a statement of write-in candidacy. However, if the City Council adopts the proposed Resolution, Elections Code Section 10229(c) provides that any statement of write-in candidacy shall not be accepted by the Elections Official for filing after appointments are made. Elections Code Section 10229(a) and the Resolution state that persons appointed to office shall qualify and serve exactly as if they had been elected in a municipal election. If the City Council adopts the Resolution and makes the appointments, the appointees will take their Oaths of Office at the December 9, 2014, reorganization meeting.

FISCAL IMPACT:

$21,000 is budgeted to conduct the 2014 General Municipal Election. If the proposed Resolution is adopted, the City will save $21,000.

ATTACHMENTS:

- Resolution
- Notice and Certificate That There Are Not More Candidates Than Offices to be Elected on November 4, 2014

RESOLUTION NO. 2014-08-20-1

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, CANCELLING THE ELECTION AND PROVIDING FOR THE APPOINTMENT OF NOMINEES TO THE OFFICES OF THIS CITY THAT WERE TO BE ELECTED DURING THE GENERAL MUNICIPAL ELECTION ON TUESDAY, NOVEMBER 4, 2014

WHEREAS, a General Municipal Election is scheduled for Tuesday, November 4, 2014, to fill three seats on the City Council of the City of Laguna Hills; and

WHEREAS, pursuant to Subdivision (a) of Section 10229 of the Elections Code of the State of California, at of the close of the extended nomination period on August 13, 2014, there are not more persons nominated than offices to be elected on November 4, 2014, and that Section 10229(a) of the Elections Code allows one of the following courses of action to be taken by the City Council:

1. Appoint to office the person who has been nominated.
2. Hold the election; and

WHEREAS, the City's election official caused a notice and certification of these facts and the courses of action available to the City Council pursuant to Elections Code Section 10229(a) to be published on August 15, 2014, in the Orange County Register, a newspaper of general circulation.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. Pursuant to Subdivision (a) of Section 10229 of the Elections Code of the State of California, the following action is hereby taken:

A. The following persons are hereby appointed to the offices to which they were nominated:

Nominee	Office
1. Barbara Kogerman	Council Member
2. Melody Carruth	Council Member
3. Don Sedgwick	Council Member

SECTION 2. The General Municipal Election currently scheduled to be held on Tuesday, November 4, 2014, is now, therefore, cancelled.

SECTION 3. The persons hereby appointed shall qualify, take office, and serve exactly as if elected at a municipal election for the office.

SECTION 4. The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

PASSED, APPROVED, AND ADOPTED this 20th day of August 2014.

ANDREW BLOUNT, MAYOR

ATTEST:

PEGGY J. JOHNS, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Peggy J. Johns, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2014-08-20-1 adopted by the City Council of the City of Laguna Hills, California, at a Special Meeting thereof held on the 20th day of August 2014, by the following vote:

AYES: Council Members Carruth, Kogerman, Mayor Pro Tempore Gilbert, and Mayor Blount

NOES: None

ABSENT: Council Member Bressette

ABSTAIN: None

(SEAL)

PEGGY J. JOHNS, CITY CLERK

RESOLUTION NO. 2014-12-09-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, COMMENDING ANDREW BLOUNT AS MAYOR

WHEREAS, Andrew Blount, was elected to the City Council on November 6, 2012; took his Oath of Office on December 11, 2012; and served his first term as Mayor of the City of Laguna Hills from December 10, 2013, through December 9, 2014; and

WHEREAS, Andrew Blount, in addition to accepting the responsibilities of Mayor and faithfully fulfilling those duties and responsibilities has ably represented the City at local events throughout the region, and served on various boards including serving on the City's Audit Committee, Ad Hoc Advisory Committee for the Police Services Study, League of California Cities Voting Delegate to Annual Conference, OC Public Libraries Advisory Board, and was recognized at the Orange County's Business Council's "Turning Red Tape into Red Carpet"; and

WHEREAS, during the year that Andrew Blount has presided as Mayor, he presided at the City's 2014 Memorial Day Half Marathon 10k/5k honoring the United States Marine Corps Dark Horse Battalion and from which a portion of the race proceeds were donated to the 3/5 Dark Horse Support Committee; and among other notable actions, the City completed the La Paz Open Space Improvements; completed the Ridge Route Drive and El Toro Road Pavement Rehabilitation; completed the Village at Nellie Gail Ranch project, and included "Spotlight on Local Business" on the City Council agendas; approval of the Dunkin' Donut project at the La Paz Shopping Center; the City was recognized at ACC-OC for its strategic partnership with MNWD and SVUSD for installation of synthetic turf athletic fields at Laguna Hills High School; participated in the Home Energy Renovation Opportunity (HERO) program; renovation of the Oakbrook Village Shopping Center; tree donation program; and supported an Ordinance allowing vehicles to be legally parked on residential driveways for over 72 hours; and

WHEREAS, the performance of his duties and responsibilities as Mayor have been characterized by excellent and constructive contributions to the lasting development of our City, and adept in garnering consensus of his fellow Council Members, earning the respect and admiration of his colleagues.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, on behalf of all our citizens, does hereby express its appreciation and thanks to Mayor Blount, for his service to the community as Laguna Hills Mayor for 2014.

PASSED, APPROVED, AND ADOPTED this 9th day of December 2014.

____
, MAYOR

ATTEST:

____
PEGGY J. JOHNS, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Peggy J. Johns, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2014-12-09- adopted by the City Council of the City of Laguna Hills, California, at a Regular Meeting thereof held on the 9th day of December 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

____
PEGGY J. JOHNS, CITY CLERK

CITY OF LAGUNA HILLS, CALIFORNIA
CITY COUNCIL/PLANNING AGENCY
REGULAR MEETING
MINUTES
NOVEMBER 25, 2014

CLOSED SESSION - CONVENING AT 6:00 PM

CALL TO ORDER

ROLL CALL

Present: Mayor Blount, Council Member Carruth, Council Member Bressette

Absent: Mayor Pro Tempore Gilbert and Council Member Kogerman

ANNOUNCEMENT OF CLOSED SESSION ITEMS

A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Pursuant to Government Code Section 54957(b)(1)
Public Employee Title: City Manager - Annual Performance Evaluation

B. CONFERENCE WITH LABOR NEGOTIATOR

Pursuant to Government Code Section 54957.6
Agency Negotiator: Andrew Blount, Mayor
Unrepresented Employee: Bruce E. Channing, City Manager

C. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

Paragraph (1) of subdivision (d) of Government Code Section 54956.9
Name of Case: Marcia Katz vs. City of Laguna Hills, et al., Orange County Superior Court Case No. 30-2014-00720492-CU-PO-CJC

PUBLIC COMMENT ON CLOSED SESSION ITEMS

ADJOURN TO CITY COUNCIL CONFERENCE ROOM

CONVENE INTO CLOSED SESSION

RECONVENE TO CITY COUNCIL CHAMBER

RECESS

GENERAL BUSINESS - RECONVENING AT 7:00 PM

CALL TO ORDER

Mayor Blount called the Regular Meeting of the City Council of the City of Laguna Hills, California, to order at 7:04 PM in the Laguna Hills City Council Chamber, 24035 El Toro Road, Laguna Hills, California.

PLEDGE OF ALLEGIANCE: Council Member Bressette

ROLL CALL OF CITY COUNCIL MEMBERS

Present: Mayor Blount, Mayor Pro Tempore Gilbert, Council Member Bressette, Council Member Carruth, and Council Member Kogerman

CLOSED SESSION REPORT

A. PUBLIC EMPLOYEE PERFORMANCE EVALUATION

City Attorney Simonian stated that there was no reportable action taken in Closed Session.

B. CONFERENCE WITH LABOR NEGOTIATOR

City Attorney Simonian stated that there was no reportable action taken in Closed Session.

C. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

City Attorney Simonian stated that there was no reportable action taken in Closed Session.

1. PRESENTATIONS AND PROCLAMATIONS

1.1 TEN YEAR ANNIVERSARY AWARD

MAYOR BLOUNT RECOGNIZED JENNIFER LEE, PERMIT TECHNICIAN, FOR TEN YEARS OF SERVICE TO THE CITY OF LAGUNA HILLS AND PRESENTED A CERTIFICATE OF RECOGNITION AND GIFT.

1.2 LAGUNA HILLS HIGH SCHOOL STUDENT LIAISON

THE CITY COUNCIL RECEIVED AN ORAL REPORT FROM LAGUNA HILLS HIGH SCHOOL STUDENT LIAISON DANIEL BUSHNER.

1.3 LAGUNA HILLS 3/5 MARINE SUPPORT COMMITTEE

THE CITY COUNCIL RECEIVED AN UPDATE FROM CHAIR ROBBINS ON THE 3/5 DARK HORSE COMMITTEE.

1.4 CERTIFICATES OF RECOGNITION FOR AWARD WINNING HIGH SCHOOL SCIENCE STUDENTS

MAYOR BLOUNT PRESENTED CERTIFICATES OF RECOGNITION TO STUDENTS JEREMY SOGO, NOLAN GUNSOLLEY, CHARLOTTE ANDREWS, GRANT BARTON, AVIVA MEYERS, AND ANDREW COUSE.

2. PUBLIC COMMENTS

There were no Public Comments.

3. CONSENT CALENDAR

MOTION TO APPROVE THE CONSENT CALENDAR, WITH COUNCIL MEMBER BRESSETTE REMOVING ITEM NO. 3.12, BY M/COUNCIL MEMBER BRESSETTE, S/COUNCIL MEMBER CARRUTH.
APPROVED BY A VOTE OF 5-0.

3.1 WAIVE READING IN FULL OF ALL ORDINANCES AND RESOLUTIONS ON THE AGENDA

THE CITY COUNCIL WAIVED READING IN FULL OF ALL ORDINANCES AND RESOLUTIONS ON THE AGENDA AND DECLARE THAT SAID TITLES WHICH APPEAR ON THE PUBLIC AGENDA SHALL BE DETERMINED TO HAVE BEEN READ BY TITLE AND FURTHER READING WAIVED.

3.2 APPROVAL OF MINUTES FOR OCTOBER 28, 2014

THE CITY COUNCIL APPROVED THE MINUTES OF THE OCTOBER 28, 2014, REGULAR MEETING.

3.3 APPROVAL OF WARRANT REGISTER FOR PERIOD ENDED NOVEMBER 25, 2014

THE CITY COUNCIL APPROVED THE WARRANT REGISTER IN THE AMOUNT OF $2,185,733.40.

3.4 PROGRESS PAYMENT NO. 2 FOR CITYWIDE PAVEMENT REHABILITATION PROJECT, CIP NO. 101-I

THE CITY COUNCIL APPROVED PROGRESS PAYMENT NO. 2, IN THE NET AMOUNT OF $754,720.82, TO ALL AMERICAN ASPHALT, FOR CITYWIDE PAVEMENT REHABILITATION PROJECT, CIP NO. 101-I.

3.5 PROGRESS PAYMENT NO. 10 FOR LA PAZ OPEN SPACE PROJECT, CIP NO. 615A

THE CITY COUNCIL APPROVED PROGRESS PAYMENT NO. 10, IN THE NET AMOUNT OF $1,140.00, TO ENVIRONMENTAL CONSTRUCTION, INC., FOR LA PAZ OPEN SPACE IMPROVEMENTS, CIP NO. 615A.

3.6 CLAIM AGAINST THE CITY, BRAD KISSLER

THE CITY COUNCIL REJECTED THE CLAIM AND DIRECTED THE CITY CLERK TO SEND A CLAIM REJECTION LETTER.

3.7 CLAIM AGAINST THE CITY, RICK SELLMAN

THE CITY COUNCIL REJECTED THE CLAIM AND DIRECTED THE CITY CLERK TO SEND A CLAIM REJECTION LETTER.

3.8 CLAIM AGAINST THE CITY, MARIA MARIBEL ALEJANDRE-GARCIA

THE CITY COUNCIL REJECTED THE CLAIM AND DIRECTED THE CITY CLERK TO SEND A CLAIM REJECTION LETTER.

3.9 FIRST AMENDMENT TO THE PROPERTY MANAGEMENT SERVICES AGREEMENT WITH ESSEX REALTY MANAGEMENT, INC., TO INCLUDE JANITORIAL SERVICES OVERSIGHT AT THE RESTROOM FACILITIES AT CABOT PARK AND THE COMMUNITY CENTER AND SPORTS COMPLEX PARK

THE CITY COUNCIL APPROVED THE FIRST AMENDMENT TO THE MANAGEMENT AGREEMENT BETWEEN ESSEX REALTY MANAGEMENT, INC., AND THE CITY OF LAGUNA HILLS FOR PARK RESTROOM FACILITY JANITORIAL SERVICES OVERSIGHT AND AUTHORIZED THE CITY MANAGER TO EXECUTE THE AMENDMENT.

3.10 APPLICATION AND RESOLUTION IN SUPPORT OF THE REGIONAL TRAFFIC SIGNAL SYNCHRONIZATION PRORAM, PROJECT P, FOR THE ALICIA PARKWAY

THE CITY COUNCIL ADOPTED RESOLUTION NO. 2014-11-25-1, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, APPROVING THE SUBMISSION OF ALICIA PARKWAY CORRIDOR IMPROVEMENT PROJECT TO THE ORANGE COUNTY TRANSPORTATION AUTHORITY FOR FUNDING UNDER THE COMPETITIVE MEASURE M2 REGIONAL TRANSPORTATION SIGNAL SYNCHRONIZATION PROGRAM.

3.11 CIVIC CENTER 1ST QUARTER FINANCIAL REPORT FOR FY 2014/2015

THE CITY COUNCIL RECEIVED AND FILED THE REPORT.

ITEMS REMOVED FROM THE CONSENT CALENDAR

3.12 RECOGNITION OF OUTGOING COUNCIL MEMBER, RANDAL BRESSETTE

Council Member Bressette pulled this item from the Consent Calendar in order to abstain from voting on this Resolution.

THE CITY COUNCIL ADOPTED RESOLUTION NO. 2014-11-25-2, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, COMMENDING RANDAL BRESSETTE FOR HIS SERVICE TO THE CITY; AND DIRECTED THE MAYOR TO PRESENT A RESOLUTION OF COMMENDATION TO COUNCIL MEMBER BRESSETTE AT HIS RETIREMENT EVENT ON DECEMBER 8, 2014, BY M/COUNCIL MEMBER CARRUTH, S/COUNCIL MEMBER KOGERMAN.

APPROVED BY A VOTE OF 4-0-1 (COUNCIL MEMBER BRESSETTE ABSTAINED).

4. PLANNING AGENCY

Mayor Blount recessed the City Council Meeting and acting in the capacity of Chair, called the regular meeting of the Planning Agency of the City of Laguna Hills, California, to order at 7:31 PM.

4.1 ROLL CALL OF PLANNING AGENCY MEMBERS

Present: Chair Blount, Vice Chair Gilbert, Agency Member Bressette, Agency Member Carruth, and Agency Member Kogerman.

4.2 PUBLIC COMMENTS

There were no Public Comments.

4.3 APPROVAL OF MINUTES FOR OCTOBER 28, 2014

THE PLANNING AGENCY APPROVED THE MINUTES OF THE OCTOBER 28, 2014, REGULAR MEETING, BY M/VICE CHAIR GILBERT, S/AGENCY MEMBER CARRUTH.
APPROVED BY A VOTE OF 5-0.

4.4 ADMINISTRATIVE REPORTS

There were no Administrative Reports.

4.5 PLANNING AGENCY PUBLIC HEARINGS

There were no Planning Agency Public Hearings.

PLANNING AGENCY ADJOURNMENT

Mayor Blount reconvened the City Council Meeting at 7:33 PM. All Council Members were present.

5. CITY COUNCIL PUBLIC HEARINGS

There were no City Council Public Hearings.

6. ADMINISTRATIVE REPORTS

6.1 City Manager

The City Manager made no reports.

6.2 Assistant City Manager

6.2.1 SOUTH COUNTY FAMILY JUSTICE CENTER

THE CITY COUNCIL RECEIVED AND FILED THE REPORT, BY M/MAYOR BLOUNT, S/COUNCIL MEMBER BRESSETTE.
APPROVED BY A VOTE OF 5-0.

7. MATTERS AGENDIZED AND PRESENTED BY CITY COUNCIL MEMBERS AND MAYOR

7.1 COUNCIL MEMBER KOGERMAN

7.1.1 SUPPORT FOR COUNCIL MEMBER KOGERMAN FOR ELECTION TO THE ORANGE COUNTY COUNCIL OF GOVERNMENTS (OCCOG) DISTRICT 13 AND THEREBY REGION 13 REPRESENTATIVE TO THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS (SCAG)

THE CITY COUNCIL MADE A MOTION TO: (1) SUPPORT COUNCIL MEMBER KOGERMAN AS AN EFFECTIVE LEADER TO REPRESENT THE CONCERNS AND OPINIONS OF DISTRICT 13 CITIES; (2) AS INDIVIDUAL COUNCIL MEMBERS ENDEAVOR TO ATTEND THE OCCOG ELECTION MEETING; AND (3) AS INDIVIDUALS ENCOURAGE THE SUPPORT AND ATTENDANCE OF COUNCIL MEMBERS FROM THE VARIOUS DISTRICT 13 CITIES, BY M/COUNCIL MEMBER BRESSETTE, S/COUNCIL MEMBER CARRUTH.
APPROVED BY A VOTE OF 5-0.

8. CITY COUNCIL MEMBER COMMENTS

COUNCIL MEMBER BRESSETTE

Council Member Bressette stated that he had recently been voted in as the new President of Laguna Hills Little League, and gave an update on the League's plans for the upcoming year.

COUNCIL MEMBER CARRUTH

Council Member Carruth stated she was pleased with Council Member Bressette being the new President of Laguna Hills Little League and indicated he would provide trusted leadership in the coming year for the benefit of the children.

Council Member Carruth stated that she attended, along with other Council Members, the Grand Opening of the Laguna Hills High School Field Renovation Dedication that occurred on Thursday, November 20, 2014. Council Member Carruth indicated it was a great opportunity to recognize the partnerships that occurred and efforts toward water conservation. Council Member Carruth thanked staff members for making this project happen.

MAYOR BLOUNT

Mayor Blount was very grateful for the Orange County Sheriff's Department Deputies and especially the assistance of Deputy Lopez and community oriented policing efforts during the investigation of Mayor Blount's missing UPS package.

9. RECONVENE BACK INTO CLOSED SESSION

The City Council reconvened in Closed Session, in the City Council Conference Room, City Hall, at 8:08 PM to consider the following matters:

9.1 PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Pursuant to Government Code Section 54957(b)(1)
Public Employee Title: City Manager - Annual Performance Evaluation

9.2 CONFERENCE WITH LABOR NEGOTIATOR

Pursuant to Government Code Section 54957.6
Agency Negotiator: Andrew Blount, Mayor
Unrepresented Employee: Bruce E. Channing, City Manager

RECONVENE

The City Council reconvened at 8:25 PM and City Attorney Simonian stated that there was no reportable action taken in Closed Session on these items.

ADJOURNMENT

There being no further business before the City Council at this session, Mayor Blount adjourned the City Council Meeting at 8:30 PM.

____
PEGGY J. JOHNS, CITY CLERK

ATTEST:

____
ANDREW BLOUNT, MAYOR

APPROVED AT MEETING OF ________________________

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE:	**DECEMBER 9, 2014**
TO:	**MAYOR AND COUNCIL MEMBERS**
FROM:	**DONALD J. WHITE, ASSISTANT CITY MANAGER**
ISSUE:	**APPROVAL OF WARRANT REGISTER FOR PERIOD ENDED DECEMBER 9, 2014.**

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE WARRANT REGISTER IN THE AMOUNT OF $838,558.12.

SUMMARY:

In accordance with Government Code Section 37202, the attached Warrant Register reflects the disbursements of the City of Laguna Hills for the period reported thereon. The Assistant City Manager certifies and attests to its accuracy and the availability of funds for the payment thereof. These warrants are hereby submitted to the City Council for approval of payment.

Prepared by:

JANICE MATEO REYES
Finance Manager

Certified:

DONALD J. WHITE
Assistant City Manager

12-2-14
DATE

FISCAL IMPACT:

The warrant register total is $838,558.12.

ATTACHMENTS:

1. **Warrant Register**

Check Register Report

Warrant Register 12/9/14

Date: 12/02/2014
Time: 9:04 am
Page: 1

CITY OF LAGUNA HILLS

BANK: UNION BANK- GENERAL

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
UNION BANK- GENERAL Checks							
8808281	11/20/2014	Printed		A-0304	AU-YEUNG, MELISSA	Travel Reimb., MMASC, Nov	275.53
8808282	11/20/2014	Printed		C-1177	CANON FINANCIAL SERVICES, INC.	Lease - Copier, CH, Nov '14	221.41
8808283	11/20/2014	Printed		C-0023	COX COMMUNICATION	WiFi Svcs, CC, Nov '14	668.01
8808284	11/20/2014	Printed		C-1146	CYBERSOURCE CORPORATION	Gateway Expense, Oct '14	29.00
8808285	11/20/2014	Printed		I-0942	IRVINE RANCH WATER DISTRICT	Water Usage, Parks, Oct '14	205.37
8808286	11/20/2014	Printed		M-1388	MOBILE MINI, INC.	Credit Storage Unit10/14-11/10	83.16
8808287	11/20/2014	Printed		O-1525	OCCMA	Meeting Expense, Dec	65.00
8808288	11/20/2014	Printed		R-1964	REFUND, COMMUNITY DEV FEES	Refund, C&D Deposit, CR# 47464	2,142.00
8808289	11/20/2014	Printed		R-1964	REFUND, COMMUNITY DEV FEES	Refund Permit Fees, CR# 49339	132.00
8808290	11/20/2014	Printed		R-1889	REFUND,FACILITY RENTAL DEPOSIT	N. Palma, V# 2003309.002	450.00
8808291	11/20/2014	Printed		R-1889	REFUND,FACILITY RENTAL DEPOSIT	S. Veneracion, V# 2003314.002	500.00
8808292	11/20/2014	Printed		S-1907	SPRINT	Communication Expense, CS,Oct	106.25
8808293	11/26/2014	Printed		A-0254	A. C. LANDSCAPE, INC.	Irrigation Repairs, Nov '14	4,174.49
8808294	11/26/2014	Printed		A-0184	ALL AMERICAN ASPHALT	Progress Payment #3 CIP #101 I	629,002.53
8808295	11/26/2014	Printed		A-0138	ALL CITY MANAGEMENT, INC.	Crossing Guard Svc,10/26-11/08	3,324.24
8808296	11/26/2014	Printed		C-1002	ANIMAL SHELTER SERVICES	Animal Care Services, Jul-Sep	26,869.00
8808297	11/26/2014	Printed		B-0304	BEE MAN, THE	Bee Removal, Parks, Nov '14	150.00
8808298	11/26/2014	Printed		C-1133	CALIFORNIA YELLOW CAB	Senior Mobility Program, Oct	2,124.50
8808299	11/26/2014	Printed		C-1179	CANON SOLUTIONS AMERICA	Copier Usage, Aug - Oct	243.86
8808300	11/26/2014	Printed		C-1144	CHARLES ABBOTT ASSOCIATES, INC	Plan Chk, Bldg & Safety, Sep	19,516.75
8808301	11/26/2014	Printed		C-0447	COMMUNITY BANK	AllAmericanAsphaltEscrow#2253	31,434.13
8808302	11/26/2014	Printed		C-0447	COMMUNITY BANK	AllAmericanAsphaltEscrow#2150	1,671.27
8808303	11/26/2014	Printed		C-1139	COMPLETE OFFICE OF CALIFORNIA	Office Supplies, CS, Nov '14	94.27
8808304	11/26/2014	Printed		C-1136	CORELOGIC INFORMATION SOLUTION	GSI System, Services	9,270.00
8808305	11/26/2014	Printed		D-0461	DATA TICKET, INC.	Processing Fee, Park Cit, Oct	511.43
8808306	11/26/2014	Printed		E-0595	ECLIPSE MESSENGER SERVICE, INC	Delivery Service, Nov '14	47.84
8808307	11/26/2014	Printed		E-0544	ECONOLITE CONTROL PRODUCTS,INC	Maintenance Agreement, TC	3,276.00
8808308	11/26/2014	Printed		E-0593	EISENBERG, DALE	Contract Inst Svcs., Aikido	850.50
8808309	11/26/2014	Printed		E-0553	ELKINS, CHRISTINA	Contract Inst Svcs., Dance	171.50
8808310	11/26/2014	Printed		E-0596	ENVIRONMENTAL CONSTRUCTION,INC	Progress Payment #11, CIP# 615	1,140.00
8808311	11/26/2014	Printed		F-0709	FIVE STAR TROPHIES	Office Supplies, Nov '14	140.40
8808312	11/26/2014	Printed		G-0788	GAIL MATERIALS, INC.	Professional Svcs, CIP# 238	896.17
8808313	11/26/2014	Printed		H-0805	HARRINGTON GEOTECH ENGINEERING	Professional Fees, CIP # 101	6,948.00
8808314	11/26/2014	Printed		I-0960	IRV SEAVER MOTORCYCLES	Motorcycle Maint, PS, Oct '14	583.72
8808315	11/26/2014	Printed		J-1057	JAMEY CLARK, INC.	Park Repairs, Nov '14	3,765.81
8808316	11/26/2014	Printed		G-0709	JOE A. GONSALVES & SON	Legislative Services, Dec	2,900.00
8808317	11/26/2014	Printed		C-1007	LAW ENFORCEMENT	Fingerprint ID Sys-AFIS, Nov	840.48
8808318	11/26/2014	Printed		C-0448	LUCY, STEVEN	Program Expense, CS, 12/12/14	500.00
8808319	11/26/2014	Printed		M-1552	MARTIN-RUSK, DINA	Contract Instr Svcs, Zumba	184.80
8808320	11/26/2014	Printed		M-1528	MEDLOCK, GEORGE	Contract Instr Svcs, Drumming	168.00
8808321	11/26/2014	Printed		M-1396	MONOGRAM MAGIC	Maintenance, Uniform, PS	68.02
8808322	11/26/2014	Printed		N-1474	NIEVES LANDSCAPE, INC.	Other Assorted Landscape, Oct	485.00
8808324	11/26/2014	Printed		O-1546	OFFICE SOLUTIONS	Office Supplies, Nov '14	700.25
8808325	11/26/2014	Printed		C-1003	PARKING VIOLATIONS	Parking Fee Surcharge, Oct'14	1,696.00
8808326	11/26/2014	Printed		R-1943	RAMIREZ, CHRISTINA	Mileage Reimb., Admin,Sep-Oct	14.55
8808327	11/26/2014	Printed		R-1855	RICHARD FISHER ASSOCIATES	Professional Services, CIP#239	15,071.25
8808328	11/26/2014	Printed		S-1902	SAN DIEGO GAS & ELECTRIC	ST Lites, TC, Comm Ctr, Oct	31,241.40
8808329	11/26/2014	Printed		S-1904	SOUTHERN CALIFORNIA EDISON	ST Lites, TC, Oct '14	10,294.29
8808330	11/26/2014	Printed		S-2220	SPORTS FIELD SERVICES	Retenetion Payment CIP # 238	3,710.00
8808331	11/26/2014	Printed		S-2095	STONE IMAGERY	Office Supplies, Nov '14	837.00
8808332	11/26/2014	Printed		S-2209	STUDIO TWO BLACK DIAMOND	Printing Services, Admin, Nov	302.40

Check Number	Check Date	Status	Void/Stop Date	Vendor Number	Vendor Name	Check Description	Amount
UNION BANK- GENERAL Checks							
8808333	11/26/2014	Printed		T-2002	TAB PRODUCTS COMPANY	Office Supplies, City Clerk	313.24
8808334	11/26/2014	Printed		T-2681	TOTALFUNDS BY HASLER	Postage Replenishment, Nov '14	1,000.00
8808335	11/26/2014	Printed		U-2163	USA DANCE, INC.	Contract Inst Svcs, Dancing	21.00
8808336	11/26/2014	Printed		W-2337	WEST COAST ARBORISTS, INC.	Tree Trimming, Oct '14	16,311.00
8808337	11/26/2014	Printed		X-2400	XEROX CORPORATION	Copier Usage, Oct '14	676.55
8808338	11/26/2014	Printed		Z-2606	ZUMAR INDUSTRIES, INC.	Maintenance, City Signage, Nov	138.75

Total Checks: 57 **Checks Total (excluding void checks):** **838,558.12**

Total Payments: 57 **Bank Total (excluding void checks):** **838,558.12**

Total Payments: 57 **Grand Total (excluding void checks):** **838,558.12**

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: DECEMBER 9, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: DONALD J. WHITE
ASSISTANT CITY MANAGER

ISSUE: PRESENTATION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2014

RECOMMENDATION: THAT THE CITY COUNCIL RECEIVE AND FILE THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, TOGETHER WITH THE AUDIT LETTERS.

SUMMARY:

Staff is presenting to the City Council, the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. For the past twenty years, the City has operated with an Audit Committee to oversee the audit process and review the findings with the Auditor. For the audit of fiscal year 2013/14, the City's Auditors reported that there were no material weaknesses in the City's internal control structure. The certified public accounting firm of Moss, Levy and Hartzheim, LLP, who was engaged by the City to perform the audit of the City's financial statements and internal control policies and procedures, rendered an unqualified opinion on the City's FY 2013/14 financial statements.

BACKGROUND:

<u>I. Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2014</u>

Included in your agenda packet, under separate cover, is the City's CAFR for the fiscal year ended June 30, 2014. The primary purpose of the CAFR is to provide the public and other interested parties with comprehensive disclosure concerning the City's financial position and activities. The general objectives of the CAFR include, but are not limited to: 1) fulfill the City's duty to be publicly accountable and enable users to assess that accountability, 2) assist users in evaluating the operating results of the City for the year ended June 30, 2014, and 3) enable the users to assess the level of services that are provided by the City and the City's ability to meet obligations as they become due.

Staff is confident that the CAFR satisfies these objectives. The "Independent Auditor's Report" affords the City Council and other users reasonable assurance that the City's basic financial statements are "free from material misstatement," and that they "present fairly, in all material respects, the financial position of the City of Laguna Hills as of June 30, 2014." The Auditor's report is part of the CAFR, and can be found on page II-1 in the Financial Section.

The CAFR contains three sections, namely: Introductory, Financial, and Statistical.

<u>Introductory Section</u>

This section is intended to familiarize the reader with the organizational structure of the City, the nature and scope of City services, the City's financial activities, and the factors that influence these activities. A discussion of the financial information presented in the Financial Section is contained in this section, as well as other information useful in assessing the City's economic condition. The Introductory Section is subjective in nature, and is excluded from the scope of the independent auditor's examination.

<u>Financial Section</u>

This section, which is the focal point of the CAFR, is comprised of the independent auditors' report, management's discussion and analysis, and the year-end financial statements, which are categorized as: a) government-wide financial statements, b) fund financial statements, c) notes to the basic financial statements, d) required supplementary information, and e) supplementary schedules.

The Management's Discussion and Analysis (MD&A) offers the readers of the City's financial statements a narrative overview of the financial activities of the City. It provides an analysis of the overall financial position of the City and the results of its operations for FY 2013/14.

The accompanying Notes to Financial Statements provide comprehensive information concerning the significant accounting policies and budgetary procedures implemented by the City. Relevant and material information regarding the data presented in the government-wide and fund financial statements are disclosed in the Notes in compliance with prescribed accounting and reporting standards.

Budgetary comparison for the General Fund is provided in the Required Supplementary Information section.

The Supplementary Schedules provide combining statements for each of the non-major governmental funds, budgetary comparison for the non-major individual governmental funds and capital projects fund, and a statement of changes in assets and liabilities for the agency fund. A brief narrative description of each of the non-major governmental funds is also provided in this section.

Statistical Section

The presentation format of this section has been modified to comply with the recently promulgated requirements of the Government Accounting Standards Board (GASB) Regulation No. 44. It contains significant data about the economic and demographic picture of the City. The information in the statistical section is un-audited and the Auditor's report notes that it does not express an opinion as to the accuracy of the data presented.

II. Audit Letters by Moss, Levy and Hartzheim, L.L.P.

The letters prepared by the auditors are standard letters issued upon completion of an annual audit. Following is a brief description of the letters.

Letter regarding Appropriations Limit Calculation

It is required by State Law that local jurisdictions adopt an Appropriations Limit on an annual basis establishing the maximum amount of tax money the City can spend during the fiscal year. The law also established the method by which a City must calculate its limit.

The City calculated the Limit using Article XIIIB Appropriations Limitation Uniform Guidelines prepared by the League of California Cities. The City's auditors have reviewed the calculation of the Appropriations Limit for FY 2014/15. As stated in the attached letter, the calculation was prepared in accordance with Article XIIIB of the California Constitution.

Independent Auditors' Report on the Internal Control Structure

This second letter states that in order to determine the audit procedures for the purpose of expressing an opinion on the City's financial statements, the auditors reviewed the internal control structure of the City. There were no material weaknesses noted in the City's internal control structure and financial operation.

Required Communications with the Audit Committee

This third and final letter addresses the auditor's responsibility under generally accepted auditing standards. This communication complies with the requirements of the Statement of Auditing Standards and included the following information and findings:

- the general purpose of an audit.
- there are no significant audit adjustments resulting from the audit.
- there are no material weaknesses in internal control.

- there were no disagreements with management on financial accounting and reporting matters that occurred during the audit process of the City's 2013/14 financial statements.

For the past twenty one years the City has received awards for excellence in financial reporting from the Government Finance Officers Association of USA and Canada (GFOA.) The GFOA award program was established in 1945 to encourage government units to produce and publish excellent CAFR's and to provide educational assistance and peer recognition. The award certificates are recognized as the highest distinction in government financial reporting. The Certificate of Achievement for Excellence in Financial Reporting for the preceding fiscal year 2012/13 can be found immediately following the Table of Contents of the attached CAFR for fiscal year ended June 30, 2014. Staff is confident that this CAFR will be recognized again for its excellence in financial reporting.

RECOMMENDATION: THAT THE CITY COUNCIL RECEIVE AND FILE THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FY 2013/14, TOGETHER WITH THE AUDIT LETTERS.

ATTACHMENTS:

- Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014 (under separate cover)
- Audit letters by Moss, Levy and Hartzheim, L.L.P.

MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

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www.mlhcpas.com

INDEPENDENT ACCOUNTANT'S REPORT ON AGREED-UPON PROCEDURES APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS

Honorable Mayor and Members of the City Council
City of Laguna Hills, California

We have applied the procedures enumerated below to the accompanying Appropriations Limit Worksheet (or other alternative computation) of the City of Laguna Hills (City) for the fiscal year ended June 30, 2015. These procedures, which were agreed to by the City and the League of California Cities and presented in their Article XIII-B Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIIIB of the California Constitution (the Gann Spending Limitation Initiative). The City's management is responsible for the Appropriations Limit Worksheet (or other alternative computation).

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this 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 any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed Worksheets (or other alternative computation) used by the City to calculate its appropriations limit for the fiscal year ending June 30, 2015, 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 of the City Council.

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

2. For the accompanying Appropriations Limit Worksheet, we added prior year's limit to the total ratio of change, and agreed the resulting amount to the current year's limit.

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

OFFICES: BEVERLY HILLS · CULVER CITY · SANTA MARIA

3. We compared the current year information presented in the accompanying Appropriations Limit Worksheet to other worksheets used by the City as described in No. 1 above.

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

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet to the prior year appropriations limit adopted by the City Council for the prior year.

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

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Worksheet (or other alternative computation). 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 Article XIII-B of the California Constitution.

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
November 30, 2014

CITY OF LAGUNA HILLS
2014/2015
APPROPRIATIONS LIMIT CALCULATION

2013/2014 APPROPRIATIONS LIMIT (Prior year)	$ 32,189,463
2014/2015 CALCULATION FACTORS:	
CHANGE IN PER CAPITA PERSONAL INCOME:	0.9977%
CHANGE IN COUNTY POPULATION:	1.0093%
RATIO OF CHANGE	1.0069786
2014/2015 APPROPRIATIONS LIMIT	$ 32,414,101
TOTAL FY 2014/2015 APPROPRIATIONS LIMIT	$ 32,414,101
LESS: TOTAL SUBJECT TO APPROPRIATIONS LIMIT	11,661,156
AMOUNT UNDER THE APPROPRIATIONS LIMIT	$ 20,752,945

CITY OF LAGUNA HILLS
NOTES TO APPROPRIATIONS LIMIT SCHEDULE
FOR THE FISCAL YEAR ENDING JUNE 30, 2015

1. PURPOSE OF LIMITED PROCEDURES REVIEW

Under Article XIIIB of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII-B, the annual calculation of the appropriations limit is subject to a limited procedures review in connection with the annual audit.

2. METHOD OF CALCULATION

Under Section 10.5 of Article XIIIB, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

3. POPULATION FACTORS

A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction's own population or the annual percentage change in population of the County in which the City is located. The factor adopted by the City of Laguna Hills for fiscal year 2014-15 represents the annual percentage change in population for the County of Orange of .93%.

4. INFLATION FACTORS

A California governmental agency may adjust its appropriations limit by either the annual percentage change in the 4th quarter per capita personal income (which percentage is supplied by the State of California Department of Finance) or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City of Laguna Hills for fiscal year 2014-15 represents the California per capita personal income decrease of -0.23%.

5. OTHER ADJUSTMENTS

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City of Laguna Hills had no such adjustments for the calculation for the fiscal year ending June 30, 2015.

MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANICAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members of City Council
City of Laguna Hills, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Laguna Hills, California (City), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Laguna Hills in a separate letter dated December 2, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 2, 2014

MOSS, LEVY & HARTZHEIM LLP
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December 2, 2014

City Council
City of Laguna Hills
Laguna Hills, California

We have audited the financial statements of the City of Laguna Hills (City) as of and for the fiscal year ended June 30, 2014. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, 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 21, 2014. 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 are described in Note 1 to the financial statements. The four accounting policies and pronouncements that were adopted during the fiscal year are also described in Note 1q. The new policies are Governmental Accounting Standards Board (GASB) Statements No. 65, 66, 67, and 70. Only GASB Statement No. 65 had an effect on the financial statements (see Note 6). We noted no transactions entered into by the City during the fiscal 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 financial statements were:

> Management's estimate of the historical cost of land, easements, and right-of-ways is based on management's and an independent third party appraiser's estimates. The liability for claims and judgments were also based on management's and an independent third party actuary's estimates. We evaluated the key factors and assumptions used to develop these two estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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

> The disclosure of the historical cost and depreciation of capital assets in Note 5 to the financial statements was derived using the City's and the appraiser's information. The disclosure of the

amount for claims and judgments payable in Note 7 to the financial statements was derived from reports issued by Arm Tech a third party actuary.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be a 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 2, 2014.

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'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'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 Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, 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.

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

Moss, Levy & Hartzheim, LLP
Culver City, California

CITY OF LAGUNA HILLS
CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

12/9/2014 ITEM NO. 3.4

CITY OF LAGUNA HILLS
California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2014

CITY MANAGER
Bruce E. Channing

ASSISTANT CITY MANAGER
Donald J. White

12/9/2014 ITEM NO. 3.4

INTRODUCTORY SECTION

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Introductory Section

Financial Section

12/9/2014 ITEM NO. 3.4

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Statistical Section (Unaudited)

GFOA CERTIFICATE OF ACHEIVEMENT

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Laguna Hills
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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December 9, 2014

Honorable Mayor and Members of the City Council:

The Comprehensive Annual Financial Report (CAFR) of the City of Laguna Hills for the fiscal year ended June 30, 2014, is submitted herewith. This report is published in accordance with local ordinance and State law requirements that financial statements be presented 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.

This report consists of management's representations concerning the finances of the City of Laguna Hills. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. It is management's opinion that the data is accurate in all material aspects, is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and contains all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, misuse, and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misrepresentation. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the City, as well as the City as a whole.

The City's financial statements have been audited by Moss, Levy & Hartzheim, LLP, a public accounting firm fully licensed and qualified to perform audits of local government. The independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements and that they present fairly, in all material respects, the financial condition of the City at the end of this fiscal year.

A narrative introduction, overview and analysis of the basic financial statements for the City for the fiscal year ended June 30, 2014, is discussed in the Management's Discussion and Analysis (MD&A), which immediately follows the independent auditor's report. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY OF LAGUNA HILLS

The City of Laguna Hills is located in South Orange County approximately 60 miles south of Los Angeles and 70 miles north of San Diego. Incorporated in 1991 under the laws of the State of California, it enjoys all the rights and privileges pertaining to "General Law" cities. The City is home to approximately 30,857 residents and over 1,000 businesses.

The City of Laguna Hills operates under a Council-Manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a four-member Council. The Mayor is annually selected by the City Council from among its membership, and serves a one-year term. The governing Council is responsible, among other things, for passing the City's ordinances and operating resolutions, adopting the biennial budget, appointing commissions and committees, and hiring the City Manager. The City Manager administers the daily operations and programs of the City through department heads, other staff members and employees.

The City contracts for selected municipal services utilizing agreements with other governmental entities, private firms and individuals. Police services are provided by the Orange County Sheriff's Department and fire services are provided through the Orange County Fire Authority, of which the City is a member.

Although the majority of the area in the City has a distinctive residential character, the City has a strong commercial base, specifically in the northern section of the City. This commercial area, or "Urban Village," is anchored by the regional Laguna Hills Mall, the Oakbrook Village Shopping Center, and the Saddleback Memorial Medical Center. In addition, the area north of the Mall holds a complement of commercial and mixed-use industrial uses.

FACTORS AFFECTING FINANCIAL CONDITION

ECONOMIC CONDITIONS & OUTLOOK

In the five years since the Great Recession officially ended, it has become apparent that a structural correction has taken place in the general economy. The lingering effects have resulted in what many now refer to as the "new normal." Government revenues at the local and regional level in particular have been affected. The City of Laguna Hills is no exception. In spite of the impact to revenues, the City has consistently maintained and continues to maintain a healthy financial condition. Much of this can be contributed to the City's conservative financial policies. These policies played a critical role in allowing the City to respond quickly to the post-Recession difficulties prevalent in the economy. Another important factor in the City's healthy financial condition is its strong and well-diversified tax base. Since Laguna Hills' incorporation in 1991, its diversified tax base has consistently performed well in good economic times and, more importantly over these last five years, has helped the City weather slower economic conditions.

General fund revenues in Laguna Hills increased in FY 2013/14 by $621,605, or 3.3%, most of which can be attributed to increases in property tax and sales tax revenues. Property tax revenues totaled $8,826,271, representing a $103,865 increase over the prior year revenues, and sales tax revenues came in at $5,523,069, a $331,151 increase over the previous year.

Total operating expenditures declined by $181,214, or 1%, over the previous fiscal year, and came in $43,010 under budget for FY 2013/14. Additionally, general fund revenues exceed operating expenditures by $1,425,040.

As the real estate market in the City continues to recover, property taxes are expected to continue to rebound next year. Given a positive consumer price index, the end to most of the temporary Proposition 8 reductions imposed by the County Assessor over the last few years, and the overall improvement that is occurring in the local housing market, property taxes are anticipated to increase over the next few years.

The City utilized a few key assumptions in the development of its biennial budget. The following assumptions and forecasts for 2015, should they hold true, will positively impact revenues in Laguna Hills:

- Taxable Sales +6.0%
- Consumer Price Index +2.5%
- Assessed Valuation +5.0%

LONG TERM FINANCIAL PLANNING

The City utilizes a customized 8-Year Resource Allocation plan that is specifically designed to project the City's operating and reserve policy ratios over an eight year forecast horizon while taking into account a temporarily lowered operating ratio minimum of 1.03 and 1.05 for Years 1 & 2, respectively, and a reserve policy minimum of 40% for the Unencumbered Fund Balance and 25% for the Unassigned Fund Balance. The operating ratio for FY 2013/14 fell to 1.02 and the Unencumbered Fund Balance and the Unassigned Fund Balance were at 32% and 23%, respectively. Consequently, the City identified a number of cost saving measures that, once implemented, will have a significant impact on the City's financial outlook. With full implementation of the cost savings measures, it is anticipated the City will meet its Fund Balance policy minimums by FY 2015/16 and its operating ratio minimum by FY 2016/17.

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

In developing the City's accounting system, consideration was given to the adequacy of internal accounting controls, which are designed to provide reasonable, but not absolute, assurance in connection with: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Furthermore, the City maintains budgetary controls to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Council. The City Manager is authorized to transfer budgeted amounts within and between funds as deemed necessary in order to meet the City's needs. Revisions that exceed the appropriated budget must be approved by the City Council.

CASH MANAGEMENT

The City invests its temporary idle cash in investments authorized under the City's prevailing Investment Resolution and Policies, which are reviewed and approved annually. These policies are significantly more restrictive than State law, limiting investments to a maturity of one year or less. At the present time, the City's investments are limited to the Local Agency Investment Fund (LAIF), fully insured or collaterized certificates of deposit with qualified banks, and U.S. Treasury money market funds.

CAPITAL ASSETS

Generally, only assets which cost $5,000 or more and which have a useful life of five years or more are considered capital assets. This designation is extensively discussed in the City's Internal Control Policies and Procedures for Capital Assets and Minor Equipment, which were developed for the City's compliance with the requirements with GASB 34.

MAJOR INITIATIVES

The following section provides a sampling of some of the various initiatives and highlights occurring throughout the 2013/2014 fiscal year:

LHHS ATHLETIC FIELDS SYNTHETIC TURF PROJECT

This project represents a strategic partnership between the City of Laguna Hills, Moulton Niguel Water District (MNWD), and the Saddleback Valley Unified School District (SVUSD) to convert the Laguna Hills High School's upper athletic fields to synthetic turf. The school district approached the City in February 2014 about partnering together to convert the athletic fields to artificial synthetic turf at an estimated cost of $1.6 million. Through MNWD's Water Efficiency Rebate Program, including Turf Removal Rebates and Synthetic Turf Installation Rebates, funds were made available to convert the entire 247,000 square foot of fields to artificial turf. The City proceeded to successfully secure over $1 million in rebates and incentives, allowing for the project at no cost to the City. Construction on the project has been completed and a groundbreaking ceremony was held on November 20, 2014. This project will result in a significant decrease in water usage, estimated at approximately 50 million gallons of water over the next 10 years, as well as provide additional savings of approximately $50,000 annually in SVUSD's operating budget. The City, in exchange, was able to secure rights for increased usage of the fields for both adult and youth sports organizations.

THE VILLAGE AT NELLIE GAIL

This 11.3 acre area located on the north side of La Paz Road between Moulton Parkway to the west and Alameda to the east was identified as an Opportunity Area in the City's General Plan. Following the rezoning of this parcel from open space to commercial retail, staff processed a tentative parcel map essentially creating a 3.055 acre lot with a 50-foot-wide open space/trail easement along La Paz Road. Three years ago, the City Council authorized staff to file a quiet title action in court, giving the City clear title on the property. At the April 24, 2012, City Council meeting, the City Council approved the sale of the property to Vintage Real Estate, the owner of the adjacent shopping center for $2.75 million. At that meeting, the City Council also approved the addition of 29,098 square feet of general commercial space. The approved purchase and sale agreement also included a creative and first-of-its-kind water quality easement over a portion of contiguous city-owned open space that allowed the project to move forward. The City negotiated an additional $211,416 in exchange for the use of these easements. The quiet title action was completed in June 2012 and escrow on the property closed in September 2012 in the amount of $2,963,093. The Center, now branded as The Village At Nellie Gail, is anchored by The Fresh Market. The Fresh Market in Laguna Hills, which is the chain's first store in Southern California and the second in the State, celebrated its Grand Opening on July 30, 2014. The Center continues to lease up with a number of new retailers and restaurants, including MOD Pizza and Rita's Italian Ice. The rehabilitation of the 8.25-acre open space along La Paz Road between Alameda Avenue and Moulton Parkway was also completed July 2014 by the City at a cost of $1.24 million.

LAGUNA HILLS MALL

In May 2013, Merlone Geier Partners purchased the 68-acre mall from the Simon Property Group. Built in 1973, the Laguna Hills Mall will soon undergo a major redevelopment plan that creates a modern pedestrian-friendly town center with more cafes, restaurants, an upscale movie theater, and public plaza. The mall serves as the backbone of the Laguna Hills Urban Village plan to design a mixed-use downtown space that provides not only shopping, but also a pedestrian experience and public gathering space. Over the past year, Merlone Geier Partners purchased the Sears lease to make way for a major redevelopment of the property. Sears subsequently vacated its location over the summer. The property owner has indicated it will submit new concept plans in the early part of 2015. It is anticipated that the new redevelopment plan for the mall will generate an increase in property and sales tax revenue to the City.

OAKBROOK VILLAGE

The owner of Oakbrook Village, Fritz Duda Company, received approval from the City in 2012 to create mixed-use development with new retail and residential units. This project will ultimately create the City's first urban village by demolishing 148,530 square feet of the existing 200,000 square foot center and replacing it with 489 homes in multi-story residential buildings and up to 82,574 square feet of new retail space. Phase 1 of this project, which includes the demolition of 82,730 square feet of retail uses and the development of 289 dwelling units and 23,974 square feet of new retail space, began grading and demolition work in April 2014. Building permits for the project were issued in October 2014 and construction for Phase I is anticipated to be completed in the spring of 2016. Additionally in October, the City received a total of $2,777,779 in fees, including $2,136,288 in Park In-lieu Fees.

POLICE SERVICES STUDY

One of the Major Plans identified as part of the 2013-15 Biennial Budget was a review of the current Police Services contract, including recommendations regarding possible modifications or reallocation of resources. The City awarded a contract to Matrix Consulting in November 2013 to conduct a comprehensive evaluation of police services in Laguna Hills. A final report was presented to the City Council in June 2014 that identified several potential cost saving measures, which are currently under review for implementation.

SOLID WASTE AND RECYCLING AGREEMENT

The City approved an amendment to its current franchise agreement with CR&R for waste hauling services, extending the term of the agreement by eight years through June 30, 2024. In exchange for the extension, CR&R reduced its rates for residential and commercial customers, effective October 1, 2014. Residential rates saw a 13% reduction, while commercial service rates decreased by 2.5% to 8%, depending on the size of the container and the number of weekly pickups. Commercial recycling rates also decreased from 2.5% to 29%, depending on the size of the container and the number of weekly pickups. In addition to the reduction in rates, CR&R is establishing an On-Call Residential Household Hazardous Waste (HHW) Pick Up Service.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

Over the past ten years, the City has been awarded Community Development Block Grant (CDBG) funds totaling over $2.7 million dollars. Nearly $2.5 million has been used for the partial rehabilitation of more than 180 affordable housing units for very low, low, and moderate income households in the City. In 2014, the City was awarded $80,000 to renovate homes in the 248-unit Aliso Meadows Condominium Association. The remaining $290,000 in grant monies have been used to complete a number of improvements and address deferred maintenance issues at the Florence Sylvester Memorial Senior Center. In 2014, the City was awarded $75,000 for the following improvements: (1) removal of the landscaping on the south side of the building and replacing it with hardscape to create a safe staging area for the Meals on Wheels program; (2) purchase and install audio/video equipment for educational presentations; and (3) remove all fluorescent light fixtures and replace them with energy-efficient fixtures to reduce energy consumption.

STREET MAINTENANCE CONTRACT

Since its incorporation in 1991, the City has utilized the services of the County of Orange for routine maintenance of the City's eighty-one miles of public streets. Upon closer evaluation, it was determined the City could benefit from a procurement for these services and the services could likely be provided at a lower cost as compared to the current agreement and at equal or better service levels. Following a lengthy and complex bidding process, the City contracted with Charles Abbott and Associates for street maintenance services, resulting in a projected budget savings of $100,000 per year.

SOUND WALL ALONG I-5 / ALISO CREEK

The San Diego Freeway (I-5) Project from San Joaquin Hills Toll Road (SR-73) to El Toro Road is a $481 million freeway widening project under the direction of Caltrans and in cooperation with OCTA. As part of the environmental review process and outreach, OCTA presented an overview of the project at a City Council meeting. At the time, the City Council indicated concerns regarding noise impacts to specific neighborhoods in the City. As the process progressed, the City challenged the conclusions set forth in the environmental documents regarding noise impacts in the Aliso Creek neighborhoods. The City worked closely with Caltrans and OCTA to seek a resolution, and ultimately a community enhancement wall was added to the project to protect residents in the area from traffic noise impacts, at no cost to the City. The I-5 project is currently in the design phase and anticipated to begin construction in 2018.

AWARDS AND ACKNOWLEDGEMENTS

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 of Laguna Hills for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the twenty-first consecutive year the City has received this prestigious award. The certificate is a national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR), whose contents conform to program standards, and must satisfy both generally accepted accounting principles and applicable legal requirements.

The City also received the GFOA Distinguished Budget Presentation Award for its 2013-15 biennial budget document. To qualify for the GFOA award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Administrative Services Department. The contributions are invaluable and clearly reflect the high standards the City has set for itself.

In closing, without the effective leadership, guidance, and support provided by the Mayor and the City Council, preparation of this report, as well as the favorable financial results of the past year, would not have been possible.

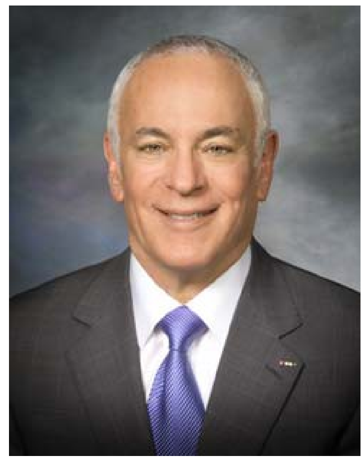
Respectfully submitted,

Original signed	*Original signed*
Bruce E. Channing	Donald J. White
City Manager	Assistant City Manager

City of Laguna Hills

Elected Officials
As of June 30, 2014

Andrew Blount
Mayor



Dore Gilbert
Mayor Pro Tem

Randal Bressette
Council Member

Melody Carruth
Council Member

Barbara Kogerman
Council Member

12/9/2014 ITEM NO. 3.4

APPOINTED OFFICIALS
As of June 30, 2014

Bruce E. Channing
City Manager/Treasurer

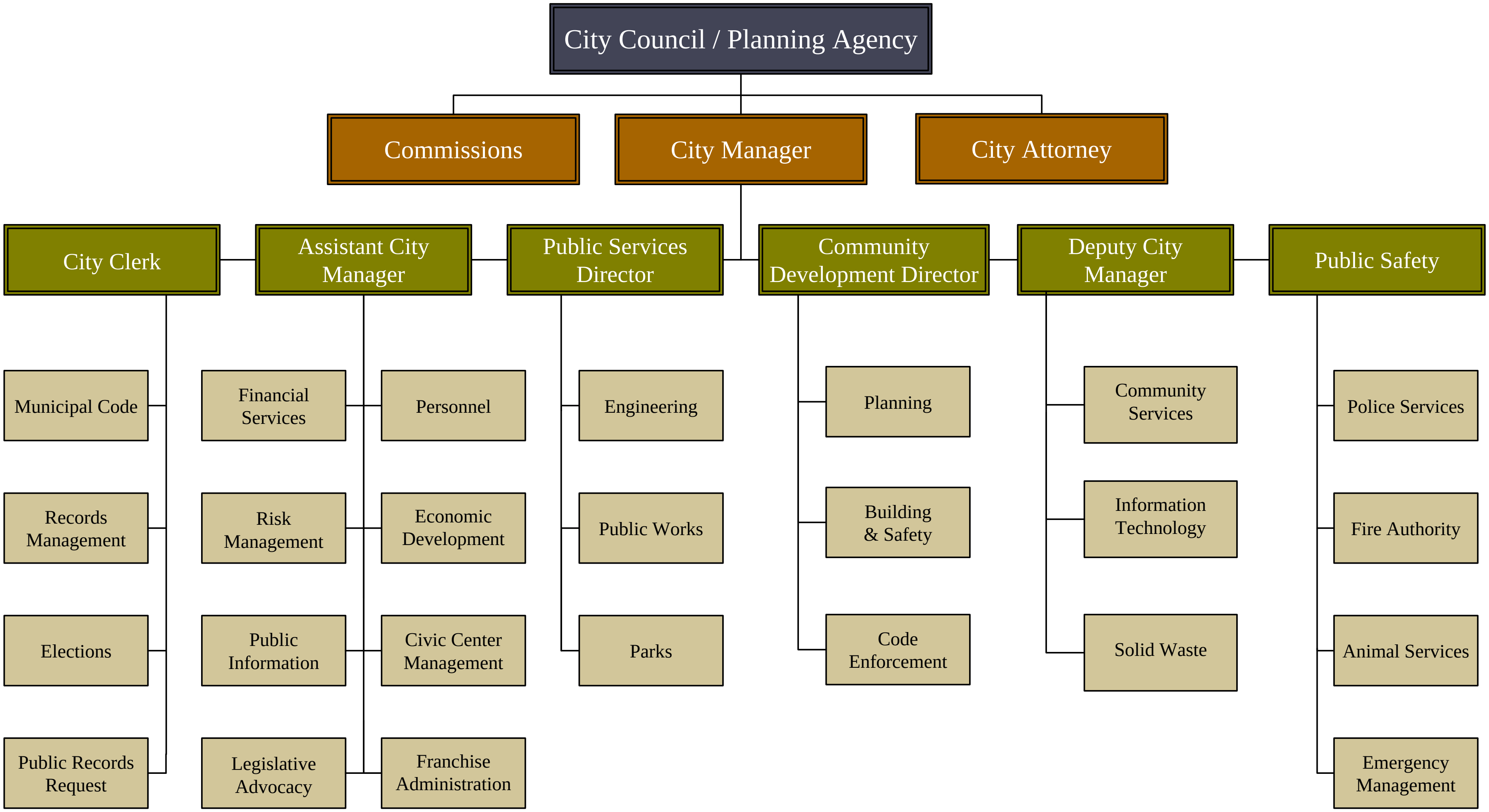
Donald J. White
Assistant City Manager/Deputy Treasurer

- **Gregory E. Simonian** City Attorney
- **Peggy J. Johns** City Clerk
- **David Chantarangsu** Community Development Director
- **David T. Reynolds** Deputy City Manager
- **Kenneth H. Rosenfield** Director of Public Works/City Engineer
- **Lt. Roland Chacon** Police Chief (O.C. Sheriff Department)
- **Bryan Brice** Division Chief (OC. Fire Department)

CITY OF LAGUNA HILLS

ORGANIZATIONAL CHART

June 30, 2014



FINANCIAL SECTION

MOSS, LEVY & HARTZHEIM LLP
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Laguna Hills
Laguna Hills, 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 Laguna Hills, California (City), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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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, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in note 1 to the basic financial statements effective July 1, 2013, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities,* Statement No. 66, *Technical Correction-2012,* Statement No. 67, *Financial Reporting for Pension Plans,* and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages II-5 through II-16 and II-61 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's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, major capital projects and debt service budgetary schedules, fiduciary changes in assets and liabilities, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules, major capital projects and debt service budgetary schedules, fiduciary changes in assets and liabilities 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 non-major fund financial statements and schedules, major capital projects and debt service budgetary schedules, fiduciary changes in assets and liabilities are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 2, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 2, 2014

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Management's Discussion & Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Laguna Hills offers the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended **June 30, 2014**. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter on page I-1 and the basic financial statements in the appropriate section.

Financial Highlights

Government-Wide

- The net position of the City of Laguna Hills at the close of the most recent fiscal year was $102,573,434. Of this amount, $5,798,922 may be used to meet the City's ongoing obligations to its citizens and creditors.
- After recording the value of the City's infrastructure assets, net of accumulated depreciation, the decrease in the City's net position resulting from the most recent fiscal year's operation was $1,383,189, approximately 1.3%.
- Total revenues from all sources were $22,095,562.
- The total cost of all City programs and projects was $23,478,751. Approximately 19%, or $4,549,205, of this amount is attributable to depreciation on the City's capital assets.
- The net position of governmental activities was $92,631,130 as of June 30, 2014, after recording the value of the City's infrastructure assets, net of accumulated depreciation and long term debt.
- Governmental activities, which include certain capital projects and depreciation related to capital assets, decreased the City's net position by $874,853.

Fund Based

- As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of $10,227,561.
- Total non-spendable fund balances, amounts that are either not in spendable form or are legally or contractually required to be maintained, were $416,994.
- Total spendable fund balances were $9,810,567. Of this amount, approximately 17% ($1,726,228 total assigned) is constrained by the

City's intent to be used for a specific purpose and 43% ($4,222,459 total restricted) is restricted in their use by external restrictions, such as by creditors, debt covenants, grantors, contributors, or by laws and regulations.

- Total governmental fund balances decreased by $491,082.
- At the end of the most recent fiscal year, the total fund balance for the general fund was $6,327,883; a decrease of $1,832,535 over prior year.
- General fund reported revenues exceeded expenditures by $1,425,040.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Laguna Hills' basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statement themselves.

(1) **Government-wide financial statements**. These statements are designed to provide readers with a broad overview of the City of Laguna Hills' finances, in a manner similar to a private-sector business. The following reports comprise the government-wide financial statements:

a) *Statement of Net Position*. This report presents information on all the assets and liabilities, with the difference between the two reported as the *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 weakening, though it is important to consider other non-financial factors in accurately assessing the overall health of the City, such as the property tax base or condition of the roads, etc.; and

b) *Statement of Activities*. The information presented in this report shows how the City'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 expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (referred to as *governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as *business-type* *activities*).

The ***governmental activities*** of the City of Laguna Hills include general government, public services, community development, community services and public safety. Property taxes, sales and use taxes, transient occupancy taxes, and franchise fees finance most of these activities.

The ***business-type activity*** of the City of Laguna Hills pertains to the leasing of certain areas in the Laguna Hills Civic Center, which also houses City Hall.

The government-wide financial statements can be found on pages II-17 to II-19 of this report.

(2) **Fund financial statements.** These statements show how the City services were financed in the short term as well as what remains for future spending. These statements also report the City's operation in more detail than the government-wide statements by providing information about the City's most significant funds, but not the City as a whole. Funds are required to be established, either by State or Federal laws, in order to meet legal responsibilities associated with the usage of certain taxes, grants, and other money. There are three types of funds, namely:

a) *Governmental funds*. These statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information provides a short-term view of the City's general government operations and shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using the *modified accrual method* of accounting, which measures cash and all other financial assets that can readily be converted to cash. The relationship between governmental activities and the governmental funds are reported in the reconciliation of government-wide and fund financial statements and in Note 1 in the Notes to the Basic Financial Statements.

The City maintains 18 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 balance for the general fund, capital projects fund, and debt service fund, all of 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 nonmajor governmental fund is provided in the form of *combining statements* elsewhere in this report.

b) *Proprietary funds*. When the City charges for the services it provides, other than those services associated with the City's general governmental operations, these services are generally reported in proprietary funds. The proprietary fund is used to report the same function presented as *business-type activities* in the government-wide financial statements. The City uses the proprietary fund to account for its Civic Center leasing activity.

c) *Fiduciary funds*. These funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's own programs.

The fund financial statements can be found on pages II-21 to II-28 of this report.

(3) **Notes to the basic financial statements**. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages II-29 to II-57 of this report.

(4) **Other Information**. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the budgetary comparisons for the general fund.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government –Wide Financial Analysis

As noted earlier, net position may serve as a useful indicator over time of the City's financial position. The City's combined net position at the close of the most recent fiscal year ended June 30, 2014, was $102,573,434, as shown on Table 1, on the following page.

By far the largest portion of the City's net position (roughly $94 million, or 92% of total net position) reflects its investment in capital assets (land, building, machinery, and equipment) less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. 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. There is $13,436,572 in debt outstanding related to the acquisition and construction of these capital assets.

Table 1
Condensed Statement of Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 13,376	$ 13,933	$ 109	$ 124	$ 13,485	$ 14,057
Capital assets	95,790	96,960	9,895	10,403	105,685	107,363
Total assets	109,166	110,893	10,004	10,527	119,170	121,420
Total deferred outflows	305				305	
Long-term liabilities outstanding	13,979	14,820	38	31	14,017	14,851
Other liabilities	2,861	2,115	23	45	2,884	2,160
Total liabilities	16,840	16,935	61	76	16,901	17,011
Net position:						
Net investment in capital assets	84,465	84,618	9,895	10,403	94,360	95,021
Restricted	2,415	999			2,415	999
Unrestricted	5,751	8,341	48	48	5,799	8,389
Total net position	$ 92,631	$ 93,958	$ 9,943	$ 10,451	$ 102,574	$ 104,409

Another portion of the City's net position, $2,414,686 (2% of the total net position), represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net position is unrestricted net position of $5,798,922, which may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's business-type activity involves the leasing of rentable areas in the Civic Center building. This 3-story building complex was renovated to accommodate the City offices and to add leasable spaces. Since June 28, 2004, the City government has operated from this facility. The occupancy rate was approximately 77% on June 30, 2014.

During the fiscal year ended June 30, 2014, the total revenue from all sources was $22,095,562 and the cost of all activities was $23,478,751, resulting in an overall decrease in net position of $1,383,189. The City's governmental activities decreased total net position by $874,853 and the City's business-type activities decreased total net position by $508,336. The decrease from governmental activities is primarily due to the planned use of reserves to fund capital improvement projects, namely the La Paz Open Space Improvement Project. The decrease from business-type activities is largely attributable to depreciation. Of the $1,278,434 of total operating expenses related to the City's property leasing activities, depreciation represents 56% ($712,735) of that total.

The details of the changes in the City's Net Position are shown in **Table 2** below.

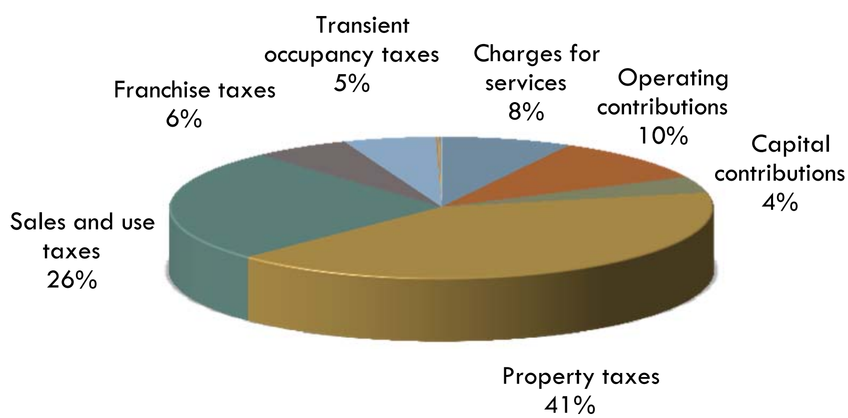
Table 2
Statement of Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	$ 1,701	$ 1,804	$ 476	$ 528	$ 2,177	$ 2,332
Operating contributions	2,186	2,138			2,186	2,138
Capital contributions	808	945			808	945
General Revenues:						
Property taxes	8,826	8,722			8,826	8,722
Sales and use taxes	5,563	5,305			5,563	5,305
Franchise taxes	1,259	1,211			1,259	1,211
Transient occupancy taxes	1,203	1,108			1,203	1,108
Motor vehicle in lieu taxes	14	17			14	17
State subvention	17				17	
Interest earnings	12	12			12	12
Sale of capital assets		2,770				2,770
Miscellaneous revenues	30	21			30	21
Total revenues	21,619	24,053	476	528	22,095	24,581
Expenses:						
Legislative/executive	1,547	1,546			1,547	1,546
Administrative services	1,758	1,976			1,758	1,976
Public services	6,377	6,151			6,377	6,151
Community development	1,266	1,138			1,266	1,138
Community services	3,886	3,777			3,886	3,777
Public safety	6,837	6,576			6,837	6,576
Property leasing			1,278	1,163		1,163
Interest	530	583			530	583
Total expenses	22,201	21,747	1,278	1,163	23,479	22,910
Change in net position before transfers	(582)	2,306	(802)	(635)	(1,384)	1,671
Transfers	(294)		294			
Change in net position	(876)	2,306	(508)	(635)	(1,384)	1,671
Net position, beginning, as restated	93,506	91,652	10,451	11,086	103,957	102,738
Net position, ending	$ 92,630	$ 93,958	$ 9,943	$ 10,451	$ 102,573	$ 104,409

Governmental Activities

The revenue sources from governmental activities presented in the preceding table are illustrated in a pie chart shown below as **Figure 1**, which illustrates the percentage relationship of these revenues to each other, as well as their impact on the City's total resources.

Figure 1
Revenue by Sources – Governmental Activities
FY 2013/14



As shown in the above pie chart, roughly 78% of the City's total governmental revenues are from taxes, comprised of property, sales and use, motor vehicle in lieu, franchise and transient occupancy taxes. Program revenues totaled 22% of the total resources, comprised of charges for services, operating and capital contributions.

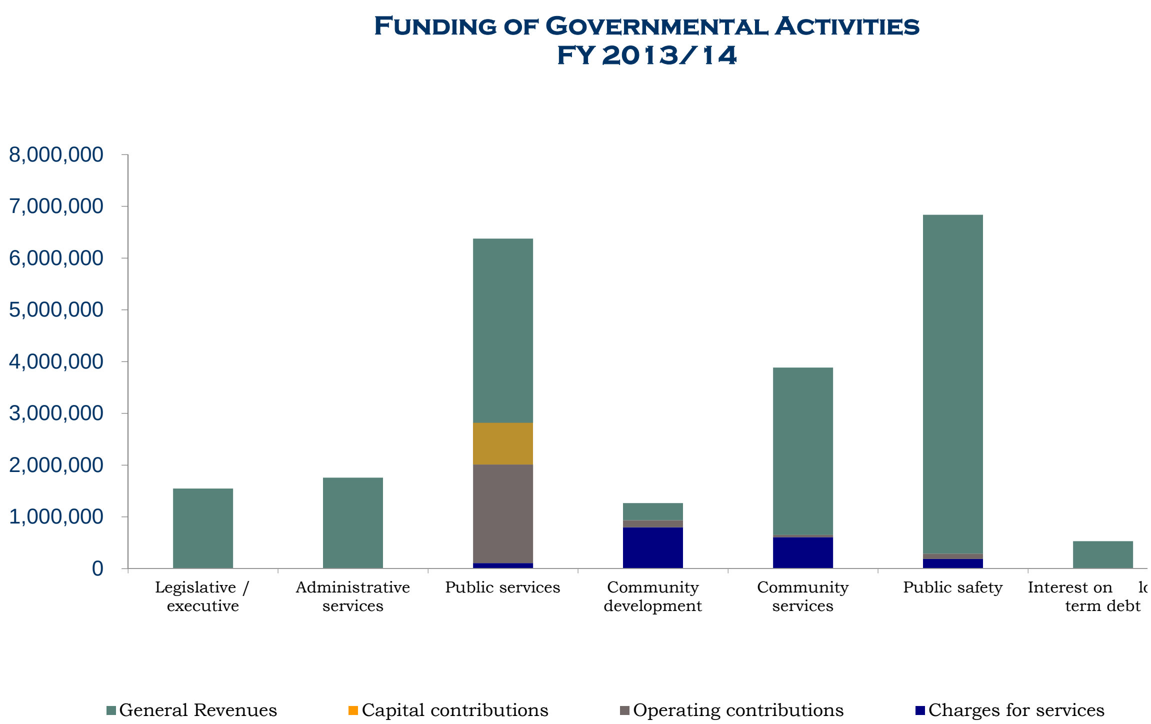
The City's expenses in connection with its governmental activities are categorized by function, namely: legislative/executive, administrative services, public services, community development, community services and public safety. The program revenues associated with these governmental activities are classified into three categories, which are charges for services, operating contributions and capital contributions. The relationships of the City's program revenues with the related governmental functions are illustrated in a graph shown as **Figure 2** on the following page.

Expenses associated with governmental activities experienced only a slight increase of 2%, or $452,792, this past year. This is largely attributable to an increase in building and landscape maintenance expenditures, due in part by a rise in the cost for water and electricity, as well as increase in recreation program activity, such as the Memorial Day Half Marathon and recreation classes. Of the $22,200,317 of expenses, depreciation of capital assets accounts for $3,836,470 (17%) and the debt service interest payment on capital related items accounts for $530,039 (2%).

Program Revenues and Expenses:

Program revenues for the most recent fiscal year were $4,694,768. Expenses related to governmental activities were $22,200,317. The program revenues are generally not adequate to finance the governmental programs, so it is typical for governmental expenses to be subsidized by general revenues. The City's expenses for public services and public safety are comparatively higher than the other expense categories, as shown in **Figure 2** below. The interest on long-term debt was $530,039.

Figure 2



Business-type Activities

During the most recent fiscal year, the operating revenues of the Laguna Hills Civic Center were $476,391 and the operating expenses were $1,278,434, resulting in a net operating loss of $802,043, which includes a depreciation charge of $712,735. After interest earnings of $16, the change in net position at fiscal year-end was $(802,027). The net cash provided by the leasing activities was $1,246. The contra rent revenue associated with the occupied spaces for City Hall was $613,071.

Analysis of Major Funds

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

Governmental funds:

The focus of the City of Laguna Hills' *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Laguna Hills' financing requirements. In particular, fund balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of $10,227,561, a decrease of $491,082 from prior year's balance. Of the ending fund balance, $416,994 is non-spendable fund balance, which represents the portion of fund balance that is either not in spendable form or are legally or contractually required to be maintained. Of the remaining $9,810,567 in spendable fund balance, $4,222,459 is restricted fund balance, $1,726,228 is assigned fund balance and $3,861,880 is unassigned fund balance. Restricted fund balance includes amounts that have externally imposed restrictions on their usage by creditors, such as debt covenants, grantors, and contributors, or by laws and regulations. Assigned fund balance includes amounts which are constrained by the City's intent to be used for a specific purpose. These include $200,000 designated for claims liability and a total of $1,526,228 designated for equipment maintenance of the Civic Center, Community Center, Sports Complex, and various parks.

The fund balance of the City's general fund decreased by $1,832,535 from the prior fiscal year's balance, resulting from the transfers out to fund debt service and certain capital improvement projects. The fund balance of the non-major governmental funds increased by $1,348,755, which is largely attributable to gas tax revenue held to fund future capital projects in the capital projects fund, namely the annual street maintenance program.

Proprietary fund:

The proprietary fund provides the same type of information found in the government-wide financial statements. The City's proprietary fund consists of owning a piece of commercial real estate and leasing it to various entities. The total square footage of the building is 51,944. The City is a tenant using approximately 21,033 square feet of the building. The enterprise fund does not charge the City rent. The estimated annual rent for the space would be approximately $613,071.

The statement of revenues, expenses, and changes in net position shows a net operating loss of $802,043, before the interest earnings of $16. The net effect, after a transfer in of $293,691 from General Fund, is a decrease in the ending net position of $508,336, which is largely attributable to depreciation. It should be noted that before accounting for depreciation the net operating loss would be $89,308 from the City's leasing related activities.

General Fund Budgetary Highlights

At fiscal year-end, total revenues were below the budgeted amount by $120,398, which is largely due to a decrease in fines and forfeiture activity. The City's top revenues source, property taxes, performed well in comparison to the budget. Property taxes totaled $8,826,271, which was $107,267 over the budget estimate. The total operating expenditures came in lower than the budgeted amount by $43,010.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounted to $105,684,825 net of accumulated depreciation. This investment includes land, land improvements, easements, right of ways, building, building improvements, equipment, machinery, construction in progress, and infrastructure. In accordance with the requirement of GASB 34, the value of the City's infrastructure assets are included in this report, which include streets, sidewalks, curbs, gutters, playground equipment, and similar assets that are considered public property. Equipment and machinery includes vehicles, furniture, computer hardware and software.

A schedule showing the changes in the City's capital assets are shown in the following **Table 3** on the next page.

Table 3
City of Laguna Hills Capital Assets (Net of accumulated depreciation)
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Land & improvements	$ 29,736	$ 29,692	$ 2,855	$ 2,855	$ 32,592	$ 32,547
Rights of ways/Easements	3,062	3,062			3,062	3,062
Building & improvements	5,524	6,197	7,039	7,547	12,563	13,745
Equipment and machinery	413	503			413	503
Construction in progress		696				696
Infrastructure						
Street signs	26	57			26	57
Storm drains	2,309	2,387			2,309	2,387
Streets	45,211	44,591			45,211	44,591
Parks inventory	1,485	1,414			1,485	1,414
Curbs, sidewalks, gutters	6,274	6,542			6,274	6,542
Bridges	1,750	1,819			1,750	1,819
Total capital assets net of accumulated depreciation	$ 95,790	$ 96,960	$ 9,895	$ 10,403	$ 105,685	$ 107,363

Additional information on the City's capital assets can be found in Note 5 on page II-47 of this report.

Long-term Debt

On January 26, 2010, to take advantage of favorable interest rates, the City issued $17,190,000 of Certificates of Participation (COPs). Proceeds from the sale were placed in an irrevocable trust used to service the future debt requirements of the 2001 and 2003 Certificates of Participation, which were issued to finance a portion of the costs to develop certain property, including the Civic Center Renovation Project and Community Center. As a result, the balance of the 2001 and 2003 COPs are considered to be defeased and the liability for those bonds has been removed. At fiscal year-end June 30, 2014, the per capita liability of the City of Laguna Hills was $407.85. Additional information on the City's long-term debt can be found in Note 7 on pages II-48 to II-49 of this report.

Budget and Economic Factors

The City's most recent adopted biennial budget for fiscal years 2013/14 - 2014/15 shows that the City continues to live within its means. The major goals and issues that dominated the budgeting process for this biennial budget are discussed in the transmittal letter together with the measures adopted to address the prevailing issues.

Requests for Information

This financial report is designed to provide a general overview of the City of Laguna Hills' finances to all interested parties. Any questions regarding this report or requests for additional information should be addressed to the City's Finance Department, at 24035 El Toro Road, Laguna Hills, California, 92653.

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Government-Wide Financial Statements

City of Laguna Hills
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments (note 2)	$ 8,302,973	$ 96,561	$ 8,399,534
Taxes receivable	1,930,645		1,930,645
Accounts receivable, net of allowance	376,632	6,019	382,651
Interest receivable	5,349		5,349
Prepaid items	96,333	6,815	103,148
Due from other governments	809,081		809,081
Restricted cash and investments (note 2)	1,855,065		1,855,065
Capital assets, not depreciated (note 5)	20,815,814	2,855,425	23,671,239
Capital assets, net of accumulated depreciation (note 5)	74,974,508	7,039,078	82,013,586
Total assets	109,166,400	10,003,898	119,170,298
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	304,796		304,796
Total deferred outflows of resources	304,796		304,796
LIABILITIES			
Accounts payable	1,262,970		1,262,970
Accrued liabilities	716,415	23,388	739,803
Interest payable	226,952		226,952
Due to other governments	654,845		654,845
Deposits		38,206	38,206
Noncurrent Liabilities (note 7):			
Due within one year	1,384,695		1,384,695
Due in more than one year	12,594,189		12,594,189
Total liabilities	16,840,066	61,594	16,901,660
NET POSITION			
Net investment in capital assets	84,465,323	9,894,503	94,359,826
Restricted for:			
Public services	2,319,956		2,319,956
Public safety	6,373		6,373
Community services	88,357		88,357
Unrestricted	5,751,121	47,801	5,798,922
Total net position	$ 92,631,130	$ 9,942,304	$ 102,573,434

See Accompanying Notes to the Basic Financial Statements

City of Laguna Hills
Statement of Activities
For the Fiscal Year Ended June 30, 2014

		Program Revenues			
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Total Program Revenues
Governmental activities:					
Legislative/executive	$ 1,546,625	$ -	$ -	$ -	$ -
Administrative services	1,758,062				
Public services	6,376,642	106,633	1,905,527	807,545	2,819,705
Community development	1,265,719	799,316	135,468		934,784
Community services	3,886,180	608,877	41,570		650,447
Public safety	6,837,050	186,347	103,485		289,832
Interest expense	530,039				
Total governmental activities	22,200,317	1,701,173	2,186,050	807,545	4,694,768
Business-type activities:					
Property leasing	1,278,434	476,391			476,391
Total business-type activities	1,278,434	476,391			476,391
Total primary government	$ 23,478,751	$ 2,177,564	$ 2,186,050	$ 807,545	$ 5,171,159

General revenues:
Taxes:
Property taxes
Sales and use tax
Franchise tax
Transient occupancy tax
Intergovernmental, unrestricted:
Motor vehicle in lieu
State subvention
Investment earnings
Miscellaneous revenue
Transfers
Total general revenues

Changes in net position

Net position - beginning, as restated (note 14)

Net position - ending

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (1,546,625)	$ -	$ (1,546,625)
(1,758,062)		(1,758,062)
(3,556,937)		(3,556,937)
(330,935)		(330,935)
(3,235,733)		(3,235,733)
(6,547,218)		(6,547,218)
(530,039)		(530,039)
(17,505,549)		(17,505,549)
	(802,043)	(802,043)
	(802,043)	(802,043)
(17,505,549)	(802,043)	(18,307,592)
8,826,271		8,826,271
5,562,823		5,562,823
1,259,021		1,259,021
1,203,422		1,203,422
14,344		14,344
16,549		16,549
12,251	16	12,267
29,706		29,706
(293,691)	293,691	
16,630,696	293,707	16,924,403
(874,853)	(508,336)	(1,383,189)
93,505,983	10,450,640	103,956,623
$ 92,631,130	$ 9,942,304	$ 102,573,434

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Fund Financial Statements

CITY OF LAGUNA HILLS
Governmental Funds
Balance Sheet
As of June 30, 2014

	General	Capital Projects	Debt Service	Other Governmental Funds	Totals
Assets					
Cash and investments	$ 8,302,973	$ -	$ -	$ -	$ 8,302,973
Receivables:					
Taxes	1,930,645				1,930,645
Accounts	388,547				388,547
Interest	4,353		996		5,349
Prepaid items	96,333				96,333
Due from other funds (note 3)	2,120			2,414,686	2,416,806
Due from other governments	809,081				809,081
Advances to other funds (note 3)	320,661				320,661
Restricted assets:					
Cash and investments	48,288		1,806,777		1,855,065
Total assets	$ 11,903,001	$ -	$ 1,807,773	$ 2,414,686	$ 16,125,460
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	$ 1,262,970	$ -	$ -	$ -	$ 1,262,970
Accrued liabilities	716,415				716,415
Due to other funds (note 3)	2,414,686			2,120	2,416,806
Due to other governments	654,845				654,845
Advances from other funds (note 3)				320,661	320,661
Total liabilities	5,048,916			322,781	5,371,697
Deferred Inflows of Resources					
Unavailable revenues	526,202				526,202
Total deferred inflows of resources	526,202				526,202
Fund balance (note 11):					
Nonspendable	416,994				416,994
Restricted			1,807,773	2,414,686	4,222,459
Assigned	1,726,228				1,726,228
Unassigned	4,184,661			(322,781)	3,861,880
Total fund balances	6,327,883		1,807,773	2,091,905	10,227,561
Total liabilities, deferred inflows of resources, and fund balances	$ 11,903,001	$ -	$ 1,807,773	$ 2,414,686	$ 16,125,460

See Accompanying Notes to the Basic Financial Statements

City of Laguna Hills
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2014

Fund balances of governmental funds	$ 10,227,561
Amounts reported for governmental activities in the Statement of Net position are different because:	
Accounts receivable allowance for uncollectible accounts.	(11,915)
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	95,790,322
Long term debt, bond premium, compensated absences, and claims and judgments that have not been included in the governmental fund activity.	(13,978,884)
Deferred outflows of resources (loss on refunding of bonds) that have not been included in the governmental fund activty.	304,796
Accrued interest payable for the current portion of interest due on the Certificates of Participation has not been reported in the governmental funds.	(226,952)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.	526,202
Net position of governmental activities	$ 92,631,130

See Accompanying Notes to the Basic Financial Statements

12/9/2014 ITEM NO. 3.4

CITY OF LAGUNA HILLS

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

	General	Capital Projects	Debt Service	Other Governmental Funds	Totals
Revenues:					
Taxes	$ 11,288,714	$ -	$ -	$ 20,000	$ 11,308,714
Licenses and permits	737,110			41,098	778,208
Intergovernmental revenues	5,553,962			3,310,767	8,864,729
Charges for current services	931,909				931,909
Fines and forfeitures	186,347				186,347
Investment income	11,533		4,355	5,720	21,608
Total revenues	18,709,575		4,355	3,377,585	22,091,515
Expenditures:					
Current:					
Legislative/executive	1,536,724				1,536,724
Administrative services	1,631,541				1,631,541
Public services	4,334,264			65,440	4,399,704
Community development	1,126,247			135,468	1,261,715
Community services	1,833,117			27,749	1,860,866
Public safety	6,822,642			3,661	6,826,303
Capital outlay		2,965,511			2,965,511
Debt service:					
Interest			601,542		601,542
Principal retirement			1,205,000		1,205,000
Total expenditures	17,284,535	2,965,511	1,806,542	232,318	22,288,906
Excess (deficiency) of revenues over expenditures	1,425,040	(2,965,511)	(1,802,187)	3,145,267	(197,391)
Other financing sources (uses):					
Transfers in (note 4)	1,716,321	2,965,511	1,794,885	737,619	7,214,336
Transfers out (note 4)	(4,973,896)			(2,534,131)	(7,508,027)
Total other financing sources (uses)	(3,257,575)	2,965,511	1,794,885	(1,796,512)	(293,691)
Net change in fund balances	(1,832,535)		(7,302)	1,348,755	(491,082)
Fund balances, beginning of fiscal year, as restated (note 14)	8,160,418		1,815,075	743,150	10,718,643
Fund balances, end of fiscal year	$ 6,327,883	$ -	$ 1,807,773	$ 2,091,905	$ 10,227,561

See Accompanying Notes to the Basic Financial Statements

City of Laguna Hills

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

For the Fiscal Year Ended June 30, 2014

Net change in fund balances - total governmental funds	$ (491,082)
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 costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation & disposals exceed capital outlays in the current period.	(1,169,915)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Premiums associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but in the Statement of Net Position, the premiums are deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	1,285,464
Deferred losses on refunding of long-term debt in the Statement of Net Position are deferred and amortized throughout the period during which the related debt is outstanding.	(28,800)
To record as an expense the net change in compensated absences and claims and judgments in the Statement of Activities.	(110,499)
Accrued interest for Certificates of Participation. This is the net change in accrued interest for the current period.	19,839
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change in unearned revenue for the current period.	(379,860)
Change in net position of governmental activities	$ (874,853)

See Accompanying Notes to the Basic Financial Statements

12/9/2014 ITEM NO. 3.4

City of Laguna Hills
Proprietary Fund

Statement of Net Position
June 30, 2014

		Enterprise - Property Leasing
ASSETS		
Current assets:		
Cash and investments (note 2)	$	96,561
Accounts receivable		6,019
Prepaid items		6,815
Total current assets		109,395
Noncurrent assets:		
Capital assets not depreciated		2,855,425
Capital assets, net of accumulated depreciation		7,039,078
Total noncurrent assets		9,894,503
Total assets		10,003,898
LIABILITIES		
Current liabilities:		
Accrued liabilities		23,388
Deposits		38,206
Total current liabilities		61,594
NET POSITION		
Net investment in capital assets		9,894,503
Unrestricted		47,801
Total net position	$	9,942,304

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS

Proprietary Fund

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2014

		Enterprise - Property Leasing
Operating revenues:		
Rental fees	$	460,468
CAM revenues		10,936
Other current service fees		4,987
Total operating revenues		476,391
Operating expenses:		
Direct operating expenses		450,573
Advertising and promotion		6,511
Administrative and professional fees		5,704
Legal fees		75
Repairs and maintenance		12,420
Bad debts		90,416
Depreciation expense		712,735
Total operating expenses		1,278,434
Operating income/(loss)		(802,043)
Nonoperating revenues (expenses):		
Interest income		16
Total nonoperating revenues (expenses)		16
Income/(loss) before transfers		(802,027)
Transfers in		293,691
Change in net position		(508,336)
Net position, beginning of fiscal year		10,450,640
Net position, end of fiscal year	$	9,942,304

See Accompanying Notes to the Basic Financial Statements

CITY OF LAGUNA HILLS
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

		Enterprise - Property Leasing
Cash flows from operating activities:		
Receipts from tenants	$	582,747
Payments to suppliers for goods and services		(581,501)
Net cash provided by operating activities		1,246
Cash flows from capital and related financing:		
Transfers in		293,691
Acquisition of capital assets		(204,161)
Net cash provided for capital and related financing activities		89,530
Cash flows from investing activities:		
Interest on investments		16
Net cash provided by investing activities		16
Net increase (decrease) in cash and cash equivalents		90,792
Cash and cash equivalents at beginning of fiscal year		5,769
Cash and cash equivalents at end of fiscal year	$	96,561
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	$	(802,043)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense		712,735
Changes in assets and liabilities		
(Increase) decrease in accounts receivable		105,399
(Increase) decrease in prepaid items		13
Increase (decrease) in accrued liabilities		(15,815)
Increase (decrease) in prepaid rent & CAM revenue		(5,584)
Increase (decrease) in deposits payable		6,541
Total adjustments		803,289
Net cash provided by operating activities	$	1,246

Non-cash investing, capital, and financing activities:

During the fiscal year ending June 30, 2014, there were no non-cash investing, or financing items.

See Accompanying Notes to the Basic Financial Statements

City of Laguna Hills
Agency Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2014

ASSETS	
Cash and investments	$ 299,454
Total assets	$ 299,454
LIABILITIES	
Deposits	$ 299,454
Total liabilities	$ 299,454

See Accompanying Notes to the Basic Financial Statements

Notes to Financial Statements

(1) Reporting Entity and Summary of Significant Accounting Policies

a) Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Financial Reporting Entity

The City of Laguna Hills (the City) was incorporated on December 20, 1991 under the General Laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety, highways and streets, parks, solid waste, public improvements, planning and zoning, building and safety, community services, and general administrative services.

b) Basis of Accounting and Measurement Focus

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

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB Pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements.

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

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. *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, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another 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 expenditures.

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, liabilities, fund equity, 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.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. For this purpose, the City considers its general revenue, with the exception of property taxes, to be available if they are collected within 90 days of the end of the fiscal year. The City uses a 180-day availability period for special revenue grants and contributions, in accordance with the provisions set forth in Governmental Accounting, Auditing, and Financial Reporting (GAFR), Chapter 9, page 131, paragraph 4.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) 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 net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate; however, they should not be considered “available spendable resources” since they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance nonspendable accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Proprietary Funds and Fiduciary Funds

The City's enterprise fund is a proprietary fund. In the fund financial statements, proprietary funds and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds and fiduciary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations; however, they do use the full accrual basis of accounting to recognize receivables and payables. The City has no internal service funds.

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

Amounts paid to acquire capital assets are capitalized as assets in the enterprise fund financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the enterprise fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the enterprise fund are reported as a reduction of the related liability, rather than as expenditures.

c) Major Funds and Fiduciary Fund Types

The City reports the following major governmental funds:

General Fund
The General Fund is the general operating fund of the City. It is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

Debt Service Fund
The Debt Service Fund is used to pay the City's debt service on its COP issue.

Capital Projects Fund

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition and construction of the City's capital projects.

The City reports the following major proprietary fund:

Property Leasing

The City Hall Fund is used to account for activity pertaining to the leasing of certain areas in the Laguna Hills Civic Center, which has been the City Hall site and seat of government since June 28, 2004.

Additionally, the City reports the following fund types:

Special Revenue Funds

The Special Revenue Funds are used to account for certain revenue sources set aside for specific purposes, to avoid including restricted revenues within the general fund and to provide separate information on the sources and applications of these restricted sources.

Fiduciary Fund Type

The City has one Fiduciary Fund Type, an Agency Fund, used to account for construction deposits and trust monies received from builders, land developers, and other agencies.

d) Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Position

"Total fund balances" of the City's governmental funds, $10,227,561, differs from "net position" of governmental activities, $92,631,130 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

Accounts Receivable Related Items

When receivables that are to be used in governmental activities are deemed to be uncollectible in the short term the statement of net position includes an allowance to reflect the true net position of the City as a whole.

Traffic accidents reimbursement	$ (11,915)

Capital Related Items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Cost of capital assets	$152,795,897
Accumulated depreciation	(57,005,575)
	$ 95,790,322

Long-term Debt Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities and refunding gains or losses (both current and long-term) are reported in the statement of net position. Balances at June 30, 2014 were:

Certificates of Participation	$ (12,585,000)
COP bond premium, net of accumulated amortization of $355,381	(851,572)
Claims and judgments	(226,611)
Compensated absences	(315,701)
	$ (13,978,884)

Deferred Outflows of Resources

Deferred outflows of resources in the statement of net position differ from the amount reported in governmental funds due to COP deferred refunding loss, net accumulated of $127,200.

Deferred refunding loss	$ 304,796

Accrued Interest

Accrued liabilities in the statement of net position differ from the amount reported in governmental funds due to accrued interest on Certificates of Participation.

Accrued interest	$ (226,952)

Other Long-term Assets

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the governmental funds.

Sales tax triple flip	$ 514,286
Miscellaneous accounts receivable	11,916
	$ 526,202

Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental and business-type activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.

e) Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities

The "net change in fund balances" for governmental funds, $491,082, differs from the "change in net position" for governmental activities, $874,853, reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effects of the differences are illustrated below.

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas the net position decreased by the amount of depreciation expense charged for the fiscal year.

Capital outlay	$ 2,965,511
Less amounts expensed	(298,956)
Depreciation expense	(3,836,470)
	$ (1,169,915)

Long-term Debt Transactions

The repayment of debt principal is reported as expenditures in the governmental funds. The proceeds from COP debt issuance and bond premium are reported as other financing sources. The net amount has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, these payments reduce and proceeds increase the liabilities in the statement of net position.

Amortization of bond premium is not an expense of the governmental funds, but under the full accrual method is a component of interest expense.

Repayment of debt principal	$ 1,205,000
Bond premium amortized	80,464
	$ 1,285,464

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 governmental funds. This includes the net change in claims and judgments (see also Note 1 (j), Note 8 General Liability Insurance and Self-funded Workers' Compensation, and Note 6 Compensated Absences.)

The City provides a Retiree Health Savings Plan for its employees, wherein the City deposits the equivalent of the balance of the eligible employee's accumulated sick leave balance to the plan on the eligible employee's anniversary hire date (see also Note 1 (k) and Note 6 Compensated Absences).

Claims and judgments	$ (123,094)
Compensated absences	12,595
	$ (110,499)

Deferred Outflows of Resources

Amortization of deferred refunding losses is not expenses of the governmental funds, but under the full accrual method is a component of interest expense.

Deferred refunding loss amortized	$ (28,800)

Accrued Interest

The statement of activities includes changes in accrued interest on Certificates of Participation.

Accrued interest	$ 19,839

Other Long-term Assets

Revenues that do not provide current financial resources are not reported as revenue in the governmental funds.

Sales tax triple flip	$ 39,754
Other government grants receivable	(406,367)
Miscellaneous accounts receivable	(13,247)
	$ (379,680)

Reclassification and Eliminations

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between business-type and governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.

f) Cash and Investments

Investments are reported in the accompanying basic financial statements at fair value, except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Changes in fair value that occur during a fiscal year are recognized as *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, maturity, or sale of investments.

The City pools cash and investments of all funds, except for amounts held by fiscal agents. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

g) Statement of Cash Flows

The enterprise proprietary fund participates in the City-wide cash and investments pool, which provides immediate access to invested funds. Accordingly, all cash and investments are considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

h) Capital Assets

Capital assets are capital outlay for assets of a permanent nature, valued at $5,000 or more and the usage of which is expected to be more than five years. Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution.

Capital assets include public domain (infrastructure) general fixed assets consisting of certain improvements including roads, streets, sidewalks, medians, and storm drains.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government – wide financial statements and in the fund financial statements of the enterprise fund. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class, are as follows:

Building and improvements	20 years
Machinery and equipment	5-20 years
Infrastructure	5-60 years

i) Property Taxes

The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 am on the first day of January proceeding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on January 1 each year, and are delinquent, if unpaid, on August 31.

j) Claims and Judgments Payable

As of July 1, 2003, the City became a member of the Exclusive Risk Management Authority of California. The annual premium included estimates of amounts paid for reported claims and incurred-but-not-reported claims based upon past experience, modified for current trends and information. Premiums are recorded as expenditures when they become payable from expendable available resources. When it is probable that a claims liability has been incurred and the amount of the loss can be reasonably estimated through historical trends and calculation of incurred but not reported claims (IBNR), the City accrues the estimated liability for the expected claims and judgments. These amounts are recorded in the government-wide financial statements. A liability is reported in the governmental funds only if there is an amount due and payable at June 30.

k) Deferred Inflows and Outflows of Resources

Pursuant to GASB Statement No. 63 the City recognizes deferred inflows and outflows of resources. A deferred inflow or outflow of resources is defined as a resource or consumption of net position by the government that is applicable to a future reporting period. Refer to Note 6 for a detailed listing of the deferred inflows and outflows of resources that the City has recognized.

l) Compensated Absences

Vacation time is provided to all full-time and extended part-time employees. Upon separation or retirement from City service, all employees shall be compensated at their prevailing pay rate for their accrued vacation. No employee shall be allowed to carry over more than 320 hours of vacation time from one fiscal year to the next. At the start of the fiscal year, if an employee has more than 320 hours accrued, the City will automatically cash out any hours in excess of 320.

The City provides an ICMA Vantage Care Retirement Health Savings Plan to its full-time employees who have reached ten (10) years of service with the City. This employer-sponsored retiree health benefit allows employees to accumulate assets to pay for medical expenses upon retirement from the City or age 50 on a tax-free basis. The employee's beneficiary receives the assets of the individual plan after the employee's death. The assets of the individual plans are not subject to claims of the City's creditors. The start-up contribution for employees will be based on their accumulated sick leave hours in excess of 160 hours upon completion of ten (10) years of service to the City, at their prevailing pay rate. Thereafter, annual contributions will be made to each employee's account for their unused sick leave hours in excess of 160 hours on June 30th of each fiscal year at the employees' prevailing pay rate. Upon separation from employment, the City will make a final contribution on behalf of the employee equivalent to all the unused sick leave balance of the employee at the employee's prevailing pay rate at the time of separation. The City also contributes on behalf of each Participant $5,000 upon completion of ten years of service and annually thereafter on the Participant's employment anniversary date.

All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

m) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The City has chosen to report the expenditures when benefitted.

n) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and American Institute of Certified Public Accountants (AICPA), require management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

o) Budgetary Information

Biennial budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except for certain special revenue funds and capital projects funds, which adopt project length budgets and debt service funds that are not budgeted, as effective budgetary control is achieved through debt indenture provisions. The Public Art fund, JAG ARRA fund, and Other Law Enforcement Grants fund other did not have adopted budgets during the current fiscal year.

p) Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

q) New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 65

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation GASB Statement No. 65 had an impact on the City's financial statements for the fiscal year ended June 30, 2014 by requiring the removal of unamortized debt issuance costs from the Statement of Net Position and adding deferred outflows of resources related to the loss on debt refunding (Note 6) to the Statement of Net Position. Deferred inflows require the removal of unearned revenue from the Governmental Funds Balance Sheet liabilities and adding deferred inflows of resources unavailable revenues to the Governmental Funds Balance Sheet.

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statements No. 13, Accounting for Operating Leases with Scheduled Rent Increases, regarding the reporting of certain operating lease transactions, and No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the City's financial statements for the fiscal year ended June 30, 2014.

(2) Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Cash and investments at June 30, 2014, are reported in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 8,399,534
Restricted cash and investments	1,855,065
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	299,454
Total cash and investments	$ 10,554,053

Cash and investments at June 30, 2014, consisted of the following:

Cash on hand		$ 2,250
Pooled deposits:		
Demand deposits	$1,041,660	
Certificates of deposit	820,503	
Total pooled deposits		1,862,163
Pooled investments:		
Local Agency Investment Fund		6,834,575
Restricted cash and investments:		
Demand deposits	$ 48,288	
Local Agency Investment Fund	1,806,777	
Total restricted cash and investments		1,855,065
Total cash and investments		$ 10,554,053

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on quarterly cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Deposits

At June 30, 2014, the carrying amount of the City's deposits was $1,041,660 and the bank balance was $1,229,356. The difference represents outstanding checks and other reconciling items.

Pooled Deposits	Carrying Amount
Demand Deposits:	
Bank Balance	$ 1,229,356
Plus: Deposits in transit	3,139
Less: Outstanding warrants	(190,835)
Book Balance	1,041,660
Restricted Demand Deposits	48,288
Certificates of Deposit	820,503
Total Pooled Deposits	$ 1,910,451

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a fair value of 110% of a city's deposits. California law also allows financial institutions to secure a city's deposits by pledging first trust deed mortgage notes having a fair value of 150% of a city's total deposits. The City's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan

Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Authorized Investments

Under the provision of the City's investment policy, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments.

- U.S. Treasury bills
- U.S. Treasury notes, bonds or money market funds
- Certificates of deposit
- Money market mutual funds
- State Treasurer's Local Agency Investment Fund
- Overnight Government (U.S. Treasuries, Agencies, and Instrumentalities) Securities Investment Account managed by the City's primary bank
- Overnight Commercial Paper Investment Account managed by the City's primary bank
- Overnight repurchase agreements managed by the City's primary bank where market value of the repurchase agreement is 102 percent or greater that the value of the funds borrowed
- Commercial paper
- Prime Banker's Acceptances

Investments Authorized by Debt Agreements

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code.

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

GASB Statement No. 31

The City has adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

GASB Statement No. 40

The issuance of GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* established the existing standards for providing note disclosures about a government's deposits and investments. This statement is designed to inform the user about deposit and investment risk and how it affects the entity's ability to provide services and meet its obligations as they become due. It requires an entity to disclose custodial credit risk only if they have:

- Deposits that are not insured and not collateralized, or that are collateralized with securities that are held by the bank or the bank's trust department or agent, but not in the government's name
- Investments that are not insured and are held by the other party or its trust department or agent, but not in the government's name.

The GASB also concluded that investments in mutual funds and external investment pools are not exposed to custodial credit risk and, therefore, do not have to be included in this disclosure.

Credit Risk

The City's investment policy limits investments in commercial paper and banker's acceptance to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policies further limits its investment choices. As of June 30, 2014, the City's investment in the State Treasurer's Local Agency Investment Fund has not been rated by a nationally recognized statistical rating organization. Investments in money market mutual funds are unrated, as well.

Concentration of Credit Risk

The City does not place a limit on the amount that may be invested with any one institution, with the exception of certificates of deposits. According to GASB 40, there is potential concentration of credit risk if more than 5 percent of the entity's investments are in any one issuer. As of June 30, 2014, none of the City's deposits or investments had been exposed to concentration of credit risk.

Custodial Credit Risk

The 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 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 to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2014, none of the City's deposits or investments had been exposed to custodial credit risk.

Interest Rate Risk

The City has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rates. The City limits the investment maturities for operating funds to be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures as well as considering sizable blocks of anticipated revenue. The City has elected the segment time distribution method to present the investment maturities as follows.

Investment Type	6 months or less	Fair Value
Local Agency Investment Funds	$ 6,834,575	$ 6,834,575
Investment with Fiscal Agent:		
Local Agency Investment Funds	1,806,777	1,806,777
Total	$ 8,641,352	$ 8,641,352

(3) Interfund Receivables and Payables

Interfund receivables and payables at June 30, 2014, were as follows.

Funds:	Interfund Receivables	Interfund Payables
Major Governmental:		
General	$ 2,120	$ 2,414,686
Non-major Governmental:		
Special Revenue Funds:		
Gas Tax	1,052,250	
Grants & Contributions	126,758	
Senior Mobility Program	62,240	
SLEFS/COPS BRULTE	3,333	
CARITS	1,076,588	
Other Law Enforcement Grants	3,040	
Beverage Recycling	34,468	
CR&R Recycling Fee		2,120
C & D Forfeited Deposits	55,958	
AB 939 Surcharge Grant	51	
Total	$ 2,416,806	$ 2,416,806

Outstanding balances at the end of the fiscal year between funds are reported as "due to/from other funds". These balances are the result primarily of interfund transfers that have not yet been funded.

Advances to and from other funds at June 30, 2014, were as follows:

Funds:	Advances to other funds	Advances from other funds
Major Governmental:		
General	$ 320,661	$ -
Non-major Governmental:		
Special Revenue Funds:		
Quimby Act Park Impact Fees		85,741
Public Art		234,920
Total	$ 320,661	$ 320,661

These outstanding balances at the end of the fiscal year are the result of interest-free advances from the General Fund to the Quimby Act Park Impact Fee Fund to cover various park capital improvements and to the Public Art Fund to cover the costs of the City's Civic Center Public Art Program.

(4) Transfers In and Out

Transfers in and out for the fiscal year ended June 30, 2014 are as follows:

Paying Fund	Transfers Out	Receiving Fund	Transfers In
Major Governmental:		Major Governmental:	
General	$ 4,973,896	General	$ 1,716,321
		Capital Projects	2,965,511
		Debt Service	1,794,885
		Major Enterprise:	
		Property Leasing	293,691
Non-major Governmental:		Non-major Governmental:	
Special Revenue Funds:		Special Revenue Funds:	
Gas Tax	10,215	CARITS	697,251
Measure M	802,985	Senior Mobility Program	5,550
AB 2766	72,880	AB 2766	34,818
SLEFS/COPS BRULTE	100,000		
Grants & Contributions	1,195,172		
Quimby Park Impact Fees	85,741		
CARITS	267,138		
Total	$ 7,508,027	Total	$ 7,508,027

Interfund transfers are principally used to 1) provide available funds to the Debt Service Fund for interest and principal payments on the City's long-term debt and 2) supply the Capital Projects Fund with funding necessary to accomplish those projects approved by the City Council. During the fiscal year ended June 30, 2014, there were no significant interfund transfers that were not expected, budgeted for, unusual, or of a non-routine nature.

(5) Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at July 1, 2013	Transfers	Additions	Deletions	Balance at June 30, 2014
Governmental activities:					
Buildings and improvements	$ 13,466,229	$ -	$ -	$ -	$ 13,466,229
Machinery and equipment	2,380,619		115,454	(24,833)	2,471,240
Land improvements	24,986,486	119,868	1,241,564		26,347,918
Infrastructure	87,808,720	576,439	1,309,537		89,694,696
Total cost of depreciable assets	128,642,054	696,307	2,666,555	(24,833)	131,980,083
Less accumulated depreciation for:					
Buildings and improvements	7,268,772		673,312		7,942,084
Machinery and equipment	1,877,819		205,209	(24,833)	2,058,195
Land improvements	13,048,632		1,317,396		14,366,028
Infrastructure	30,998,715		1,640,553		32,639,268
Total accumulated depreciation	53,193,938		3,836,470	(24,833)	57,005,575
Net depreciable assets	75,448,116	696,307	(1,169,915)		74,974,508
Land	17,754,286				17,754,286
Rights of way/Easements	3,061,528				3,061,528
Construction in progress	696,307	(696,307)			
Total cost of non-depreciable assets	21,512,121	(696,307)			20,815,814
Total capital assets, net	$ 96,960,237	$ -	$ (1,169,915)	$ -	$ 95,790,322
Business-type activities:					
Buildings and improvements	$ 14,050,544	$ -	$ 204,161	$ -	$ 14,254,705
Total cost of depreciable assets	14,050,544		204,161		14,254,705
Less accumulated depreciation for:					
Buildings and improvements	6,502,892		712,735		7,215,627
Total accumulated depreciation	6,502,892		712,735		7,215,627
Net depreciable assets	7,547,652		(508,574)		7,039,078
Land	2,855,425				2,855,425
Total capital assets, net	$ 10,403,077	$ -	$ (508,574)	$ -	$ 9,894,503

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

Governmental activities:	
Legislative/executive	$ 9,901
Administrative services	140,310
Community development	4,004
Public services	1,616,614
Community services	2,054,894
Public safety	10,747
	3,836,470
Business-type activities:	
Property leasing	712,735
Total	$ 4,549,205

(6) Deferred Inflows and Outflows of Resources

Unavailable revenues and accounting gains and losses resulting from advance refunding of long-term debt are deferred in accordance with GASB Statement No. 23 and No. 65. Unavailable revenues of June 30, 2014, related to sales tax triple flip and miscellaneous accounts receivable was $526,202. The deferred loss on refunding balance at June 30, 2014, related to the 2001 and 2003 Certificates of Participation bonds, was $304,796

(7) Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

Governmental Activities :

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Amounts Due in One Year
Certificates of Participation:					
2010 COP	$ 13,790,000	$ -	$ 1,205,000	$ 12,585,000	$ 1,250,000
Unamortized premium	932,036		80,464	851,572	80,464
Total Certificates of Participation	14,722,036		1,285,464	13,436,572	1,330,464
Other Liabilities:					
Compensated absences	328,296	199,650	212,245	315,701	31,570
Claims and judgments	103,517	205,003	81,909	226,611	22,661
Total Other Liabilities	431,813	404,653	294,154	542,312	54,231
Totals	$ 15,153,849	$ 404,653	$ 1,579,618	$ 13,978,884	$ 1,384,695

Typically, the City liquidates its compensated absences and claims and judgments with general fund resources.

2010 Certificates of Participation

On January 26, 2010, the City (through the City's blended component unit The Public Improvement Corporation) issued $17,190,000 of Certificates of Participation (COPs). Proceeds from the sale were placed in an irrevocable trust that is used to service the future debt requirements of the 2001 and 2003 Certificates of Participation. This refunding resulted in an economic gain as well as savings from refunding. The economic gain realized in this refunding was $1,072,242 and the savings resulting from the refunding was as follows:

Cash flow requirements to service old debt	$ 23,858,154
Less: Cash flow requirements for new debt	(22,738,962)
Net savings from refunding	$ 1,119,192

The 2010 COPs are direct obligations and pledge the full faith and credit of the City of Laguna Hills. The certificates were executed and delivered under the provisions of the Trust Agreement by and among The Bank of New York Mellon Trust Company, N.A, as trustee. The City is required under the Lease Agreement to make rental payments each 15th day of the month immediately preceding each February 1st and August 1st from any source of available funds in an amount sufficient to pay the annual principal and interest due with respect to the Certificates.

The Serial bonds mature in annual installments ranging from $345,000 to $1,670,000, commencing February 1, 2011 and ending February 1, 2025. Interest accrues at rates between 2.00% and 5.00% and is payable semiannually. The annual requirements to amortize the certificates of participation as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	$ 1,250,000	$551,386	$ 1,801,386
2016	1,300,000	501,386	1,801,386
2017	1,350,000	449,386	1,799,386
2018	1,390,000	395,388	1,785,388
2019	1,450,000	340,882	1,790,882
2020 - 2024	5,470,000	692,610	6,162,610
2025	375,000	15,937	390,937
Totals	$12,585,000	$2,946,975	$15,531,975

Compensated Absences

The City's policies relating to compensated absences are described in Note 1. The long-term portion of this liability, amounting to $284,131 at June 30, 2014 will be paid from fund balance.

(8) General Liability Insurance

In July 2003, the City joined the Exclusive Risk Management Authority of California (ERMAC), a pool of three other cities in California, namely Beaumont, Hayward, and Santa Maria, established under the provisions of California Government Code Section 6502, in order to jointly develop and fund General Liability insurance.

The ERMAC policy covers the City for losses due to personal injury, property damage, wrongful acts because of public officials' errors and omissions and unfair employment practices (see the chart below for City's retained limits and policy liability limits). Legal defense costs may be covered in addition to policy limits.

The City carries property, business interruption and boiler & machinery insurance with ERMAC (PEPIP Program) to cover all City property. In addition, Difference in Conditions (DIC) or earthquake and flood insurance is provided by Insurance Company of the West, which covers the Laguna Hills Civic Center only.

The following is a list of the allocation of risk coverage for the City as of June 30, 2014, taking in to account the City's self-insurance portion, if any.

Area of Risk	City Self-Insurance	Carrier	Risk Coverage
Municipal Broad General Liability	• $100,000 for PI, PD or wrongful acts (public officials E&O) • $1,000,000 for unfair employment practices	ERMAC	• $25M per occurrence and in the annual aggregate excess of limit of the SIR
Property, Business Interruption and Boiler & Machinery	• $10,000 per occurrence (specific perils may be higher)	ERMAC (PEPIP program)	• $1B per occurrence combined • $10M flood limit per occurrence • $100M combined business interruption • $100M boiler explosion & machinery breakdown combined
Difference in Conditions (Multi-peril) Civic Center only	• $25,000 per occurrence • 5% earthquake • 5% flood	Insurance Company of the West	• $5M per occurrence and annual aggregate • $18.8M TIV

Area of Risk	City Self-Insurance	Carrier	Risk Coverage
Crime	• $2,500	CSAC-EIA	• $10M employee dishonesty • $10M forgery alterations • $10M money & securities theft, inside premises • $10M money & securities theft, outside premises • $10M computer fraud • $10M money order & counterfeit currency • $10M theft of other property, inside premises • $10M theft of other property, outside premises
Recreational Class & Officials Supplemental	• None	SCMAF	• $1M per occurrence • $300,000 property damage • $1M personal injury, products and partial liability • $5,000 medical expense
Business Auto	• $500	Columbia Insurance Company	• $1M combined BI & PD • $1M uninsured, under-insured motorist • $5,000 medical payments • If any basis, non-owned or hired auto liability
Workers' Compensation & Employers' Liability	• None	SDRMA	• Statutory Workers' Compensation per occurrence • $5M Employer's Liability per occurrence

Claims Liability

GASB Statement No. 10 specifies that a liability of outstanding unallocated loss adjustment expenses (ULAE) needs to be established, which are primarily composed of future claims administration for open claims, typically at 5% to 10% of estimated outstanding losses. The total amount designated for the Claims Liability Loss Reserve Fund as of June 30, 2014 is $200,000.

When it is probable that a claims liability has been incurred and the amount of the loss can be reasonably estimated through historical trends and calculation of incurred but not reported claims (IBNR), the City accrues the estimated liability to the extent of the City's self-insured limit in the government-wide statements for expected claims and judgments.

The following is a summary of the changes in the claims liability for the last two fiscal years:

	FY 2013/14	FY 2012/13
Claims payable, beginning	$ 103,517	$ 116,938
Payments/changes in estimate	123,094	(13,421)
Claims payable, ending	$ 226,611	$ 103,517

(9) Pension Plan

Plan Description

The City of Laguna Hills contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office at 400 P. Street, Sacramento, California 95814.

Funding Policy

Participants are required to contribute 7% (6.5% for Tier 2) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. The current rate as of June 30, 2014 is 9.205% (6.7% for Tier 2) of annual covered payroll. The contribution requirements of plan members and the City are established by contract and may be amended by PERS.

Annual Pension Cost

For 2013-2014, the City's annual pension cost of $488,169 for PERS was equal to the City's required and actual contributions.

THREE YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	$494,848	100%	$0
6/30/2013	$537,319	100%	$0
6/30/2014	$488,169	100%	$0

For fiscal years 2003-2014, the City of Laguna Hills participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2003. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in the risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2003 valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

At the time of joining a risk pool, a side fund was created to account for the difference between the funded status of the pool and the funded status of the City's plan. On June 21, 2013, a lump sum payment of $557,805 was made by the City to PERS. This lump sum pay off was sufficient to eliminate the side fund that resulted from risk pooling.

(10) Deferred Compensation

The City offers its employees two kinds of deferred compensation plans.

One plan is created in accordance with Internal Revenue Code Section 457. This plan, available to all employees, permits them to defer annually up to a maximum of $17,500 for calendar year 2013 and $17,500 for calendar year 2014. This maximum deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Amounts accumulated by the City under the plan have been invested in several investment options administered by independent third-party administrators at the direction of the employee. The assets of the Plan are held in trust, with the City as trustee, for the exclusive benefit of the Plan participants and their beneficiaries, and the assets cannot be diverted to any other purpose. The Trustee's beneficial ownership of Plan assets held in the ICMA Retirement Trust is held for the further exclusive benefit of the Plan participants and their beneficiaries. The Plan permits loans, administered by the City, in accordance with approved loan guidelines.

The other Plan is created in accordance with Internal Revenue Code Section 401A. This Plan is available to all management staff regardless of years of service, and non-management employees who have reached a minimum of ten years of service with the City. The City is the sole contributor to this Plan, and sets the contribution amount to each class of eligible employees. The contribution limit is in accordance with the prevailing IRS regulation. The assets of this Plan, held for the exclusive benefits of the Plan's participants and their beneficiaries, are administered by the Public Agency Retirement System (PARS), and the trustee is Union Bank of California. Amounts accumulated under this Plan are self-directed by each participant.

(11) Fund Equity

GASB Statement Nos. 34 and 63 add the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

Net Position

Net Position is divided into three captions under GASB Statement Nos. 34 and 63. These captions apply only to Net Position as determined at the Government-wide level, and are described below:

Net Investment in Capital Assets, describes the portion of Net Position which is represented by the current net book value of the City's capital assets, less outstanding balance of any debt issued to finance these capital assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

Restricted net position is subject to constraints either by (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulation of other governments or (2) imposed by law through constitutional provisions or enabling legislation. There was no net position at June 30, 2014 that was restricted by enabling legislation.

Unrestricted describes the portion of which is not restricted as to use.

Governmental activities restricted net position at June 30, 2014 is as follows:

Public Services	$ 2,319,956
Public Safety	6,373
Community Services	88,357
Total Restricted Net Position-Governmental Activities	$ 2,414,686

Fund Balances

Fund Balances of the governmental funds are reported separately within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance.

The *nonspendable* fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

Committed fund balances are those constrained to specific purposes by a government itself, using its highest level of decision-making authority. The City does not have any committed fund balances at June 30, 2014.

Assigned fund balances include amounts that are constrained by the City's intent to be used for specific purposes. The City Manager has the authority to assign the portion of the fund balance in the general fund that are constrained by the City's intent to be used for reserves as established in the City's Financial Policy No. 105 Section G.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

Fund balances are presented in the following categories: spendable, restricted, assigned, and unassigned. A detailed schedule of fund balances at June 30, 2014 is as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable:				
Prepaid Items	$ 96,333	$ -	$ -	$ 96,333
Advances	320,661			32,661
Total	416,994			416,994
Restricted:				
Debt Service		1,807,773		1,807,773
Gas Tax			1,052,250	1,052,250
CARITS			1,076,588	1,076,588
Beverage Recycling			34,468	34,468
Senior Mobility Program			62,240	62,240
C & D Forfeited Deposits			55,958	55,958
AB 939 Surcharge Grant			51	51
SLEFS/COPS BRULTE			3,333	3,333
Law Enforcement Other			3,040	3,040
Grants & Contributions			126,758	126,758
Total		1,807,773	2,414,686	4,222,459
Assigned:				
Claims Liability	200,000			200,000
Community Center Mtnc	496,147			496,147
Parks Maintenance	201,000			201,000
Sports Complex Mtnc	379,275			379,275
Civic Center Eqpt Mtnc	323,847			323,847
Slopes/Storm Drain Mtnc	125,959			125,959
Total	1,726,228			1,726,228
Unassigned	4,184,661		(322,781)	3,861,880
Total Fund Balances	$ 6,327,883	$ 1,807,773	$ 2,091,905	$ 10,227,561

(12) Joint Venture

Orange County Fire Authority

In January 1995, the City of Laguna Hills entered into a Joint Powers Agreement with the Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, and Yorba Linda and the County of Orange to create the Orange County Fire Authority. Since the creation of the Authority, the cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita and Westminster have joined the Authority as members eligible for protection services. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services and related and incidental services including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each City and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member Cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, Seal Beach and Westminster. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia and Seal Beach are considered "cash contract cities" and accordingly make cash contributions based on the Authority's annual budget. No determination has been made as to each participant's proportionate share of fund equity as of June 30, 2014. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership.

Summarized information of the Authority for the fiscal year ended June 30, 2014, is as follows.

	Government-Wide
Total Assets	$ 396,694,637
Total Liabilities	(152,940,022)
Total Net Position	$ 243,754,615
Total Revenues	$ 311,595,747
Total Expenditures	(324,600,955)
Net Change in Net Position	$ (13,005,208)

Complete financial statements may be obtained from the Orange County Fire Authority (1 Fire Authority Road, Irvine, CA 92602).

(13) Related Party Transactions

The City's enterprise fund consists of owning a piece of commercial real estate and leasing it to various entities. The total square footage of the building is 51,944. The City is a tenant using approximately 21,033 square feet of the building. The enterprise fund does not charge the City rent. The estimated annual rent for the space occupied by the City would be approximately $613,071.

(14) Prior Period Adjustment

A prior period adjustment of ($452,089) was made in the Statement of Activities for Governmental Activities. This is due to an overstatement of unamortized debt issuance costs in the prior fiscal year of ($232,805) for implementation of GASB Statement No. 65 and an overstatement of due from other governments in the prior fiscal year of ($219,284).

A prior period adjustment of ($208,921) was made in the General Fund for an overstatement of due from other governments in the prior fiscal year.

A prior period adjustment of ($10,363) was made in the Measure M Special Revenue Fund for an overstatement of due from other governments in the prior fiscal year.

(15) Commitments and Contingencies

The City is occasionally a defendant in lawsuits which have arisen in the normal course of business. Damages are alleged in some of these actions and their outcome cannot be predicted with certainty. However, in the opinion of the City Attorney, the outcome of these actions will not have a material adverse effect on the financial position of the City.

The City participates in several federal and state grant programs. The programs are subject to examination by the granters and the amount, if any, of expenses which may be disallowed by the granting agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

(16) Subsequent Events

During October 2014, the City received $2,777,779 from the owners of the Oakbrook Village Shopping Center, associated with the Oakbrook Village Redevelopment Project. Below is a summary of the total fees collected:

Building permit fee	$ 320,824
Public art in-lieu fee	320,667
Park in-lieu fee	2,136,288
Total fees collected	$ 2,777,779

The City's Management has evaluated subsequent events through December 2, 2014, the date these financial statements were available to be issued, and has determined there were no other material events requiring disclosure.

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Required Supplementary Information

City of Laguna Hills

Notes to Required Supplementary Information

1. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. The City Council approves the two-year budget submitted by the City Manager prior to the beginning of the new two-year budget cycle. The Council conducts public hearings prior to its adoption. All remaining appropriations in the Operating Budget will be carried over from the first year to the second year of the two-year budget period. The City Council has the legal authority to amend the budget at any time during the fiscal year. The City Manager has the authority to transfer budgeted amounts between funds and divisions as deemed necessary to meet the City's needs within the overall legal limit established by the City Council. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control is total expenditures by fund. Formal budgetary integration is employed as a management control device during the fiscal year for the governmental type funds.

2. Expenditures in Excess of Appropriations

Expenditures exceeded appropriations in the following General Fund departments:

	Appropriations	**Expenditures**	**Variance Positive (Negative)**
General Fund:			
Legislative/executive	$1,508,585	$1,536,724	$ (28,139)
Public services	$4,213,571	$4,334,264	$ (120,693)
Community Development	$1,114,828	$1,126,247	$ (11,419)
Community services	$1,779,971	$1,833,117	$ (53,146)

The over-expenditure in the Legislative/Executive Department is attributable to legal services for general counsel. The over-expenditure in the Public Services Department is attributable to higher costs for utilities, specifically water and electricity, as well an increase in contractual engineering services for higher than anticipated improvement inspection activity. The over-expenditure in Community Development is due to a higher than anticipated use of contractual professional building and safety services as a result of an increase in building improvement activity. The over-expenditure in Community Services is attributable to the maintenance and operation of the Community Center building, as well as an increase in recreation program activity.

Expenditures exceeded appropriations in the following non-major governmental funds:

	Appropriations	Expenditures	Variance Positive (Negative)
Non-major Governmental Funds:			
CDBG	$ 80,000	$ 135,468	$ (55,468)
CR&R Recycling	$ 20,000	$ 22,159	$ (2,159)

The over-expenditure in the Debt Service Fund is the annual cost of trustee services. The over-expenditure in the CDBG Fund is directly attributable to an increase in awarded CDBG funds from the County of Orange to rehabilitate dwelling units within Aliso Meadows. The over-expenditure in the CR&R Recycling Fund is attributable to professional services to administer the pilot food waste program.

3. Deficit Fund Balance

A deficit fund balance of $234,920 exists in the Public Art Special Revenue Fund. The deficit is due to the General Fund for incurring costs in advance of receiving revenue related to the City's Public Art Program.

A deficit fund balance of $85,741 exists in the Quimby Act Special Revenue Fund. The deficit is due to the General Fund for incurring costs in advance of receiving anticipated revenue related to park in-lieu (Quimby Act) fees.

A deficit fund balance of $2,120 exists in the CR&R Recycling Special Revenue Fund. The deficit is due to over-expenditure in professional services to administer the pilot food waste program.

City of Laguna Hills

General Fund

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

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variances with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Taxes	$ 11,276,085	$ 11,276,085	$ 11,288,714	$ 12,629
Licenses and permits	710,000	710,000	737,110	27,110
Intergovernmental revenues	5,559,000	5,559,000	5,553,962	(5,038)
Charges for current services	944,888	944,888	931,909	(12,979)
Fines and forfeitures	325,000	325,000	186,347	(138,653)
Investment income	15,000	15,000	11,533	(3,467)
Total Revenues	18,829,973	18,829,973	18,709,575	(120,398)
Expenditures:				
Legislative/executive	1,508,585	1,508,585	1,536,724	(28,139)
Administrative services	1,715,611	1,725,611	1,631,541	94,070
Public services	4,213,571	4,213,571	4,334,264	(120,693)
Community development	1,114,828	1,114,828	1,126,247	(11,419)
Community services	1,789,971	1,779,971	1,833,117	(53,146)
Public safety	6,984,979	6,984,979	6,822,642	162,337
Total Expenditures	17,327,545	17,327,545	17,284,535	43,010
Excess (Deficiency) of Revenues over Expenditures	1,502,428	1,502,428	1,425,040	(77,388)
Other Financing Sources (Uses):				
Transfers in	2,691,235	3,048,205	1,716,321	(1,331,884)
Transfers out	(5,709,041)	(6,104,156)	(4,973,896)	1,130,260
Total Other Financing Sources (Uses)	(3,017,806)	(3,055,951)	(3,257,575)	(201,624)
Net Change in Fund Balance	(1,515,378)	(1,553,523)	(1,832,535)	(279,012)
Fund Balance, beginning, as restated (note 14)	8,160,418	8,160,418	8,160,418	
Fund Balance, Ending	$ 6,645,040	$ 6,606,895	$ 6,327,883	$ (279,012)

See Notes to Required Supplementary Information

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Supplementary Schedules

Gas Tax Fund - Used to account for revenues and expenditures for general street improvement maintenance related to the City's share of state gasoline taxes collected under Street and Highway Code, Sections 2103, 2105, 2106, 2107 and 2107.5.

Measure M Fund - Used to account for revenues and expenditures made for street improvement and transportation system maintenance financed through the Orange County Transportation Authority.

AB 2766 Fund - Used to account for revenues and expenditures made for air quality improvement. AB 2766 was enacted to authorize air pollution control districts to impose fees on motor vehicles.

Senior Mobility Program Fund - Used to account for revenues and expenditures related to help design and operate a transit program that best fits the needs of older adults under the OCTA Senior Mobility Program.

CARITS Fund - Used to account for revenues and expenditures related to the cooperative agreement with the County of Orange for Coastal Area Road Improvement and Traffic Signals (CARITS) fee program.

CDBG Fund - Used to account for revenues and expenditures to improve local and national objectives to provide decent and safe housing for low- and moderate-income families. This is grant funding obtained from the United States Department of Housing and Urban Development (HUD) for the purposes of rehabilitating "eligible" deteriorating housing.

Beverage Recycling Fund - Used to account for revenues and expenditures related to grant funding received from the California State Department of Conservation for the purpose of implementing and supporting beverage container recycling programs within the City.

CR&R Recycling Fund - Used to account for contractual revenues received from the City's franchised hauler, CR&R, for the purposes of recycling consulting services and general recycling activity expenditures.

C & D Forfeited Deposits Fund - Used to account for Construction and Demolition Waste Recycling Program security deposits, which have been forfeited by the applicant, used for administration costs of the program, or on programs to divert the waste from construction, demolition and alteration projects from landfill disposal, or other recycling programs.

AB 939 Surcharge Grant Fund - Used to account for revenues and expenditures related to the County of Orange Regional Recycling and Waste Diversion Grant Program for the purpose of implementing and supporting regional recycling and waste diversion within the City.

Quimby Act Fund - Used to account for revenues and expenditures related to the "Quimby Act", which authorizes the City to require dedication of parkland, or fees in-lieu of such dedication, to meet the needs of new residential subdivisions in accordance of the City's General Plan.

Grants & Contribution Fund - Used to account revenues and expenditures made for specific projects including landscape improvements and certain capital expenditures. Land developers and builders, as well as other public agencies provide financing.

Public Art Fund - Used to account for revenues and expenditures related to the City's Public Art program designed to enhance the cultural and aesthetic environment and to encourage creativity, education and appreciation of the arts.

SLESF/COPS Brulte Fund - Used to account for revenues received and expenditures made for front line law enforcement services related to the allocations received through the State Supplemental Law Enforcement Services Fund (SLESF)/COPS program.

Other Law Enforcement Grant Fund - Used to account for revenues received and expenditures made for law enforcement services related to the allocations received through other State and local law enforcement programs, which are not part of the State Supplemental Law Enforcement Services Fund (SLESF)/COPS program.

City of Laguna Hills
Non-Major Governmental Funds
Combining Balance Sheet
As of June 30, 2014

	Special Revenue					
	Gas Tax	Measure M	AB 2766	Senior Mobility Program	CARITS	CDBG
Assets						
Due from other funds	$ 1,052,250	$ -	$ -	$ 62,240	$ 1,076,588	$ -
Total Assets	$ 1,052,250	$ -	$ -	$ 62,240	$ 1,076,588	$ -
Liabilities and Fund Balances						
Liabilities:						
Due to other funds	$ -	$ -	$ -	$ -	$ -	$ -
Advances from other funds						
Total Liabilities						
Fund Balances:						
Restricted	1,052,250			62,240	1,076,588	
Unassigned						
Total Fund Balance	1,052,250			62,240	1,076,588	
Total Liabilities and Fund Balance	$ 1,052,250	$ -	$ -	$ 62,240	$ 1,076,588	$ -

Beverage Recycling	CR&R Recycling Fee	C & D Forfeited Deposits	AB 939 Surcharge Grant	Quimby Act Park Impact Fees	Grants & Contributions	Public Art	SLEFS/COPS BRULTE	Other Law Enforcement	Total Nonmajor Governmental Funds
				Special Revenue					
$ 34,468	$ -	$ 55,958	$ 51	$ -	$ 126,758	$ -	$ 3,333	$ 3,040	$ 2,414,686
$ 34,468	$ -	$ 55,958	$ 51	$ -	$ 126,758	$ -	$ 3,333	$ 3,040	$ 2,414,686
$ -	$ 2,120	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,120
				85,741		234,920			320,661
	2,120			85,741		234,920			322,781
34,468		55,958	51		126,758		3,333	3,040	2,414,686
	(2,120)			(85,741)		(234,920)			(322,781)
34,468	(2,120)	55,958	51	(85,741)	126,758	(234,920)	3,333	3,040	2,091,905
$ 34,468	$ -	$ 55,958	$ 51	$ -	$ 126,758	$ -	$ 3,333	$ 3,040	$ 2,414,686

City of Laguna Hills
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014

	Special Revenue					
	Gas Tax	Measure M	AB 2766	Senior Mobility Program	CARITS	CDBG
Revenues:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits						
Intergovernmental	1,061,045	723,647	37,999	35,507		135,468
Investment income	1,420	1,061	63	159	2,267	
Total Revenues	1,062,465	724,708	38,062	35,666	2,267	135,468
Expenditures:						
Current:						
Public services						
Community development						135,468
Community services				27,749		
Public safety						
Total Expenditures				27,749		135,468
Excess (Deficiency) of Revenues over Expenditures	1,062,465	724,708	38,062	7,917	2,267	
Other Financing Sources (Uses):						
Transfers in			34,818	5,550	697,251	
Transfers out	(10,215)	(802,985)	(72,880)		(267,138)	
Total Other Financing Sources (Uses)	(10,215)	(802,985)	(38,062)	5,550	430,113	
Net Change in Fund Balances	1,052,250	(78,277)		13,467	432,380	
Fund Balances (Deficit), Beginning Restated (note 14)		78,277		48,773	644,208	
Fund Balances (Deficit), Ending	$ 1,052,250	$ -	$ -	$ 62,240	$ 1,076,588	$ -

12/9/2014 ITEM NO. 3.4

Special Revenue									Total
Beverage Recycling	CR&R Recycling Fee	C & D Forfeited Deposits	AB 939 Surcharge Grant	Quimby Act	Grants & Contributions	Public Art	SLEFS/COPS Brulte	Other Law Enforcement	Nonmajor Governmental Funds
$ -	$ 20,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,000
		41,098							41,098
8,326					1,195,172	10,294	103,157	152	3,310,767
91	13	102	1		367		176		5,720
8,417	20,013	41,200	1		1,195,539	10,294	103,333	152	3,377,585
18,745	22,159	21,695	2,841						65,440
									135,468
									27,749
								3,661	3,661
18,745	22,159	21,695	2,841					3,661	232,318
(10,328)	(2,146)	19,505	(2,840)		1,195,539	10,294	103,333	(3,509)	3,145,267
									737,619
				(85,741)	(1,195,172)		(100,000)		(2,534,131)
				(85,741)	(1,195,172)		(100,000)		(1,796,512)
(10,328)	(2,146)	19,505	(2,840)	(85,741)	367	10,294	3,333	(3,509)	1,348,755
44,796	26	36,453	2,891		126,391	(245,214)		6,549	743,150
$ 34,468	$ (2,120)	$ 55,958	$ 51	$ (85,741)	$ 126,758	$ (234,920)	$ 3,333	$ 3,040	$ 2,091,905

City of Laguna Hills
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget-Positive(Negative)
Revenues:				
Investment income	$ -	$ -	$ -	$ -
Total Revenues				
Expenditures:				
Capital Outlay	3,812,000	4,207,115	2,965,511	1,241,604
Total Expenditures	3,812,000	4,207,115	2,965,511	1,241,604
Excess (Deficiency) of Revenues over Expenditures	(3,812,000)	(4,207,115)	(2,965,511)	1,241,604
Other Financing Sources (Uses):				
Transfers in	3,812,000	4,207,115	2,965,511	(1,241,604)
Total Other Financing Sources (Uses)	3,812,000	4,207,115	2,965,511	(1,241,604)
Net change in Fund Balance				
Fund Balance, Beginning				
Fund Balance, Ending	$ -	$ -	$ -	$ -

City of Laguna Hills
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget-
	Original	Final	Actual	Positive(Negative)
Revenues:				
Investment income	$ 5,000	$ 5,000	$ 4,355	$ (645)
Total Revenues	5,000	5,000	4,355	(645)
Expenditures:				
Debt Service:				
Interest	599,587	599,587	601,542	(1,955)
Principal	1,205,000	1,205,000	1,205,000	
Total Expenditures	1,804,587	1,804,587	1,806,542	(1,955)
Excess (Deficiency) of Revenues over Expenditures	(1,799,587)	(1,799,587)	(1,802,187)	(2,600)
Other Financing Sources (Uses):				
Transfers in	1,804,587	1,804,587	1,794,885	(9,702)
Total Other Financing Sources (Uses)	1,804,587	1,804,587	1,794,885	(9,702)
Net Change in Fund Balance	5,000	5,000	(7,302)	(12,302)
Fund Balance, Beginning	1,815,075	1,815,075	1,815,075	
Fund Balance, Ending	$ 1,820,075	$ 1,820,075	$ 1,807,773	$ (12,302)

City of Laguna Hills
Gas Tax Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Intergovernmental	$ 987,179	$ 987,179	$ 1,061,045	$ 73,866
Investment income	7,500	7,500	1,420	(6,080)
Total Revenues	994,679	994,679	1,062,465	67,786
Other Financing Sources (Uses):				
Transfers out			(10,215)	(10,215)
Total Other Financing Sources (Uses)			(10,215)	(10,215)
Net Change in Fund Balance	994,679	994,679	1,052,250	57,571
Fund Balance, Beginning				
Fund Balance, Ending	$ 994,679	$ 994,679	$ 1,052,250	$ 57,571

City of Laguna Hills
Measure M Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Intergovernmental	$ 603,235	$ 757,099	$ 723,647	$ (33,452)
Investment income	6,000	6,000	1,061	(4,939)
Total Revenues	609,235	763,099	724,708	(38,391)
Other Financing Sources (Uses):				
Transfers out	(687,512)	(841,376)	(802,985)	38,391
Total Other Financing Sources (Uses)	(687,512)	(841,376)	(802,985)	38,391
Net Change in Fund Balance	(78,277)	(78,277)	(78,277)	
Fund Balances, Beginning, Restated (note 14)	78,277	78,277	78,277	
Fund Balance, Ending	$ -	$ -	$ -	$ -

12/9/2014 ITEM NO. 3.4

City of Laguna Hills
AB2766 Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Intergovernmental	$ 40,000	$ 40,000	$ 37,999	$ (2,001)
Investment income	600	600	63	(537)
Total Revenues	40,600	40,600	38,062	(2,538)
Other Financing Sources (Uses):				
Transfers in			34,818	34,818
Transfers out			(72,880)	(72,880)
Total Other Financing Sources (Uses)			(38,062)	(38,062)
Net Change in Fund Balance	40,600	40,600		(40,600)
Fund Balance, Beginning				
Fund Balance, Ending	$ 40,600	$ 40,600	$ -	$ (40,600)

City of Laguna Hills
Quimby Act Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
License & permit	$ 977,000	$ 977,000	$ -	$ (977,000)
Total Revenues	977,000	977,000		(977,000)
Other Financing Sources (Uses):				
Transfers out	(977,000)	(977,000)	(85,741)	891,259
Total Other Financing Sources (Uses)	(977,000)	(977,000)	(85,741)	891,259
Net Change in Fund Balance			(85,741)	(85,741)
Fund Balance, Beginning				
Fund Balance, Ending	$ -	$ -	$ (85,741)	$ (85,741)

City of Laguna Hills

Senior Mobility Program Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
Intergovernmental	$ 31,500	$ 31,500	$ 35,507	$ 4,007
Investment income	600	600	159	(441)
Total Revenues	32,100	32,100	35,666	3,566
Expenditures:				
Current:				
Community services	31,500	31,500	27,749	3,751
Total Expenditures	31,500	31,500	27,749	3,751
Excess (deficiency) of Revenues over Expenditures	600	600	7,917	7,317
Other Financing Sources (Uses):				
Transfers in			5,550	5,550
Total Other Financing Sources (Uses)			5,550	5,550
Net Change in Fund Balance	600	600	13,467	12,867
Fund Balance, Beginning	48,773	48,773	48,773	
Fund Balance, Ending	$ 49,373	$ 49,373	$ 62,240	$ 12,867

City of Laguna Hills

CARITS Special Revenue Fund

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

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Investment income	$ 12,000	$ 12,000	$ 2,267	$ (9,733)
Total Revenues	12,000	12,000	2,267	(9,733)
Other Financing Sources (Uses):				
Transfers in			697,251	697,251
Transfers out	(100,000)	(188,229)	(267,138)	(78,909)
Total Other Financing Sources (Uses)	(100,000)	(188,229)	430,113	618,342
Net Change in Fund Balance	(88,000)	(176,229)	432,380	608,609
Fund Balance, Beginning	644,208	644,208	644,208	
Fund Balance, Ending	$ 556,208	$ 467,979	$ 1,076,588	$ 608,609

City of Laguna Hills
CDBG Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Intergovernmental	$ 80,000	$ 80,000	$ 135,468	$ 55,468
Total Revenues	80,000	80,000	135,468	55,468
Expenditures:				
Current:				
Community development	80,000	80,000	135,468	(55,468)
Total Expenditures	80,000	80,000	135,468	(55,468)
Net Change in Fund Balance				
Fund Balance, Beginning				
Fund Balance, Ending	$ -	$ -	$ -	$ -

City of Laguna Hills
Beverage Recycling Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
Intergovernmental	$ 44,710	$ 44,710	$ 8,326	$ (36,384)
Investment income	600	600	91	(509)
Total Revenues	45,310	45,310	8,417	(36,893)
Expenditures:				
Current:				
Public Services	44,710	44,710	18,745	25,965
Total Expenditures	44,710	44,710	18,745	25,965
Net Change in Fund Balance	600	600	(10,328)	(10,928)
Fund Balance, Beginning	44,796	44,796	44,796	
Fund Balance, Ending	$ 45,396	$ 45,396	$ 34,468	$ (10,928)

City of Laguna Hills
CR&R Recycling Fees Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Taxes	$ 20,000	$ 20,000	$ 20,000	$ -
Investment income	600	600	13	(587)
Total Revenues	20,600	20,600	20,013	(587)
Expenditures:				
Current:				
Public Services	20,000	20,000	22,159	(2,159)
Total Expenditures	20,000	20,000	22,159	(2,159)
Net Change in Fund Balance	600	600	(2,146)	(2,746)
Fund Balance, Beginning	26	26	26	
Fund Balance, Ending	$ 626	$ 626	$ (2,120)	$ (2,746)

City of Laguna Hills
C & D Forfeited Deposits Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Licenses and permits	$ 68,450	$ 68,450	$ 41,098	$ (27,352)
Investment income	300	300	102	(198)
Total Revenues	68,750	68,750	41,200	(27,550)
Expenditures:				
Current:				
Public Services	68,450	68,450	21,695	46,755
Total Expenditures	68,450	68,450	21,695	46,755
Net Change in Fund Balance	300	300	19,505	19,205
Fund Balance, Beginning	36,453	36,453	36,453	
Fund Balance, Ending	$ 36,753	$ 36,753	$ 55,958	$ 19,205

City of Laguna Hills
AB 939 Surcharge Grant Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Investment income	$ 300	$ 300	$ 1	$ (299)
Total Revenues	300	300	1	(299)
Expenditures:				
Current:				
Public Services	3,133	3,133	2,841	292
Total Expenditures	3,133	3,133	2,841	292
Net Change in Fund Balance	(2,833)	(2,833)	(2,840)	(7)
Fund Balance, Beginning	2,891	2,891	2,891	
Fund Balance, Ending	$ 58	$ 58	$ 51	$ (7)

City of Laguna Hills
Grants and Contributions Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes In Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget-
	Original	Final	Actual	Positive(Negative)
Revenues:				
Intergovernmental	$ 418,000	$ 532,877	$ 1,195,172	$ 662,295
Investment income	1,500	1,500	367	(1,133)
Total Revenues	419,500	534,377	1,195,539	661,162
Other Financing Sources (Uses):				
Transfers out	(418,000)	(532,877)	(1,195,172)	(662,295)
Total Other Financing Sources (Uses)	(418,000)	(532,877)	(1,195,172)	(662,295)
Net Change in Fund Balance	1,500	1,500	367	(1,133)
Fund Balance, Beginning	126,391	126,391	126,391	
Fund Balance, Ending	$ 127,891	$ 127,891	$ 126,758	$ (1,133)

City of Laguna Hills
SLESF/COPS Brulte Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive(Negative)
Revenues:				
Intergovernmental	$ 100,000	$ 100,000	$ 103,157	$ 3,157
Investment income			176	176
Total Revenues	100,000	100,000	103,333	3,333
Other Financing Sources (Uses):				
Transfers out	(100,000)	(100,000)	(100,000)	
Total Other Financing Sources (Uses)	(100,000)	(100,000)	(100,000)	
Net Change in Fund Balance			3,333	3,333
Fund Balance, Beginning				
Fund Balance, Ending	$ -	$ -	$ 3,333	$ 3,333

City of Laguna Hills
Agency Fund
Statement of Changes in Fiduciary Assets and Liabilities
For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Assets				
Cash and investments	$ 233,280	$ 66,174	$ -	$ 299,454
Total assets	$ 233,280	$ 66,174	$ -	$ 299,454
Liabilities				
Deposits	$ 233,280	$ 66,174	$ -	$ 299,454
Total liabilities	$ 233,280	$ 66,174	$ -	$ 299,454

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Statistical Section

STATISTICAL SECTION

This part of the City of Laguna Hills' 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 says about the City of Laguna Hills' overall financial health.

Contents | **Page**

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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City of Laguna Hills

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Governmental activities										
Net Investment in capital assets	$ 44,165,410	$ 46,474,237	$ 50,728,980	$ 52,338,159	$ 56,606,677	$ 76,364,755	$ 78,797,985	$ 82,982,768	$ 84,618,576	$ 84,465,323
Restricted	3,246,346	3,839,611	3,023,222	4,701,017	3,356,723	3,935,701	3,653,349	2,106,914	998,727	2,414,686
Unrestricted	9,308,718	9,377,131	10,606,335	10,230,570	7,858,499	7,501,713	6,504,972	6,944,547	8,340,769	5,751,121
Total government activities net position	$ 56,720,474	$ 59,690,979	$ 64,358,537	$ 67,269,746	$ 67,821,899	$ 87,802,169	$ 88,956,306	$ 92,034,229	$ 93,958,072	$ 92,631,130
Business-type activities										
Net Investment in capital assets	$ 14,413,461	$ 14,163,874	$ 13,796,813	$ 13,292,252	$ 12,720,481	$ 12,206,656	$ 11,542,563	$ 10,989,447	$ 10,403,077	$ 9,894,503
Restricted										
Unrestricted	169,956	540,017	359,254	195,703	134,998	150,668	85,344	96,511	47,563	47,801
Total business-type activities net position	$ 14,583,417	$ 14,703,891	$ 14,156,067	$ 13,487,955	$ 12,855,479	$ 12,357,324	$ 11,627,907	$ 11,085,958	$ 10,450,640	$ 9,942,304
Primary government										
Net Investment in capital assets	$ 58,578,871	$ 60,638,111	$ 64,525,793	$ 65,630,411	$ 69,327,158	$ 88,571,411	$ 90,340,548	$ 93,972,215	$ 95,021,653	$ 94,359,826
Restricted	3,246,346	3,839,611	3,023,222	4,701,017	3,356,723	3,935,701	3,653,349	2,106,914	998,727	2,414,686
Unrestricted	9,478,674	9,917,148	10,965,589	10,426,273	7,993,497	7,652,381	6,590,316	7,041,058	8,388,332	5,798,922
Total primary government net position	$ 71,303,891	$ 74,394,870	$ 78,514,604	$ 80,757,701	$ 80,677,378	$ 100,159,493	$ 100,584,213	$ 103,120,187	$ 104,408,712	$ 102,573,434

12/9/2014 ITEM NO. 3.4

City of Laguna Hills
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
Legislative/executive	$ 1,299,424	$ 1,389,720	$ 1,441,763	$ 1,534,942	$ 1,542,082	$ 1,592,070	$ 1,537,287	$ 1,565,164	$ 1,546,012	$ 1,546,625
Administrative services	2,593,403	2,357,409	1,928,022	1,785,896	1,719,314	1,724,356	1,771,910	1,755,500	1,976,262	1,758,062
Public services	6,650,188	7,360,168	9,507,357	6,814,629	8,318,347	7,389,564	5,781,123	5,999,412	6,150,553	6,376,642
Community development	1,060,418	1,247,350	1,541,295	1,775,552	1,523,476	1,595,670	1,404,624	1,127,036	1,138,280	1,265,719
Community services	3,225,589	1,554,514	1,651,779	1,771,671	1,776,257	1,769,589	3,702,911	3,642,792	3,777,102	3,886,180
Public safety	5,288,663	5,598,571	5,893,769	6,503,096	6,422,802	6,597,894	6,487,711	6,528,489	6,575,855	6,837,050
Interest expense	1,002,505	973,024	942,801	910,500	875,447	636,441	663,944	620,376	583,461	530,039
Total governmental activities expenses	21,120,190	20,480,756	22,906,786	21,096,286	22,177,725	21,305,584	21,349,510	21,238,769	21,747,525	22,200,317
Business-type activities:										
Property leasing	1,035,344	1,087,912	1,139,550	1,162,891	1,117,002	1,125,330	1,190,752	1,154,967	1,163,305	1,278,434
Total business-type activities expenses	1,035,344	1,087,912	1,139,550	1,162,891	1,117,002	1,125,330	1,190,752	1,154,967	1,163,305	1,278,434
Total primary government expenses	$ 22,155,534	$ 21,568,668	$ 24,046,336	$ 22,259,177	$ 23,294,727	$ 22,430,914	$ 22,540,262	$ 22,393,736	$ 22,910,830	$ 23,478,751
Program Revenues										
Government activities:										
Charges for Services:										
Legislative/executive	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,236	$ -	$ -	$ -
Administrative services							96,726	2,838		
Public services	48,696	38,683	59,584	58,539	98,818	86,176	155,373	83,989	112,629	106,633
Community development	552,029	535,973	672,168	616,819	544,227	514,162	653,918	669,936	750,626	799,316
Community services	511,766	540,369	562,584	683,911	687,987	703,099	701,040	657,129	714,634	608,877
Public safety	405,000	533,977	475,214	485,376	435,452	542,732	401,665	295,587	226,311	186,347
Operating Contributions	2,583,927	4,774,223	6,826,309	3,486,884	4,217,578	3,059,335	4,738,096	3,082,972	2,137,580	2,186,050
Capital Contributions	19,665	40,771	57,282	24,674			820,456	3,040,344	945,068	807,545
Total governmental activities program revenues	4,121,083	6,463,996	8,653,141	5,356,203	5,984,062	4,905,504	7,569,510	7,832,795	4,886,848	4,694,768
Business-type activities:										
Charges for Services:										
Property Leasing	406,721	588,842	688,215	790,817	591,665	649,270	535,455	527,530	527,931	476,391
Operating grants and contributions										
Capital grants and contributions	2,134,938							85,134		
Total business-type activities program revenues	2,541,659	588,842	688,215	790,817	591,665	649,270	535,455	612,664	527,931	476,391
Total primary government program revenues	$ 6,662,742	$ 7,052,838	$ 9,341,356	$ 6,147,020	$ 6,575,727	$ 5,554,774	$ 8,104,965	$ 8,445,459	$ 5,414,779	$ 5,171,159
Net (expense)/revenue										
Governmental activities	$ (16,999,107)	$ (14,016,760)	$ (14,253,645)	$ (15,740,083)	$ (16,193,663)	$ (16,400,080)	$ (13,780,000)	$ (13,405,974)	$ (16,860,677)	$ (17,505,549)
Business- type activities	1,506,315	(499,070)	(451,335)	(372,074)	(525,337)	(476,060)	(655,297)	(542,303)	(635,374)	(802,043)
	$ (15,492,792)	$ (14,515,830)	$ (14,704,980)	$ (16,112,157)	$ (16,719,000)	$ (16,876,140)	$ (14,435,297)	$ (13,948,277)	$ (17,496,051)	$ (18,307,592)

(continued)

City of Laguna Hills

Change in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
(continued)										
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	$ 4,892,577	$ 5,219,940	$ 6,000,932	$ 6,310,302	$ 8,624,076	$ 8,573,008	$ 8,186,735	$ 8,223,234	$ 8,722,406	$ 8,826,271
Sales and use taxes	7,964,948	6,868,829	6,811,004	6,368,887	5,522,204	5,197,367	5,238,949	5,157,787	5,305,487	5,562,823
Motor vehicle in lieu taxes	2,724,783	2,591,236	2,575,919	2,690,646	114,895	99,167	154,787	16,727	17,332	14,344
Other State subvention	1,919	95,072	25,026						-	16,549
Franchise taxes	920,778	1,006,109	1,218,116	1,202,702	1,237,335	1,217,595	1,199,882	1,223,523	1,210,837	1,259,021
Transient occupancy taxes	980,585	1,156,409	1,227,989	1,219,609	915,807	752,478	869,505	1,004,483	1,108,290	1,203,422
Investment earnings	134,912	210,046	325,266	469,876	119,006	29,205	25,267	15,736	12,216	12,251
Miscellaneous revenue	111,761	404,382	620,465	44,312	62,493	21,389	4,468	21,951	21,016	29,706
Lawsuit settlement										
Sale of capital assets									2,769,504	
Transfers	(30,000)	(599,379)	100,000	300,000	150,000	24,790	75,000			(293,691)
Total governmental activities	17,702,263	16,952,644	18,904,717	18,606,334	16,745,816	15,914,999	15,754,593	15,663,441	19,167,088	16,630,696
Business-type activities:										
Investment earnings	3,318	30	3,511	3,962	2,877	2,695	880	354	56	16
Transfers	30,000	599,379	(100,000)	(300,000)	(150,000)	(24,790)	(75,000)			293,691
Total business-type activities	33,318	599,409	(96,489)	(296,038)	(147,123)	(22,095)	(74,120)	354	56	293,707
Total primary government	$ 17,735,581	$ 17,552,053	$ 18,808,228	$ 18,310,296	$ 16,598,693	$ 15,892,904	$ 15,680,473	$ 15,663,795	$ 19,167,144	$ 16,924,403
Change in Net Position:										
Governmental activities	703,156	2,935,884	4,651,072	2,866,251	552,153	(485,081)	1,974,593	2,257,467	2,306,411	(874,853)
Business-type activities	1,539,633	100,339	(547,824)	(668,112)	(672,460)	(498,155)	(729,417)	(541,949)	(635,318)	(508,336)
Total primary government	$ 2,242,789	$ 3,036,223	$ 4,103,248	$ 2,198,139	$ (120,307)	$ (983,236)	$ 1,245,176	$ 1,715,518	$ 1,671,093	$ (1,383,189)

City of Laguna Hills

Governmental Activities - Tax Revenues By Source

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year	Property Tax	Sales & Use Tax	Motor Vehicle in Lieu Tax	Other State Subvention	Franchise Tax	Transient Occupancy Tax	Total
2005	4,892,577	7,964,948	2,724,783	1,919	920,778	980,585	17,485,590
2006	5,219,940	6,868,829	2,591,236	95,072	1,006,109	1,156,409	16,937,595
2007	6,000,932	6,811,004	2,575,919	25,026	1,218,116	1,227,989	17,858,986
2008	6,310,302	6,368,887	2,690,646		1,202,702	1,219,609	17,792,146
2009	8,624,076	5,522,204	114,895		1,237,335	915,807	16,414,317
2010	8,573,008	5,197,367	99,167		1,217,595	752,478	15,839,615
2011	8,186,735	5,238,949	154,787		1,199,882	869,505	15,649,858
2012	8,223,234	5,157,787	16,727		1,223,523	1,004,483	15,625,754
2013	8,722,406	5,305,487	17,332		1,210,837	1,108,290	16,364,352
2014	8,826,271	5,562,823	14,344	16,549	1,259,021	1,203,422	16,882,430

City of Laguna Hills
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Reserved	$ 52,957	$ 40,016	$ 30,745	$ 186,524	$ 44,610	$ 15,624	$ -	$ -	$ -	$ -
Unreserved	9,252,463	10,074,573	11,019,918	10,313,093	8,582,945	8,611,931				
Nonspendable							305,302	311,223	335,603	416,994
Restricted										
Committed										
Assigned							1,318,164	1,284,939	1,315,557	1,726,228
Unassigned							4,716,361	5,149,410	6,718,179	4,184,661
Total general fund	$ 9,305,420	$ 10,114,589	$ 11,050,663	$ 10,499,617	$ 8,627,555	$ 7,422,224	$ 6,339,827	$ 6,745,572	$ 8,369,339	$ 6,327,883
All other governmental funds										
Reserved	$ 628,258	$ 652,694	$ 419,790	$ 421,484	$ 415,078	$ 1,817,086				
Unreserved, reported in:										
Special revenue funds	2,129,536	2,751,414	2,603,432	4,202,374	2,427,534	2,411,192				
Debt service funds	421,470	435,502								
Nonspendable										
Restricted							4,473,805	3,916,541	2,813,802	4,222,459
Committed										
Assigned										
Unassigned							(273,326)	(238,732)	(245,214)	(322,781)
Total all other governmental funds	$ 3,179,264	$ 3,839,610	$ 3,023,222	$ 4,623,858	$ 2,842,612	$ 4,228,278	$ 4,200,479	$ 3,677,809	$ 2,568,588	$ 3,899,678

12/9/2014 ITEM NO. 3.4

City of Laguna Hills

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of acounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes	$ 7,312,670	$ 7,412,442	$ 8,598,829	$ 8,843,272	$ 10,858,989	$ 10,553,196	$ 10,513,681	$ 10,533,542	$ 11,061,533	$ 11,308,714
Licenses and permits	530,839	505,608	599,423	579,915	521,724	423,012	550,155	816,863	655,855	778,208
Intergovernmental	12,348,515	14,796,110	16,153,141	12,364,967	9,727,124	7,975,877	10,023,285	10,960,315	8,597,520	8,864,729
Charges for current services	743,414	828,054	815,148	951,289	909,504	946,119	1,047,727	887,126	981,063	931,909
Fines and forfeitures	357,000	485,977	426,060	437,376	435,452	542,732	401,665	295,587	226,311	186,347
Miscellaneous		25,914								
Investment income	222,313	363,044	552,887	494,550	223,846	45,732	36,906	30,129	25,928	21,608
Total revenues	21,514,751	24,417,149	27,145,488	23,671,369	22,676,639	20,486,668	22,573,419	23,523,562	21,548,210	22,091,515
Expenditures:										
Current:										
Legislative/executive	1,296,945	1,389,261	1,431,276	1,521,937	1,527,927	1,583,009	1,528,226	1,556,386	1,661,199	1,536,724
Administrative services	1,811,903	1,663,400	1,804,671	1,863,562	1,664,029	1,537,841	1,591,486	1,622,122	2,014,343	1,631,541
Public services	3,441,494	3,551,780	4,050,846	4,897,258	4,419,088	4,088,538	4,190,842	4,155,386	4,346,672	4,399,704
Community development	1,050,679	1,239,540	1,533,319	1,823,818	1,660,768	1,593,187	1,404,624	1,127,036	1,259,502	1,261,715
Community services	1,378,890	1,518,157	1,679,248	1,717,124	1,733,464	1,570,196	1,646,388	1,595,904	1,904,831	1,860,866
Public safety	5,303,888	5,630,812	5,915,809	6,524,289	6,427,542	6,585,639	6,475,456	6,494,020	6,591,732	6,826,303
Capital outlay	6,128,394	5,337,802	8,991,937	2,619,246	7,102,899	2,013,797	5,013,252	5,289,390	4,402,694	2,965,511
Debt service:										
Interest	1,004,910	975,512	945,372	913,325	878,480	427,854	712,976	670,243	625,043	601,542
Cost of bond issuance						301,477				
Payment to bond escrow agent										
Discount on bond										
Principal retirement	1,216,000	1,130,000	1,160,000	1,016,178	1,010,000	820,000	1,090,000	1,130,000	1,180,000	1,205,000
Total expenditures	22,633,103	22,436,264	27,512,478	22,896,737	26,424,197	20,521,538	23,653,250	23,640,487	23,986,016	22,288,906
Excess (deficiency) of revenues over expenditures	(1,118,352)	1,980,885	(366,990)	774,632	(3,747,558)	(34,870)	(1,079,831)	(116,925)	(2,437,806)	(197,391)

(Continued)

(Continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other financing sources (uses):										
Transfers in	$ 10,035,905	$ 10,928,487	$ 17,968,939	$ 5,956,627	$ 13,800,602	$ 7,868,431	$ 12,431,918	$ 13,529,097	$ 10,468,784	$ 7,214,336
Transfers out	(10,065,905)	(11,527,866)	(17,868,939)	(5,656,627)	(13,650,602)	(7,843,641)	(12,356,918)	(13,529,097)	(10,468,784)	(7,508,027)
Bond Proceeds						17,190,000				
Payment to bond escrow agent						(18,081,996)				
Premium on bond issue						1,206,953				
Sales tax repayment			(358,909)							
Lawsuit Settlement			550,000	(70,000)	(55,750)	(7,500)	(105,365)			
Sale of Capital Assets									2,952,352	
Total other financing sources (uses)	(30,000)	(599,379)	291,091	230,000	94,250	332,247	(30,365)	-	2,952,352	(293,691)
Net change in fund balances	$ (1,148,352)	$ 1,381,506	$ (75,899)	$ 1,004,632	$ (3,653,308)	$ 297,377	$ (1,110,196)	$ (116,925)	$ 514,546	$ (491,082)
Debt service as a percentage of noncapital expenditures	11.20%	11.74%	10.13%	10.17%	9.77%	6.74%	9.67%	9.81%	9.22%	9.35%

City of Laguna Hills
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30	Secured Gross Value	Unsecured Gross Value	SBE Nonunitary	Exemptions	Total Taxable Assessed Value (1)	Percentage Increase	Total Direct Rate Applied (2)
2005	4,344,058	163,468	199	30,625	4,507,725	7.4%	0.05330
2006	4,764,453	144,816	203	30,616	4,909,472	8.9%	0.05319
2007	5,160,814	154,887	190	31,676	5,315,891	8.3%	0.05342
2008	5,520,202	215,240		34,477	5,735,442	7.9%	0.10611
2009	5,516,226	174,459		32,955	5,690,685	-0.8%	0.10630
2010	5,413,579	175,241		33,614	5,588,820	-1.8%	0.10708
2011	5,299,826	160,738		33,534	5,460,565	-2.3%	0.10796
2012	5,308,488	156,488		33,852	5,464,976	0.1%	0.10853
2013	5,371,901	143,351		34,825	5,515,252	0.9%	0.10840
2014	5,509,351	146,695		35,252	5,656,046	2.6%	0.10583

Sources: *HdL Coren & Cone, Orange County Assessor 2003/04 - 2013/14 Combined Tax Rolls*

Note: *In 1978 the voters of the State of California passed Proposition 13 which limited property tax 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 of 2%). With few exception, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed valude 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) *Exempt values are not included in Total*

(2) *Because basic and debt rates vary by tax rate area, individual rates cannot be summed. The Total Direct Rate is the weighted average of all individual direct rates applied.*

City of Laguna Hills

Property Tax Rates
Direct and Overlapping [1] Governments
(Rate per $100 of Taxable Value)
Last Ten Fiscal Years

	Fiscal Year									
	2004/05	**2005/06**	**2006/07**	**2007/08**	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**
Overlapping and Direct Tax Rates [1]										
Overlapping Basic Rate [2] [3]	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Capistrano Union	0.01191	0.01078	0.00947	0.01019	0.00971	0.01077	0.01105	0.01101	0.01171	0.00972
Irvine Ranch Water	0.00000	0.00000	0.00000	0.00000	0.00000	0.03870	0.03870	0.04860	0.04860	0.04860
Metropolitan Water District	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350
Moulton Niguel Water District	0.21784	0.12923	0.11403	0.08830	0.11679	0.12104	0.12203	0.12936	0.14547	0.12977
Saddleback Valley Unified	0.03626	0.03079	0.03694	0.02668	0.02834	0.03043	0.03194	0.03163	0.03265	0.03207
Total	**1.27181**	**1.17600**	**1.16514**	**1.12967**	**1.15914**	**1.20524**	**1.20742**	**1.22430**	**1.24193**	**1.22366**
City Direct Rates										
City Share of 1% Levy Per Prop13 [2] [3]	**0.05371**	**0.05371**	**0.05371**	**0.05371**	**0.12228**	**0.12282**	**0.05371**	**0.05371**	**0.05371**	**0.05371**
Redevelopment Rate [4]	**1.00580**	**1.00520**	**1.00470**	**1.00450**	**1.00430**	**1.00430**	**1.00370**	**1.00370**		
Total Direct Rate [5]	**0.05330**	**0.05319**	**0.05342**	**0.10611**	**0.10630**	**0.10708**	**0.10796**	**0.10853**	**0.10840**	**0.10583**

Source: HdL Coren & Cone, Orange County Assessor 2003/04 - 2013/14 Tax Rate Table

[1] *Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.*

[2] *In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.0% fixed rate. This 1.0% is shared by all taxing agencies for which the subject property resides within. In addition, to the 1.0% fixed amount, property oweners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.*

[3] *City's Share of 1% levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.*

[4] *Redevelopment Rate is based on the largest RDA tax rate area and only includes rates from indebtedness adopted prior to 1989 per California State staute. RDA direct and overlapping rates are applied incremental property values. The aprroval of ABX126 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.*

[5] *Because basic and debt rates vary by tax rate area, individual rates cannot be summed. The Total Direct Rate is the weighted average of all individual direct rates applied.*

12/9/2014 ITEM NO. 3.4

City of Laguna Hills
Principal Property Taxpayers
Current year and nine years ago
(amounts expressed in thousands)

Taxpayer	2014 Taxable Assessed Value	2014 Rank	2014 Percentage of Total Taxable Assessed Value	2005 Taxable Assessed Value	2005 Rank	2005 Percentage of Total Taxable Assessed Value
MGP Fund X Laguna Hills LLC	$ 121,203	1	2.14%	$ -		
Acquiport Three Corporation	76,893	2	1.36%	61,030	2	1.35%
PMI Prado LLC	57,013	3	1.01%			
SPRTMRT Properties Trust	40,624	4	0.72%	31,487	5	0.70%
LHT Saddleback LLC	37,070	5	0.66%	30,615	6	0.68%
Lakehills at Laguna LLC	35,374	6	0.63%			
La Paz Office Plaza LLC	31,606	7	0.56%			
Memorial Health Services	24,946	8	0.44%			
Moulton Plaza LLC	23,501	9	0.42%			
Laguna Hills Investment Co.	22,997	10	0.41%	21,216	9	0.47%
Shopping Center Associates				105,506	1	2.34%
Landmark Laguna LP				40,485	3	0.90%
Pinebrook Apartments				36,397	4	0.81%
Frank N. Tomlinson Trust				27,149	7	0.60%
VV California				22,239	8	0.49%
LBA Realty Fund Holding				21,200	10	0.47%
Totals	$ 471,227		8.33%	$ 397,324		8.81%

Source: HdL Coren & Cone, Orange County Assessor Combined Tax Rolls

City of Laguna Hills
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Secured	Unsecured	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2005	4,488	230	4,718	4,631	98.2%	50	4,682	99%
2006	4,884	232	5,116	4,990	97.5%	54	5,044	99%
2007	5,266	267	5,533	5,325	96.2%	67	5,393	97%
2008	5,697	250	5,946	5,714	96.1%	116	5,830	98%
2009	5,675	250	5,925	5,685	96.0%	200	5,885	99%
2010	5,555	256	5,812	5,629	96.9%	203	5,832	100%
2011	5,489	248	5,737	5,577	97.2%	126	5,702	99%
2012	5,526	246	5,772	5,605	97.1%	87	5,693	99%
2013	5,587	239	5,827	5,694	97.7%	85	5,779	99%
2014	5,732	261	5,992	5,885	98.2%	62	5,946	99%

Source: County of Orange 2013 Tax Ledger Detail & Summary Reports, A43 Laguna Hills City

12/9/2014 ITEM NO. 3.4

CITY OF LAGUNA HILLS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(amounts expressed in thousands, except per capita amounts)

Fiscal Year	Total Government Certificates of Participation	Personal Income	Per Capita Personal Income	Percentage of Personal Income	Per Capita [(a)]
2005	22,300	1,321,554	$ 39,938	1.69%	676.02
2006	21,390	1,384,623	$ 41,813	1.54%	646.42
2007	20,450	1,425,961	$ 43,058	1.43%	617.54
2008	19,480	1,441,089	$ 43,346	1.35%	588.22
2009	18,470	1,417,282	$ 42,444	1.30%	555.56
2010	17,943	1,500,666	$ 44,672	1.20%	537.36
2011	16,802	1,445,996	$ 47,227	1.16%	500.16
2012	15,620	1,363,858	$ 44,421	1.15%	510.16
2013	14,388	1,320,001	$ 42,778	1.09%	468.63
2014	13,437	1,333,022	$ 43,200	1.01%	435.45

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Source: 2002-2009 Income Data: ESRI-Demographic Estimates are based on the lastest available Census
2010 and later -Income Data-US Census Bureau, most recent American Community Survey
[(a)] Population data can be found in the Schedule of Demographic and Economic Statistics on page III - 19.

City of Laguna Hills
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita

Note: There was no general bonded debt outstanding for the last ten fiscal years.

City of Laguna Hills
Direct and overlapping governmental activities debt
As of June 30, 2014

	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	132,275,000	0.258%	341,270
Saddleback Valley Unified School District	126,840,000	18.254%	23,153,374
Capistrano Unified School District Facilities Improvement District No. 1	35,109,930	0.025%	8,777
Moulton-Niguel Water District and, I.D.'s 6 & 8	13,855,000	3.303%	457,631
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT:			$ 23,961,052
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			
Orange County General Fund Obligations	145,476,000	1.276%	$ 1,856,274
Orange County Pension Obligations	32,195,288	1.276%	410,812
Orange County Board of Education Certificates of Participation	15,500,000	1.276%	197,780
Municipal Water District of Orange County Water Facilities Corporation	7,775,000	1.527%	118,724
Capistrano Unified School District Certificates of Participation	18,245,000	0.017%	3,102
Moulton-Niguel Water District Certificates of Participation	81,795,000	13.624%	11,143,751
SUBTOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			$ 13,730,443
City of Laguna Hills Certificates of Participation, Direct Debt	**12,585,000**	**100.000%**	**12,585,000**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT, AND LAGUNA HILLS CERTIFICATES OF PARTICIPATION:			26,315,443
Less: MWDOC Water Facilities Corporation (100% self-supporting)			(118,724)
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT:			$ 26,196,719
OVERLAPPING TAX INCREMENT DEBT (Successor Agency)	22,665,000	1.542%	349,434
GROSS COMBINED TOTAL DEBT			$ 50,625,929
NET COMBINED TOTAL DEBT			$ 50,507,205 [(b)]

[(a)] *Percentage of overlapping agency's assessed valuation located within boundaries of the city.*

(b) *Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations; see MWDOC above.*

Source: California Municipal Statistics, Inc.

City of Laguna Hills
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	$ 676,321	$ 736,414	$ 797,096	$ 860,479	$ 853,897	$ 838,413	$ 819,070	$ 819,547	$ 832,512	$ 853,695
Total net debt applicable to limit	22,300	21,390	20,450	19,480	18,470	17,190	16,100	14,970	13,790	12,585
Legal debt margin	$ 654,021	$ 715,024	$ 776,646	$ 840,999	$ 835,427	$ 821,223	$ 802,970	$ 804,577	$ 818,722	$ 841,110
Total net debt applicable to limit, as a percentage of debt limit	3.30%	2.90%	2.57%	2.26%	2.16%	2.05%	1.97%	1.83%	1.66%	1.47%

Legal Debt Margin Calculation for Fiscal Year 2013/14

Assessed value	5,656,046
Add back: exempt real property	35,252
Total assessed value	5,691,297
Debt limit (15% of total assessed value)	853,695
Debt applicable to limit:	
Certificates of Participation	12,585
Total net debt applicable to limit	12,585
Legal debt margin	$ 841,110

Note: Under state finance law, the City of Laguna Hills' outstanding general obligation debt should not exceed 15 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

City of Laguna Hills

Pledged-Revenue Coverage

Last Ten Fiscal Years

Note: There was no debt covenants that required pledged-revenue coverage for the last ten fiscal years.

City of Laguna Hills

Demographic & Economic Statistics

Calendar Year	Population [1]	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2004	32,987	$ 1,275,828	$ 38,677	3.6%
2005	33,090	$ 1,321,554	$ 39,938	3.2%
2006	33,115	$ 1,384,623	$ 41,813	2.9%
2007	33,117	$ 1,425,961	$ 43,058	3.3%
2008	33,246	$ 1,441,089	$ 43,346	4.4%
2009	33,392	$ 1,417,282	$ 42,444	7.6%
2010	33,593	$ 1,500,666	$ 44,672	8.1%
2011	30,618	$ 1,445,996	$ 47,227	7.4%
2012	30,703	$ 1,363,858	$ 44,421	4.8%
2013	30,737	$ 1,320,001	$ 42,778	4.2%
2014	30,857	$ 1,333,022	$ 43,200	4.2%

Consumer Price Index

Year	CPI	% Change
2004	193.2	3.3%
2005	201.8	4.5%
2006	210.4	4.3%
2007	217.3	3.3%
2008	225.0	3.5%
2009	223.2	-0.8%
2010	225.8	1.2%
2011	231.9	2.7%
2012	236.7	2.1%
2013	239.2	1.1%

2010 Population by Race/Ethnicity

White	18,725	61.7%
Hispanic	6,242	20.6%
Asian & Pacific Islander	3,790	12.5%
Black	373	1.2%
Other	1,214	4.0%

2010 Population by Age

Age	Population	%
0-4	1,563	5.2%
5-14	3,804	12.5%
15-24	4,012	13.2%
25-34	3,466	11.4%
35-54	9,319	30.7%
55-64	4,290	14.1%
65-74	2,106	6.9%
75+	1,784	5.9%

Building Activity and Valuation *(in thousands)*

	2011	2012	2013
Residential			
New Single Family	-	700	519
New Multi-Family	-		-
Additions, alterations	6,939	4,346	5,349
Total Residential	6,939	5,046	5,868
Commercial			
New Commercial	-	2,236	2,045
New Industrial	-		
Additions, alterations	11,578	5,853	10,201
Total Non-Residential	11,578	8,089	12,246
Total Valuation	18,517	13,135	18,114
No. of New Dwelling Units	3	1	2

2012 Housing Units

	Quantity	%
Total Housing Units	11,107	
Occupied	10,541	94.9%
Vacant	566	5.1%

Sources: Cal State Fullerton Center for Demographic Research, HDL Reported City of Laguna Hills' Demographic and Economic Statistics, US Census Bureau and Department of Labor and Statistics; State of California EDD.

[1] Population: California State Department of Finance. Demographic Data is totaled from Census Block Groups that overlap the City's Boundaries.

City of Laguna Hills
Principal Employers
Current Year and Nine Years Ago

	2014			2005		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Saddleback Memorial Medical	1,020	1	5.93%	1,020	1	5.90%
Professional Community Management	350	2	2.03%			
Veteran's Affairs, U.S. Department	260	3	1.51%			
Care Plus Home Care, Inc.	250	4	1.45%			
Allied Business Schools, Inc.	235	5	1.37%	200	5	1.16%
Kennedy Pipeline				320	2	1.85%
Country Villa				200	3	1.16%
Saddlebck Coordinated Home				200	4	1.16%
Total	2,115		12.30%	1,940		11.21%

Source: California State University, Fullerton, Center for Demographic Research, Orange County Progress Report 2014 & 2005

City of Laguna Hills
Full-time Equivalent Personnel Allocation by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Personnel at June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Legislative/executive	4.31	5.31	5.31	5.31	5.72	5.72	5.72	5.72	5.72	5.72
Administrative services	9.03	7.28	7.78	6.78	6.18	6.18	6.18	6.18	7.28	7.28
Public services	30.00	30.00	41.00	41.00	42.00	42.00	44.00	44.00	44.00	44.00
Community development	6.00	7.85	8.30	8.30	8.15	7.15	8.15	8.15	7.85	7.85
Community services	14.25	14.25	14.25	14.25	15.61	15.61	15.75	15.75	15.75	15.75
Public safety	30.17	30.07	31.19	31.24	29.19	29.19	29.20	29.20	28.89	28.89
Total	93.76	94.76	107.83	106.88	106.85	105.85	109.00	109.00	109.49	109.49

Source: City of Laguna Hills' Biennial Budget

City of Laguna Hills
Operating Indicators
Last Ten Fiscal Years

Function	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14
Police [b]										
Physical arrests	468	487	579	460	740	721	684	468	362	458
Parking violations	897	1,799	3,162	2,757	3,636	2,662	2,087	1,107	885	1,407
Traffic violations	3,637	5,367	3,846	5,566	4,886	5,781	4,089	3,074	2,462	2,070
Fire [c]										
Number of calls answered	2,211	2,373	2,424	2,434	2,421	2,558	2,614	2,550	2,579	2,584
Inspections	651	586	549	309	387	439	393	308	273	379
Highways and Streets [d]										
Sidewalk replacement (sq. ft.)	10,190	7,610	3,450	1,850	4,660	22,266	8,592	13,482	13,610	3,519
Curb & gutter replacement (linear ft.)	1,678	626	90	110	2,374	1,030	1,727	3,990	1,141	478
Asphalt concrete placed (tons)	12,244	15,203	13,385	11,362	21,291	15,695	14,454	15,692	16,319	7,857
Street sweeping debris collected (tons)	315	922	546	265	449	294	290	374	432	293
New sign installations	23	37	65	37	64	92	102	28	42	65
Sign Replacements	102	161	304	238	277	168	173	161	378	278
Trees trimmed	1,493	2,370	1,815	1,763	1,774	2,273	1,872	1,474	1,568	1,185
Trees removed	349	247	265	207	214	81	114	166	215	179
Trees planted	90	67	108	262	82	43	39	649	39	44
Sanitation [a]										
Refuse collected (tons/day)	83	80	70	63	50	46	46	44	47	41
Recyclables collected (tons/day)	72	77	65	55	52	50	47	45	46	42
Culture and Recreation [e]										
Community center programs (participants)	7,877	8,215	8,650	8,173	9,538	7,262	6,876	5,682	5,633	5,783
Athletic permits	70	74	71	70	76	69	57	44	41	45
Waste Stream [a]										
Refuse collected (tons)	30,124	29,126	25,705	22,981	18,089	16,698	16,814	15,932	17,185	14,925
Recyclables collected (tons)	26,102	27,927	23,691	20,120	19,081	18,162	17,325	16,391	16,753	15,454

[a] *CR&R Monthly Tonnage Report, 6/30/14*
[b] *Orange County Sheriff's Department Deputy Statistics Report*
[c] *Orange County Fire Authority- Clerk of the Authority, Safety & Environmental Services, Planning & Development*
[d] *City of Laguna Hills, Public Works Department*
[e] *City of Laguna Hills, Community Center Department*

City of Laguna Hills
Capital Assets Statistics by Function
Last ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Highways and streets										
Streets (miles)	83	83	83	83	83	83	83	83	83	83
Traffic signals	45	45	45	45	45	45	45	45	45	45
Culture and recreation										
Parks acreage	83	83	83	83	83	83	83	83	83	83
Parks	15	15	15	15	15	15	15	15	15	15
Community centers	1	1	1	1	1	1	1	1	1	1
Civic Center	1	1	1	1	1	1	1	1	1	1

Source: Various City Departments

CITY OF LAGUNA HILLS

At A Glance

General Information

The City of Laguna Hills, located in South Orange County, has approximately 6.6 square miles of land in its corporate boundary and is now home to 30,857 people. Majority of the area in the City has a distinctive residential character. Yet, the City has a strong commercial base in its northern part. This commercial area, or “urban village”, is anchored by the regional Laguna Hills Mall, the Oakbrook Village Shopping Center, and the Saddleback Memorial Hospital. It includes approximately 2,000,000 square feet of retail, restaurant, professional office, and medical related building space. When the City annexed the “North Laguna Hills” area in July of 1996, the City acquired 1.2 square miles of primarily light industrial, professional office, specialty retail, hotel, and residential uses. This annexed area contains a furniture row, office headquarters, and the only light industrial/manufacturing establishments in the City. In September of 2000, the City grew by another 150 acres as a result of the annexation of residential properties identified as West Laguna Hills.

History

Laguna Hills is built on one of the major land grants developed during the rancho area. Following Mexico’s independence from Spain in 1821, those who had served in the government or who had friends in authority were given vast lands for cattle grazing. Rancho Lomas de Santiago, Rancho San Joaquin, and Rancho Niguel covered much of the western portion of the Saddleback Valley. Don Juan Avila was granted the 13,000-acre Rancho Niguel on which Laguna Hills is located.

In 1874, Lewis Moulton purchased Rancho Niguel from Don Juan Avila and increased the original grant to 22,000 acres. Moulton and his partner, Jean Piedrea Daguerre, used the ranch to raise sheep and cattle. The Moulton ranch was eventually subdivided in the early 1960s part of which is recognized as Laguna Hills.

Incorporation efforts began in 1987 and on March 5, 1991, the goal of incorporation was finally achieved with 86% of the residents voting in favor of forming the City of Laguna Hills. On December 20, 1991, Laguna Hills officially became a City.

City Government

The City of Laguna Hills is a General Law City that operates under the Council/Manager form of government. The voters elect five of their fellow citizens to the City Council for overlapping four-year terms. The Council, in turn, selects one of its members to serve as Mayor for a one-year term. The City Council holds regular public meetings on the second and fourth Tuesday of each month.

12/9/2014 ITEM NO. 3.4

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: DECEMBER 9, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: KENNETH H. ROSENFIELD, P.E.
DIRECTOR OF PUBLIC SERVICES/CITY ENGINEER

ISSUE: PROGRESS PAYMENT NO. 11 FOR LA PAZ OPEN SPACE PROJECT, CIP NO. 615A

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE PROGRESS PAYMENT NO. 11, IN THE NET AMOUNT OF $1,140.00, TO ENVIRONMENTAL CONSTRUCTION, INC., FOR LA PAZ OPEN SPACE IMPROVEMENTS, CIP NO. 615A

SUMMARY:

Work on the La Paz Open Space Improvements, CIP No. 615A, began on November 18, 2013, and is being performed by Environmental Construction, Inc. Construction of the site was substantially completed in May 2014 and the project was placed into the one-year maintenance period. Work performed in October included the monthly maintenance of the site as a part of the one year maintenance period. The contractor has submitted the eleventh progress payment request for approval.

BACKGROUND:

A routine monthly action for capital improvement projects is the submission, review, and approval of the contractor's invoice. Procedurally, field staff verifies the contractor's quantities and matches them with the submitted invoice. The unit prices and total costs of the project are confirmed by the office staff and a progress payment is then processed. A five-percent (5%) retention is withheld from each payment to assure final performance of the work. The contractor for the project, Environmental Construction, Inc., has submitted the eighth progress payment for the subject project as follows:

ITEM #	DESCRIPTION	QUANTITY	UNIT	$	AMOUNT
44	1 Year Maintenance Period	0.08	LS	$ 15,000.00	$ 1,200.00

Total To Date	$1,100,108.28	
Less Prior Billing	$1,098,908.28	
Total This Period	$ 1,200.00	$ 1,200.00
Less 5% Retention		$ (60.00)
Due		$ 1,140.00

FISCAL IMPACT:

The Capital Improvement Program (CIP) Budget did not anticipate this project would have expenditures in the 2014-15 Fiscal Year. Therefore, an adjustment to the CIP project allocations will be made to cover these minor maintenance and related expenditures.

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: DECEMBER 9, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: KENNETH H. ROSENFIELD, P.E.
DIRECTOR OF PUBLIC SERVICES/CITY ENGINEER

ISSUE: PROGRESS PAYMENT NO. 3 FOR CITYWIDE PAVEMENT REHABILITATION PROJECT, CIP NO. 101-I

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE PROGRESS PAYMENT NO. 3, IN THE NET AMOUNT OF $597,248.41, TO ALL AMERICAN ASPHALT, FOR CITYWIDE PAVEMENT REHABILITATION PROJECT, CIP NO. 101-I

SUMMARY:

Work on the Citywide Pavement Rehabilitation Project, CIP No. 101-I, began on August 15, 2014, and is being performed by All American Asphalt. Work performed in October included clearing and grubbing, grinding, AC overlay placement, adjusting manhole and water valves, and striping and markings. The contractor has submitted the third progress payment request for approval. At this time, the project is in the final stages of raising water valves and manholes to grade and completing punchlist work.

BACKGROUND:

A routine monthly action for capital improvement projects is the submission, review, and approval of the contractor's invoice. Procedurally, field staff verifies the contractor's quantities and matches them with the submitted invoice. The unit prices and total costs of the project are confirmed by the office staff and a progress payment is then processed. A five-percent (5%) retention is withheld from each payment to assure final performance of the work. The contractor for the project, All American Asphalt, has submitted the third progress payment for the subject project as follows:

ITEM #	DESCRIPTION	QUANTITY	UNIT	$	AMOUNT
1	Clearing & Grubbing	.15	LS	$80,019.00	$ 12,002.85
3	Cold Plane/Edge Grind	381,246.00	SF	$ .17	$ 64,811.82
5	0.125' AC Overlay	6,485.19	T	$ 73.50	$ 476,661.47
6	Adjust Manhole	100.00	EA	$ 310.00	$ 31,000.00
7	Adjust Water Valve	100.00	EA	$ 260.00	$ 26,000.00
11	Striping & Markings	.60	LS	$30,344.00	$ 18,206.40

Total To Date	$1,666,862.87	
Less Prior Billing	$1,038,180.33	
Total This Period	$ 628,682.54	$ 628,682.54
Less 5% Retention		$ (31,434.13)
		$ 597,248.41

FISCAL IMPACT:

The progress payment is within the 2014-15 Fiscal Year Capital Improvement Program Budget for the Citywide Pavement Rehabilitation Project, CIP No. 101-I.

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: DECEMBER 9, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: KENNETH H. ROSENFIELD, P.E.
DIRECTOR OF PUBLIC SERVICES/CITY ENGINEER

ISSUE: PROGRESS PAYMENT NO. 4, FINAL, FOR EL TORO ROAD PAVEMENT REHABILITATION PROJECT, CIP NO. 179, AND RIDGE ROUTE DRIVE PAVEMENT REHABILITATION PROJECT, CIP NO. 172

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE PROGRESS PAYMENT NO. 4, FINAL, IN THE NET AMOUNT OF $31,754.12, TO ALL AMERICAN ASPHALT, FOR EL TORO ROAD PAVEMENT REHABILITATION PROJECT, CIP NO. 179, AND RIDGE ROUTE DRIVE PAVEMENT REHABILITATION PROJECT, CIP NO. 172, AND AUTHORIZE THE FILING OF THE NOTICE OF COMPLETION AND SUBSEQUENT RELEASE OF RETENTION IN 35 DAYS, IF NO LIENS HAVE BEEN FILED

SUMMARY:

Work on the Ridge Route Drive Pavement Rehabilitation Project, CIP No. 172, began on November 6, 2013, and was performed by All American Asphalt. The work on Ridge Route Drive was previously completed and the work on El Toro Road Pavement Rehabilitation Project, CIP No. 179, began in May 2014 and has now been substantially completed. Work performed in October included signing and striping, asphalt concrete, remove and replace curb and gutter, adjust water and gas valves to grade and complete access ramps. The contractor has submitted the fourth and final progress payment request for approval.

BACKGROUND:

A routine monthly action for capital improvement projects is the submission, review, and approval of the contractor's invoice. Procedurally, field staff verifies the contractor's quantities and matches them with the submitted invoice. The unit prices and total costs of the project are confirmed by the office staff and a progress payment is then processed. A five-percent (5%) retention is withheld from each payment to assure final performance of the work. The current progress payment addresses the recent repaving work on El Toro

Road. The contractor for the project, All American Asphalt, Inc., has submitted the fourth and final progress payment for the subject project as follows:

El Toro Road

ITEM #	DESCRIPTION	QUANTITY		UNIT$	AMOUNT
2	Signing & Striping	.35	LS	$14, 695.00	$ 5,143.25
7	Asphalt Concrete	373.59	SF	$ 5.00	$ 1,867.95
8	PCC Curb	218.00	LF	$ 30.00	$ 6,540.00
9	R&R 8" Curb and Gutter	75.73	LF	$ 77.00	$ 5,831.21
10	R&R PCC Sidewalk	231.29	LS	$ 14.00	$ 3,238.06
11	R&R PCC Driveway	441.94	SF	$ 18.00	$ 7,954.92
13	Adjust Water/Gas	1	EA	$ 350.00	$ 350.00
CO8	PCC Access Ramps	2	EA	$ 1,250.00	$ 2,500.00

Total To Date	$ 991,191.36	
Less Prior Billing	$ 957,765.97	
Total This Period	$ 33,425.39	$ 33,425.39
Less 5% Retention		$ (1,671.27)
Due		$ 31,754.12

FISCAL IMPACT:

The progress payment is within the Capital Improvement Program Budget for the El Toro Road Pavement Rehabilitation Project, CIP No. 179, and Ridge Route Drive Pavement Rehabilitation Project, CIP No. 172.

ATTACHMENT:

- Notice of Completion

Recording Requested by and
When Recorded Mail to:

Peggy J. Johns, City Clerk
City of Laguna Hills
24035 El Toro Road
Laguna Hills, CA 92653

No Fee Exempt per GC§27383

By: ____________________________

NOTICE OF COMPLETION

Notice is hereby given that the following public improvements have been completed and accepted by the City Council of the City of Laguna Hills on December 9, 2014.

Description of Improvements

Ridge Route Drive Pavement Rehabilitation, CIP No. 172 and El Toro Road Pavement Rehabilitation, CIP No. 179

General Location

Ridge Route Drive from Avenida de la Carlota to Moulton Parkway and
El Toro Road from Bridger Road to Paseo de Valencia, City of Laguna Hills, CA

Owner of Property Address	Contractor
City of Laguna Hills 24035 El Toro Road Laguna Hills, CA 92653	All American Asphalt, Inc. P.O. Box 2229 Corona, CA 92878-2229

This Notice of Completion is executed under authority of a directive from the City Council of the City of Laguna Hills.

I, Kenneth H. Rosenfield, P.E., declare under penalty of perjury that I am the City Engineer of the City of Laguna Hills, that I am familiar with the facts stated in the foregoing Notice of Completion executed for and on its behalf, and that I have read the foregoing Notice of Completion and know the contents thereof to be true.

Dated: December 10, 2014

____
Kenneth H. Rosenfield, P.E.
Director of Public Works/City Engineer
City of Laguna Hills

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: DECEMBER 9, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: PEGGY J. JOHNS
CITY CLERK

ISSUE: AFFIRMATION OF APPOINTMENTS LIST FOR ALL CITY BOARDS, COMMISSIONS AND COMMITTEES

RECOMMENDATION: THAT THE CITY COUNCIL AFFIRM THE LOCAL APPOINTMENTS LIST AND DIRECT THAT IT BE POSTED IN THE LAGUNA HILLS BRANCH TECHNOLOGY LIBRARY, IN ACCORDANCE WITH THE MADDY ACT.

SUMMARY:

In accordance with State Law, Government Code Section 54972, the City Council must prepare and post a Local Appointments List prior to December 31, 2014.

BACKGROUND:

The State Legislature found that there was a vast and largely untapped reservoir of talent existing among the citizenry of the State of California and that this great human resource was not, all too frequently, aware of the many opportunities which exist to participate in and serve on local regulatory and advisory boards, commissions, and committees. In order to provide access to information regarding vacancies which occur on local boards, commissions, and committees, Government Code Section 54972 requires that each legislative body prepare a Local Appointments List on or before December 31st of each year, consisting of the following:

- A list of appointive terms, which will expire during the next calendar year, with the name of the incumbent appointee, the date of the appointment, the date the term expires, and the necessary qualifications for the position.
- A list of all boards, commissions, and committees whose members serve at the pleasure of the legislative body and the necessary qualifications for each position.

A Local Appointments List for the City of Laguna Hills is attached. After the City Council takes action to affirm the list, a copy of the list will be posted in the Laguna Hills Branch Technology Library at the Community Center.

ATTACHMENTS:

- Local Appointments List

LOCAL APPOINTMENTS LIST
Ongoing Commissions, Boards, and Committees
(Pursuant to Government Code Section 54972 et seq.)

Parks and Recreation Commission

Established by:	Resolution No. 92-04-14-5 Amended by Resolution No. 96-02-13-1 Amended by Resolution No. 2005-09-13-1 Amended by Resolution No. 2006-01-10-1 Amended by Resolution No. 2009-08-25-4
Number of Members:	Five
Term of Office	Four-Year Staggered Terms
Qualifications:	All Commission Members, at all times during their incumbencies, must be a bona fide resident and registered voter of the City of Laguna Hills.

Incumbents	Date Appointed	Date of Oath	Date Term Expires
Daniel Cooper	01/18/2003	01/28/2003	01/31/2015
Jack Noenickx	01/18/2005	01/25/2005	01/31/2015
Victoria Aeur	02/05/2013	02/26/2013	01/31/2017
Richard Nagle	02/05/2013	02/26/2013	01/31/2017
Chris Mackey	03/12/2013	03/26/2013	01/31/2015

Traffic Commission

Established by:	Resolution No. 92-02-25-4 Amended by Resolution No. 96-04-23-2 Amended by Resolution No. 2005-09-13-2
Number of Members:	Five
Term of Office	Four-Year Staggered Terms
Qualifications:	All Commission Members, at all times during their incumbencies, must be a bona fide resident and registered voter of the City of Laguna Hills.

Incumbents	Date Appointed	Date of Oath	Date Term Expires
Rick Frazier	01/15/2002	01/22/2002	01/31/2017
Donald Froelich	01/18/2005	01/25/2005	01/31/2015
Stephen (Ed) Rowe	01/12/2011	01/25/2011	01/31/2015
Mike Caputo	02/05/2013	02/26/2013	01/31/2017
Steven Beeuwsaert	02/05/2013	02/26/2013	01/31/2017

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: DECEMBER 9, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: DONALD J. WHITE
ASSISTANT CITY MANAGER

ISSUE: ANNUAL REVIEW OF INVESTMENT POLICIES AND DELEGATION OF INVESTMENT AUTHORITY TO THE CITY TREASURER

RECOMMENDATION: THAT THE CITY COUNCIL ADOPT A RESOLUTION ENTITLED: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DELEGATING INVESTMENT AUTHORITY TO THE CITY TREASURER AND APPROVING A POLICY FOR THE INVESTMENT OF SURPLUS CITY FUNDS AND RESCINDING RESOLUTION NO. 2013-12-10-4."

SUMMARY:

State law requires that the City Council annually review the City's written investment policies at a public meeting. It also allows the City Council to delegate its investment authority to the City Treasurer for up to one year at a time. Staff is not recommending any revisions to the existing policies, which are in accordance with the "Recommended Best Practices" promulgated by the Committee on Cash Management and Investment of the Government Finance Officers Association. A Resolution to adopt the policies and delegate the investment authority to the City Treasurer for the year 2015 is attached and staff is recommending approval.

Pursuant to Government Code Section 53646, the City Treasurer is required to render to the City Council an annual statement of investment policy. Staff has reviewed the investment policy and is recommending no changes. The "Investment and Portfolio Policies" for the City and the Public Improvement Corporation is contained in Exhibit A of the attached Resolution.

ATTACHMENTS:

- Investment Resolution
- Exhibit A – Investment Policies

RESOLUTION NO. 2014-12-9-X

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DELEGATING INVESTMENT AUTHORITY TO THE CITY TREASURER AND APPROVING A POLICY FOR THE INVESTMENT OF SURPLUS CITY FUNDS AND RESCINDING RESOLUTION NO. 2013-12-10-4.

WHEREAS, pursuant to Laguna Hills Municipal Code Section 2-16.020, the City Council has appointed the City Manager as the City Treasurer; and

WHEREAS, pursuant to Government Code Section 53607, the City Council may delegate its investment authority to the City Treasurer for up to one year; and

WHEREAS; pursuant to Government Code Section 53646, the City Council of the City of Laguna Hills, has publicly considered an annual statement of investment policy and desires to adopt such policy to guide the investments of the Deputy Treasurer, under the supervision of the City Treasurer.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. This Resolution rescinds Resolution No 2013-12-10-4.

SECTION 2. The City Council hereby delegates investment authority to the City Treasurer.

SECTION 3. The City Council hereby adopts the investment policy, attached hereto as Exhibit “A” and incorporated herein by this reference.

SECTION 4. The effective date of this Resolution is January 1, 2015.

PASSED, APPROVED, AND ADOPTED this 9th day of December 2014.

______________________________, MAYOR

ATTEST:

____

PEGGY J. JOHNS, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Peggy J. Johns, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2014-12-9-X adopted by the City Council of the City of Laguna Hills, California, at a Regular Meeting thereof held on the 9th day of December, 2014, by the following vote:

AYES:

NOES: None

ABSENT: None

ABSTAIN: None

(SEAL)

PEGGY J. JOHNS, CITY CLERK

CITY OF LAGUNA HILLS

2015

INVESTMENT POLICIES

Investment and Portfolio Policies
Calendar Year 2015

TABLE OF CONTENTS

I Policy

It is the Policy of the City of Laguna Hills to invest in a manner, which will ensure the safety of public funds by mitigating credit and interest rate risk, and provide sufficient liquidity to meet all operating requirements. The City shall also strive to attain a return on investment that is reasonable given that safety of principal and liquidity are the primary objectives in these policies and yield is secondary.The investment program shall be operated in conformity with federal, state and other legal requirements, including the State of California Government Code Section 53601, et, seq., these policies and written administrative procedures.

II Scope

This investment policy applies to the investment of all funds of the City and the City of Laguna Hills Public Improvement Corporation, including the following:

General Fund
Special Revenue Funds
Capital Projects Funds
Funds Held Under Trust Indenture

These funds are accounted for in the City's Comprehensive Annual Financial Report.

Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

Investments under the trust indenture will be held separately and made in accordance with the indenture requirements.

III Objectives

Funds of the City will be invested, by the City Treasurer, or authorized deputies of the Treasurer (hereinafter collectively referred to as "the Treasurer") in accordance with these policies and written administrative procedures. The primary objectives, in priority order, of investment activities shall be:

1) Safety

Safety of principal is the foremost objective of the City's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio and the mitigation of credit risk and interest rate risk.

a) Credit Risk

Credit Risk is the risk of loss due to the failure of the security issuer or backer. Credit Risk may be mitigated by:

i. limiting investments to the safest types of securities listed under Section VI herein, which shall be limited to those investments backed by the U.S. Government, or an agency thereof, overnight accounts managed by the City's primary bank, the Local Agency Investment Fund (LAIF), and other specific investments described in Section VI;

ii. diversifying the portfolio to avoid concentration of securities from a specific issuer, except issuers of U.S. Treasury securities, so that the failure of any one issuer will not place an undue financial burden on the City;

iii. monitoring all of the City's investments on a frequent basis to anticipate and respond accordingly to a significant reduction of creditworthiness of any of the depositories, including the City's primary bank; and

iv. performing appropriate due diligence to assure the credit worthiness of any portfolio investment made.

b) Interest Rate Risk

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. To reduce interest rate risk, the City shall limit the maximum maturity horizon of the securities that comprise its portfolio, keeping in mind that the longer the maturity horizon, the greater the price volatility. In accordance with the Government Accounting Standards Board reporting requirements, the portfolio could show unrealized gains or losses for any reporting period.

Interest rate risk may be mitigated by:

i. structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and

ii. investing operating funds primarily in shorter-term securities.

2) Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity) and a portion of the portfolio should be invested in readily available funds, to ensure that appropriate liquidity is maintained to meet ongoing obligations.

3) Yield

The rate of return on the City's investment portfolio is of secondary importance to the safety and liquidity objectives described above. The City's investment strategy is passive and investments are limited to relatively low-risk securities in anticipation of earning a rate of return throughout budgetary and economic cycles, commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

The yield shall be designed to attain an average rate of return through market cycles. Although no "benchmark" rate of return is assumed, the portfolio's yield shall be compared for reporting purposes to LAIF and the 3-month bank CD rate published by the Federal Reserve. These indices are considered benchmarks for lower risk investment transactions and therefore represent a comparable minimum standard for the portfolio's rate of return.

IV Standards of Care

1) Prudence

The City's investment portfolio is subject to public scrutiny and review and should be managed with due care and consideration. The portfolio should be created and maintained with the professionalism and care worthy of the public trust.

The standard of prudence to be applied to the Treasurer shall be the "prudent investor rule", which states, "when investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, a trustee (the governing body or Treasurer) shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency."

The Treasurer, acting in accordance with written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported immediately and that appropriate action is taken to control adverse developments.

2) Ethics and Conflict of Interest

Employees of the City shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. State law, City statutes, and City personnel and purchasing practices shall be followed to avoid conflict of interest or the appearance thereof. Employees shall disclose any financial interests or personal relationships with any financial institutions, brokers or securities dealers that conduct business within its jurisdiction, and any personal financial/investment positions that could be related to their management of the portfolio. The Treasurer shall be prohibited from doing business with any broker or securities dealer with whom the City does business, with the exception of the City's primary bank for banking services. Employees shall subordinate their personal investment transactions to those of the City, particularly with regard to the time of purchases and sales.

3) Delegation of Authority

Authority to manage the City's investment program is delegated to the City Treasurer by Resolution of the City Council of the City of Laguna Hills, California. Management responsibility is hereby delegated to the Assistant City Manager/Deputy Treasurer under the direction of the City Treasurer.

The Deputy Treasurer shall establish written procedures for the operation of the investment program consistent with this investment policy, together with a system of internal controls to regulate the activities of subordinates.

V Safekeeping and Custody

1) Authorized Financial Institutions, Depositories and Brokers/Dealers

Investment transactions will be undertaken with securities dealers, brokers and depositories authorized to provide investment services. In addition, the City shall maintain a "Qualified Institution" list of approved security broker/dealers selected by creditworthiness, including the minimum capital requirement of $10 million and at least five years of operation. The City shall conduct periodic evaluations, or whenever deemed necessary, of each financial institution's standing to determine whether it should remain on the "Qualified Institution" listing. Securities dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

All financial institutions and brokers/dealers who desire to become qualified for investment transactions with the City must supply the following:

1) Audited financial statements demonstrating compliance with State and Federal capital adequacy guidelines. Audited financial statements will be submitted annually to the City.

2) Proof of National Association of Securities Dealers (NASD) certification, except for counterparties in Certificates of Deposits transactions.

3) Proof of State Registration

4) Completed broker/dealer questionnaire, except for Certificates of Deposits counterparties.

5) Certification of having read and understood and agreeing to comply with the City's Investment Policies, as well as to disclose potential conflicts or risks to public funds that might arise out of business transactions between the firm/depository and the City.

6) Evidence of adequate insurance coverage.

In addition, all financial institutions shall agree to undertake reasonable efforts to preclude imprudent transactions involving the City's funds. The supervising officer shall agree to exercise due diligence in monitoring the activities of other officers and subordinate staff members engaged in transactions with the City. Employees of any firm or financial institution offering securities or investments to the City shall be trained in the precautions appropriate to public-sector investment and shall be required to familiarize themselves with the City's Investment and Portfolio Policies.

2) Internal Control

Treasurer shall establish a system of written internal control policies and procedures, which shall be reviewed annually by the independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes or imprudent actions.

3) Delivery vs. Payment

All trades where applicable will be executed by delivery vs. payment (DVP). This ensures that securities are deposited in the eligible financial institution prior to the release of funds. A third party custodian or the trust department of the City's primary bank will hold securities. Evidence of safekeeping shall be in the form of safekeeping receipts and monthly statements reporting the securities held by the institution.

VI Authorized and Suitable Investment

1) Investment Types

Investment of City funds are restricted to the following instruments that shall mature within one year from the time of purchase unless otherwise stated:

a) U.S. Treasury bills.

b) U.S. Treasury notes or bonds.

c) Insured or fully collateralized certificates of deposit issued by a qualified Public Depository Institution of the State of California.

d) Money market mutual funds whose portfolios consist entirely of U.S. government securities and are rated at the highest letter or numerical rating from at least two of the three largest nationally recognized rating services, or which retain an Investment advisor meeting requirements specified in Government Code Section 53601(k)(2).

e) State Treasurer's Local Agency Investment Fund.

f) Overnight Government Securities (U.S. Treasuries, Agencies, and Instrumentalities) Investment Account managed by the City's primary bank.

g) Overnight Commercial Paper Investment Account managed by the City's primary bank.

h) Overnight repurchase agreements managed by the City's primary bank where the market value of the securities underlying the repurchase agreement is 102 percent or greater than the value of funds borrowed.

i) Commercial Paper rated a minimum of "P-1" by Moody's and "A-1" by Standard and Poor's, or equivalent, as provided by a nationally recognized rating agency, maturing not more that 180 days after the date of purchase. The issuer is a corporation organized and operating in the United States with assets in excess of $500 million.

j) Prime Bankers' Acceptances with a maximum term of 270 days and a rating of "P-a" by Moody's and "A-1 +" by Standard and Poor's or equivalent as provided by a nationally recognized rating agency issued within the U.S. by depository institutions.

In all instances, the City will not purchase the aforementioned instruments by the use of leveraged or margin accounts or by taking short positions in any investment instrument; i.e., selling investments the City does not own.

Investments of funds held under a trust indenture may have maturities up to two years in duration.

2) Portfolio Diversification

The City will diversify use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

DIVERSIFICATION BY INVESTMENTS	Maximum Percent of Portfolio
U.S. Treasury Obligations (bills, notes and bonds)	50%
Certificates of Deposit (CDs) Commercial Banks	50%
Certificates of Deposit (CDs) Savings and Loan	25%
State Treasurer's Local Agency Investment Fund	85%
Overnight investment accounts managed by City's primary bank	50%
Commercial Paper	10%
Banker's Acceptances	15%
Money Market Mutual Funds	15%

DIVERSIFICATION BY INSTITUTION/ISSUER	Maximum Percent of Portfolio
Certificates of Deposit (CDs) Commercial Banks	25%
Certificates of Deposit (CDs) Savings and Loan	$250,000 maximum

3) Maximum Maturities

Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures as well as considering sizable blocks of anticipated revenue.

4) Collateralization

Collateralization will be required on repurchase agreements in order to anticipate market changes and provide a level of security for all funds.

For certificates of deposits greater than $250,000, collateral will be required at 110% of principal for government securities collateral, and 150% of principal for first mortgage collateral. Certificates of deposits for $250,000 or less, inclusive or earned interest at maturity may be invested in any FDIC insured commercial bank or savings and loan accounts.

Collateral will always be held by an independent third party, or the trust departments of the City's primary bank. A clearly marked evidence of ownership, such as safekeeping receipt and monthly statement of securities held must be provided to the City.

VII Competitive Selection of Investment Instruments

When purchasing or selling securities, the Treasurer shall select the security which provides the highest rate of return within the parameters of these policies and according to the current objectives and needs of the City's portfolio. The Treasurer, at his discretion, may purchase investments through the investment or trust department of the City's primary bank without soliciting proposal forms to other banks or broker/dealers. The City Treasurer may also purchase investments using a competitive process by soliciting proposals from the financial dealers in the "Qualified Institutions" list.

If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, bids will be requested for instruments, which meet the maturity requirement. If no specific maturity is required, a market trend (yield curve) analysis will be conducted to determine which maturities would be most advantageous. Selection by comparison to a current market price may be utilized when, in the judgment of the Treasurer, competitive bidding would inhibit the selection process.

VIII Reporting

The Treasurer shall submit quarterly investment reports to the City Council that summarizes recent market conditions, economic developments and anticipated investment conditions. The report shall summarize the investment strategies employed in the most recent quarter and describe the portfolio in terms of investment securities, maturities, risk characteristics and other pertinent features. The report shall explain the quarter's total investment return and compare the return on LAIF and the 3-month bank CD rate published by the Federal Reserve.The report shall disclose all transactions during the quarter.

As part of the City's annual audit, the independent auditor shall evaluate investment performance and conduct an operations audit. The purpose of these examinations shall be to obtain suggestions for improved future performance, and to verify that the Treasurer has acted in accordance with this investment policy and written investment procedures.

IX Annual Investment Policy and Adoption

The City's investment policy shall be annually reviewed and adopted by resolution of the City Council of the City of Laguna Hills, California. The policy and the related internal control procedures shall be reviewed annually by the City's independent auditors, and any modifications to the policy must be approved by the City Council.

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City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: **DECEMBER 9, 2014**

TO: **MAYOR AND COUNCIL MEMBERS**

FROM: **PEGGY J. JOHNS**
CITY CLERK

ISSUE: **2015 CITY COUNCIL MEETING SCHEDULE**

RECOMMENDATION: THAT THE CITY COUNCIL ADOPT THE PROPOSED CALENDAR FOR 2015.

SUMMARY:

In order to facilitate preparation and delivery of agendas and provide adequate time for City Council Members and staff to plan schedules, it is helpful to review the meeting schedule for the upcoming calendar year. Attached is the proposed Calendar for 2015. It is noted that for 2015, staff is proposing that the Commission Interviews (January 27) and the three budget study sessions (March 10, April 14, and May 12) be convened as Special Meetings, with the Regular City Council/Planning Agency meeting to be held immediately following the Special meeting. These Special meetings would start earlier in the day at 4 PM. Please note that the second meeting in July, first meeting in August, and second meeting in December are dark.

ATTACHMENTS:

- Proposed Calendar for 2015

CALENDAR FOR 2015

January 1, 2015	**New Year's Day Holiday Observed** **City Hall Closed**
January 13, 2015	Regular City Council/Planning Agency Meeting
January 19, 2015	Observed Martin Luther King's Birthday
January 27, 2015 (@ 4 PM)	**Special Meeting/Commission Interviews** Regular City Council/Planning Agency Meeting
February 5 – 6, 2015	Management Workshop
February 10, 2015	Regular City Council/Planning Agency Meeting/ Public Improvement Corp
February 16, 2015	**Presidents Day Holiday** **City Hall Closed**
February 24, 2015	Regular City Council/Planning Agency Meeting
March, 2015 (Date TBD)	City Council Workshop (**Mission, Vision And Values**)
March 10, 2015 (@ 4 PM)	**Special Meeting/Budget Study Session** Regular City Council/Planning Agency Meeting
March 24, 2015	Regular City Council/Planning Agency Meeting
April 5, 2015	Easter Sunday
April 14, 2015 (@ 4 PM)	**Special Meeting/CIP Study Session** Regular City Council/Planning Agency Meeting
April 28, 2015	Regular City Council/Planning Agency Meeting
May 12, 2015 (@ 4 PM)	**Special Meeting/Operating Budget Study Session** Regular City Council/Planning Agency Meeting
May 25, 2015	**Memorial Day Holiday** **City Hall Closed**

Calendar for 2015

May 26, 2015	Regular City Council/Planning Agency Meeting
June 9, 2015	Regular City Council/Planning Agency Meeting
June 23, 2015	Regular City Council/Planning Agency Meeting
July 3, 2015	City's Fourth of July Celebration **City Hall Closed**
July 14, 2015	Regular City Council/Planning Agency Meeting
July 28, 2015	**Regular City Council/Planning Agency Meeting** **Dark Meeting**
August 11, 2015	**Regular City Council/Planning Agency Meeting** **Dark Meeting**
August 25, 2015	Regular City Council/Planning Agency Meeting
September 7, 2015	**Labor Day Holiday** **City Hall Closed**
September 8, 2015	Regular City Council/Planning Agency Meeting
September 22, 2015	Regular City Council/Planning Agency Meeting
September 30 – October 2, 2015	League of California Cities Conference San Jose, California
October 13, 2015	Regular City Council/Planning Agency Meeting
October 27, 2015	Regular City Council/Planning Agency Meeting
November 10, 2015	Regular City Council/Planning Agency Meeting
November 11, 2015	**Veteran's Day Holiday** **City Hall Closed**
November 24, 2015	Regular City Council/Planning Agency Meeting

Calendar for 2015

November 26-27, 2015	**Thanksgiving Holiday** **City Hall Closed**
December 8, 2015	Regular City Council/Planning Agency Meeting
December 22, 2015	**Regular City Council/Planning Agency Meeting** **Dark Meeting**
December 25, 2015	**Observed Christmas Holiday** **City Hall closed**

2015 City Council Calendar

City Council Meeting | Observed Holiday City Hall Closed | Special Meeting

January 15						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

January 1 – New Year's Day (City Hall Closed)

January 13 – City Council Meeting

January 27 – Special Meeting @ 4 PM/ Commission Interviews/
Regular City Council Meeting

February 15						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

February 10 – City Council Meeting

February 16 – President's Day (City Hall Closed)

February 24 – City Council Meeting

March 15						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

March 10 – Special Meeting @ 4 PM/ Budget Study Session/
Regular City Council Meeting

March 24 – City Council Meeting

April 15						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

April 14 – Special Meeting @ 4 PM/ CIP Study Session/
Regular City Council Meeting

April 28 – City Council Meeting

2015 City Council Calendar

City Council Meeting | Observed Holiday City Hall Closed | Adjourned Regular Meeting

May 15

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

May 12 – Special Meeting @ 4 PM/ Operating Budget Study Session/ Regular City Council Meeting

May 25 – Memorial Day (City Hall Closed)

May 26 – City Council Meeting

June 15

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

June 9 – City Council Meeting

June 23 – City Council Meeting

July 15

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

July 3 – Fourth of July Celebration (City Hall Closed)

July 14 – City Council Meeting

July 28 – **City Council Meeting Dark**

August 15

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

August 11 – **City Council Meeting Dark**

August 25 – City Council Meeting

2015 City Council Calendar

City Council Meeting

Observed Holiday City Hall Closed

Adjourned Regular Meeting

September 15						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

September 7 – Labor Day (City Hall Closed)

September 8 – City Council Meeting

September 22 – City Council Meeting

October 15						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

October 13 – City Council Meeting

October 27 – City Council Meeting

November 15						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

November 10 – City Council Meeting

November 11 – Veteran's Day (City Hall Closed)

November 24 – City Council Meeting

November 26-27 – Thanksgiving Holiday (City Hall Closed)

December 15						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

December 8 – City Council Meeting

December 22 – **City Council Meeting Dark**

December 25 – Christmas Holiday (City Hall Closed)

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: DECEMBER 9, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: DONALD J. WHITE
ASSISTANT CITY MANAGER

ISSUE: PROPOSED LEASE WITH DAYLE MCINTOSH CENTER FOR THE DISABLED, INC., FOR 24031 EL TORO ROAD, SUITE 320, LAGUNA HILLS, CALIFORNIA

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE LEASE WITH DAYLE MCINTOSH CENTER FOR THE DISABLED, INC., FOR 24031 EL TORO ROAD, LAGUNA HILLS, CALIFORNIA, AND AUTHORIZE THE CITY MANAGER TO EXECUTE THE LEASE.

SUMMARY:

At the September 23, 2014, City Council meeting, the City Council approved a two-year lease renewal with the Dayle McIntosh Center (Tenant) for Suite 300. Subsequent to that approval, the Tenant expressed interest in leasing a larger space, Suite 320, for a longer term. Since a lease was successfully negotiated with the Tenant for Suite 320, the approved lease for Suite 300 was never executed. The following are the key lease terms and fiscal analysis:

Effective Date:	December 21, 2014
Term:	3 years
Rentable Square Feet:	1,218
Upfront Capital:	$2,281
Rate:	Year 1 – $2.00 sq. ft. Year 2 - $2.04 sq. ft. Year 3 - $2.16 sq. ft.
Total Rent Payments:	$91,251

Net Present Value: $56,231 (12% Discount Rate)

The City Attorney has reviewed and approved the lease document and the tenant has executed the lease. Staff is recommending approval.

FISCAL IMPACT:

The lease has a positive net present value and there is a minimal upfront capital cost.

ATTACHMENTS:

- Lease document

STANDARD MULTI-TENANT OFFICE LEASE - GROSS
AIR COMMERCIAL REAL ESTATE ASSOCIATION

1. **Basic Provisions ("Basic Provisions").**

1.1 **Parties:** This Lease ("**Lease**"), dated for reference purposes only December 9, 2014, is made by and between The City of Laguna Hills, a municipal corporation organized and existing under the laws of the State of California ("**Lessor**") and Dayle McIntosh Center for the Disabled Inc., a California corporation ("**Lessee**"), (collectively the "**Parties**", or individually a "**Party**").

1.2(a) **Premises:** That certain portion of the Project (as defined below), known as Suite Numbers(s) 320, third floor(s), consisting of approximately 1,218 rentable square feet and approximately 1,018 useable square feet("**Premises**"). The Premises are located at: 24031 El Toro Road, in the City of Laguna Hills, County of Orange, State of California, with zip code 92654. In addition to Lessee's rights to use and occupy the Premises as hereinafter specified, Lessee shall have non-exclusive rights to the Common Areas (as defined in Paragraph 2.7 below) as hereinafter specified, but shall not have any rights to the roof, the exterior walls, the area above the dropped ceilings, or the utility raceways of the building containing the Premises ("**Building**") or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "**Project.**" The Project consists of approximately 51,943 rentable square feet. (See also Paragraph 2)

1.2(b) **Parking:** 4/1000 unreserved and N/A reserved vehicle parking spaces at a monthly cost of $N/A per unreserved space and $N/A per reserved space. (See Paragraph 2.6)

1.3 **Term:** Three years and 0 months ("**Original Term**") commencing December 21, 2014 ("**Commencement Date**") and ending December 20, 2017 ("**Expiration Date**"). (See also Paragraph 3)

1.4 **Early Possession:** If the Premises are available Lessee may have non-exclusive possession of the Premises commencing N/A ("**Early Possession Date**"). (See also Paragraphs 3.2 and 3.3)

1.5 **Base Rent:** $2,436.00 per month ("**Base Rent**)", payable on the First day of each month commencing December 21, 2014. (See also Paragraph 4below)

☑ If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. See Paragraph 4.4 (See Addendum Paragraph 1)

1.6 **Lessee's Share of Operating Expense Increase:** 2.34 percent (2.34%) ("**Lessee's Share**"). In the event that that size of the Premises and/or the Project are modified during the term of this Lease, Lessor shall recalculate Lessee's Share to reflect such modification.

1.7 **Base Rent and Other Monies Paid Upon Execution:**

(a) **Base Rent:** $2,436.00 for the period December 21, 2014-January 20, 2015.

(b) **Security Deposit:** $1,294.80 on file.Add $1,124 ("**Security Deposit**"). (See also Paragraph 5)

(c) **Parking:** $N/A for the period N/A.

(d) **Other:** $N/A for N/A.

(e) **Total Due Upon Execution of this Lease:** $3,560.00.

1.8 **Agreed Use:** General Office Use (See also Paragraph 6)

1.9 **Base Year; Insuring Party.** The Base Year is 2014. Lessor is the "**Insuring Party**". (See also Paragraphs 4.2 and 8)

1.10 **Real Estate Brokers:** (See also Paragraph 15 and 25)

(a) **Representation:** The following real estate brokers (the "**Brokers**") and brokerage relationships exist in this transaction (check applicable boxes):

☑ Essex Realty Management Inc. represents Lessor exclusively ("**Lessor's Broker**");

☐ N/A represents Lessee exclusively ("**Lessee's Broker**"); or

☐ N/A represents both Lessor and Lessee ("**Dual Agency**").

(b) **Payment to Brokers:** Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Brokers for the brokerage services rendered by the Brokers the fee agreed to in ~~the attached~~ a separate written agreement ~~or if no such agreement is attached, the sum of ____ or ____% of the total Base Rent payable for the Original Term, the sum of ____ or ____ of the total Base Rent payable during any period of time that the Lessee occupies the Premises subsequent to the Original Term, and/or the sum of ____ or ____% of the purchase price in the event that the Lessee or anyone affiliated with Lessee acquires from Lessor any rights to the Premises.~~

1.11 **Guarantor.** The obligations of the Lessee under this Lease shall be guaranteed by N/A ("**Guarantor**"). (See also Paragraph 37)

1.12 **Business Hours for the Building:** 7:00 a.m. to 6:00 p.m., Mondays through Fridays (except Building Holidays) and

INITIALS INITIALS

8:00 a.m. to 2:00 p.m. on Saturdays (except Building Holidays). "**Building Holidays**" shall mean the dates of observation of New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, and N/A .

1.13 **Lessor Supplied Services.** Notwithstanding the provisions of Paragraph 11.1, Lessor is NOT obligated to provide the following within the Premises:

☐ Janitorial services

☐ Electricity

☐ Other (specify): N/A

1.14 **Attachments.** Attached hereto are the following, all of which constitute a part of this Lease:

☑ an Addendum consisting of Paragraphs 1 through ;

☑ a plot plan depicting the Premises; Exhibit "A"

☑ a current set of the Rules and Regulations; Exhibit "B"

☑ a Work Letter; / Requirements for improvements or alterations by Lessee (Exhibit "D")

☐ a janitorial schedule;

☑ other (specify): Exhibit "C" Waiver and Release

.

2. **Premises.**

2.1 **Letting.** Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. While the approximate square footage of the Premises may have been used in the marketing of the Premises for purposes of comparison, the Base Rent stated herein is NOT tied to square footage and is not subject to adjustment should the actual size be determined to be different. **Note: Lessee is advised to verify the actual size prior to executing this Lease.**

2.2 **Condition.** Lessor shall deliver the Premises to Lessee in a clean condition on the Commencement Date or the Early Possession Date, whichever first occurs ("**Start Date**"), and warrants that the existing electrical, plumbing, fire sprinkler, lighting, heating, ventilating and air conditioning systems ("**HVAC**"), and all other items which the Lessor is obligated to construct pursuant to the Work Letter attached hereto, if any, other than those constructed by Lessee, shall be in good operating condition on said date, that the structural elements of the roof, bearing walls and foundation of the Unit shall be free of material defects, and that the Premises do not contain hazardous levels of any mold or fungi defined as toxic under applicable state or federal law.

2.3 **Compliance.** Lessor warrants to the best of its knowledge that the improvements comprising the Premises and the Common Areas comply with the building codes that were in effect at the time that each such improvement, or portion thereof, was constructed, and also with all applicable laws, covenants or restrictions of record, regulations, and ordinances ("**Applicable Requirements**") in effect on the Start Date. Said warranty does not apply to the use to which Lessee will put the Premises, modifications which may be required by the Americans with Disabilities Act or any similar laws as a result of Lessee's use (see Paragraph 49), or to any Alterations or Utility Installations (as defined in Paragraph 7.3(a)) made or to be made by Lessee. **NOTE: Lessee is responsible for determining whether or not the zoning and other Applicable Requirements are appropriate for Lessee's intended use, and acknowledges that past uses of the Premises may no longer be allowed.** If the Premises do not comply with said warranty, Lessor shall, except as otherwise provided, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify the same. If the Applicable Requirements are hereafter changed so as to require during the term of this Lease the construction of an addition to or an alteration of the Premises, the remediation of any Hazardous Substance, or the reinforcement or other physical modification of the Premises ("**Capital Expenditure**"), Lessor and Lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required during the last 2 years of this Lease and the cost thereof exceeds 6 months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within 10 days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to 6 months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least 90 days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor shall pay for such Capital Expenditure and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease or any extension thereof, on the date that on which the Base Rent is due, an amount equal to 1/144th of the portion of such costs reasonably attributable to the Premises. Lessee shall pay Interest on the balance but may prepay its obligation at any time. If, however, such Capital Expenditure is required during the last 2 years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon 90 days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within 10 days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon 30 days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to nonvoluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall either: (i) immediately cease such changed use or intensity of use and/or take such other steps as may be necessary to eliminate the requirement for such Capital Expenditure, or (ii) complete such Capital Expenditure at its own expense. Lessee shall not have any right to terminate this Lease.

2.4 **Acknowledgements.** Lessee acknowledges that: (a) it has been given an opportunity to inspect and measure the Premises, (b) Lessee has been advised by Lessor and/or Brokers to satisfy itself with respect to the size and condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements), and their suitability for Lessee's intended use, (c) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, (d) it is not relying on any representation as to the size of the Premises made by Brokers or Lessor, (e) the square footage of the Premises was not material to Lessee's decision to lease the Premises and pay the Rent stated herein, and (f) neither Lessor, Lessor's agents, nor Brokers have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (i) Brokers have made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (ii) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

2.5 **Lessee as Prior Owner/Occupant.** The warranties made by Lessor in Paragraph 2 shall be of no force or effect if immediately prior to the Start Date, Lessee was the owner or occupant of the Premises. In such event, Lessee shall be responsible for any necessary corrective work.

2.6 **Vehicle Parking.** So long as Lessee is not in default, and subject to the Rules and Regulations attached hereto, and as established by Lessor from time to time, Lessee shall be entitled to rent and use the number of parking spaces specified in Paragraph 1.2(b) at the rental rate applicable from time to time for monthly parking as set by Lessor and/or its licensee.

(a) If Lessee commits, permits or allows any of the prohibited activities described in the Lease or the rules then in effect, then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

(b) The monthly rent per parking space specified in Paragraph 1.2(b) is subject to change upon 30 days prior written notice to Lessee. The rent for the parking is payable one month in advance prior to the first day of each calendar month.

2.7 **Common Areas - Definition.** The term "**Common Areas**" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Premises that are provided and designated by the Lessor from time to time for the general nonexclusive use of Lessor, Lessee and other tenants of the Project and their respective employees, suppliers, shippers, customers, contractors and invitees, including, but not limited to, common entrances, lobbies, corridors, stairwells, public restrooms, elevators, parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.8 **Common Areas - Lessee's Rights**. Lessor grants to Lessee, for the benefit of Lessee and its employees, suppliers, shippers, contractors, customers and invitees, during the term of this Lease, the nonexclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Lessor under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Lessor or Lessor's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur then Lessor shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Lessee, which cost shall be immediately payable upon demand by Lessor.

2.9 **Common Areas - Rules and Regulations**. Lessor or such other person(s) as Lessor may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to adopt, modify, amend and enforce reasonable rules and regulations ("**Rules and Regulations**") for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. The Lessee agrees to abide by and conform to all such Rules and Regulations, and shall use its best efforts to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Lessor shall not be responsible to Lessee for the noncompliance with said Rules and Regulations by other tenants of the Project.

2.10 **Common Areas - Changes**. Lessor shall have the right, in Lessor's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of the lobbies, windows, stairways, air shafts, elevators, escalators, restrooms, driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Lessor may, in the exercise of sound business judgment, deem to be appropriate.

3. **Term**.

3.1 **Term**. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 **Early Possession**. Any provision herein granting Lessee Early Possession of the Premises is subject to and conditioned upon the Premises being available for such possession prior to the Commencement Date. Any grant of Early Possession only conveys a non-exclusive right to occupy the Premises. If Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such Early Possession. All other terms of this Lease (including but not limited to the obligations to pay Lessee's Share of the Operating Expense Increase) shall be in effect during such period. Any such Early Possession shall not affect the Expiration Date.

3.3 **Delay In Possession**. Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the Commencement Date. If, despite said efforts, Lessor is unable to deliver possession by such date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or change the Expiration Date. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until Lessor delivers possession of the Premises and any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession is not delivered within 60 days after the Commencement Date, as the same may be extended under the terms of any Work Letter executed by Parties, Lessee may, at its option, by notice in writing within 10 days after the end of such 60 day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said 10 day period, Lessee's right to cancel shall terminate. If possession of the Premises is not delivered within 120 days after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 **Lessee Compliance**. Lessor shall not be required to deliver possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (~~Paragraph 8.5~~) *Paragraph 8.2 &8.3 of this Lease (See, Addendum Paragraph 3)*. Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

4. **Rent**.

4.1. **Rent Defined**. All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("**Rent**").

4.2 **Operating Expense Increase**. Lessee shall pay to Lessor during the term hereof, in addition to the Base Rent, Lessee's Share of the amount by which all Operating Expenses for each Comparison Year exceeds the amount of all Operating Expenses for the Base Year, such excess being hereinafter referred to as the "**Operating Expense Increase**", in accordance with the following provisions:

(a) "**Base Year**" is as specified in Paragraph 1.9.

(b) "**Comparison Year**" is defined as each calendar year during the term of this Lease subsequent to the Base Year; provided, however, Lessee shall have no obligation to pay a share of the Operating Expense Increase applicable to the first 12 months of the Lease Term (other than such as are mandated by a governmental authority, as to which government mandated expenses Lessee shall pay Lessee's Share, notwithstanding they occur during the first twelve (12) months). Lessee's Share of the Operating Expense Increase for the first and last Comparison Years of the Lease Term shall be prorated according to that portion of such Comparison Year as to which Lessee is responsible for a share of such increase.

(c) The following costs relating to the ownership and operation of the Project, calculated as if the Project was at least 95% occupied, are defined as "**Operating Expenses**" :

(i) Costs relating to the operation, repair, and maintenance in neat, clean, safe, good order and condition, but not the replacement (see subparagraph (g)), of the following:

(aa) The Common Areas, including their surfaces, coverings, decorative items, carpets, drapes and window coverings, and including parking areas, loading and unloading areas, trash areas, roadways, sidewalks, walkways, stairways, parkways, driveways, landscaped areas, striping, bumpers, irrigation systems, Common Area lighting facilities, building exteriors and roofs, fences and gates;

(bb) All heating, air conditioning, plumbing, electrical systems, life safety equipment, communication systems and other equipment used in common by, or for the benefit of, tenants or occupants of the Project, including elevators and escalators, tenant directories, fire detection systems including sprinkler system maintenance and repair.

(cc) All other areas and improvements that are within the exterior boundaries of the Project but outside of the Premises and/or any other space occupied by a tenant.

(ii) The cost of trash disposal, janitorial and security services, pest control services, and the costs of any environmental inspections;

(iii) The cost of any other service to be provided by Lessor that is elsewhere in this Lease stated to be an "Operating Expense";

(iv) The cost of the premiums for the insurance policies maintained by Lessor pursuant to paragraph 8 and any deductible portion of an insured loss concerning the Building or the Common Areas;

(v) The amount of the Real Property Taxes payable by Lessor pursuant to paragraph 10;

(vi) The cost of water, sewer, gas, electricity, and other publicly mandated services not separately metered;

(vii) Labor, salaries, and applicable fringe benefits and costs, materials, supplies and tools, used in maintaining and/or cleaning the Project and accounting and management fees attributable to the operation of the Project;

(viii) The cost of any capital improvement to the Building or the Project not covered under the provisions of Paragraph 2.3 provided; however, that Lessor shall allocate the cost of any such capital improvement over a 12 year period and Lessee shall not be required to pay more than Lessee's Share of 1/144th of the cost of such Capital Expenditure in any given month;

(ix) The cost to replace equipment or improvements that have a useful life for accounting purposes of 5 years or less.

(x) Reserves set aside for maintenance, repair and/or replacement of Common Area improvements and equipment.

(d) Any item of Operating Expense that is specifically attributable to the Premises, the Building or to any other building in the

Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Premises, Building, or other building. However, any such item that is not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Lessor to all buildings in the Project.

(e) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(c) shall not be deemed to impose an obligation upon Lessor to either have said improvements or facilities or to provide those services unless the Project already has the same, Lessor already provides the services, or Lessor has agreed elsewhere in this Lease to provide the same or some of them.

(f) Lessee's Share of Operating Expense Increase is payable monthly on the same day as the Base Rent is due hereunder. The amount of such payments shall be based on Lessor's estimate of the Operating Expense Expenses. Within 60 days after written request (but not more than once each year) Lessor shall deliver to Lessee a reasonably detailed statement showing Lessee's Share of the actual Common Area Operating Expenses for the preceding year. If Lessee's payments during such Year exceed Lessee's Share, Lessee shall credit the amount of such over-payment against Lessee's future payments. If Lessee's payments during such Year were less than Lessee's Share, Lessee shall pay to Lessor the amount of the deficiency within 10 days after delivery by Lessor to Lessee of said statement. Lessor and Lessee shall forthwith adjust between them by cash payment any balance determined to exist with respect to that portion of the last Comparison Year for which Lessee is responsible as to Operating Expense Increases, notwithstanding that the Lease term may have terminated before the end of such Comparison Year.

(g) Operating Expenses shall not include the costs of replacement for equipment or capital components such as the roof, foundations, exterior walls or a Common Area capital improvement, such as the parking lot paving, elevators, fences that have a useful life for accounting purposes of 5 years or more.

(h) Operating Expenses shall not include any expenses paid by any tenant directly to third parties, or as to which Lessor is otherwise reimbursed by any third party, other tenant, or by insurance proceeds.

4.3 **Payment**. Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States on or before the day on which it is due, without offset or deduction (except as specifically permitted in this Lease). All monetary amounts shall be rounded to the nearest whole dollar. In the event that any invoice prepared by Lessor is inaccurate such inaccuracy shall not constitute a waiver and Lessee shall be obligated to pay the amount set forth in this Lease. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Lessee to Lessor is dishonored for any reason, Lessee agrees to pay to Lessor the sum of ~~$25~~ 75 in addition to any Late Charge and Lessor, at its option, may require all future Rent be paid by cashier's check. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest, then to Base Rent and Common Area Operating Expenses, and any remaining amount to any other outstanding charges or costs.

5. **Security Deposit**. Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due Lessor, for Rents which will be due in the future, and/ or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of the Security Deposit, Lessee shall within 10 days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional monies with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on such change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within 90 days after the expiration or termination of this Lease, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use. (See Addendum "Paragraph 2".)

6.1 ~~Use. Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs occupants of or causes damage to neighboring premises or properties. Other than guide, signal and seeing eye dogs, Lessee shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements of the Building, will not adversely affect the mechanical, electrical, HVAC, and other systems of the Building, and/or will not affect the exterior appearance of the Building. If Lessor elects to withhold consent, Lessor shall within 7 days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in the Agreed Use.~~

6.2 **Hazardous Substances**.

(a) **Reportable Uses Require Consent**. The term "**Hazardous Substance**" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, byproducts or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "**Reportable Use**" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use such as ordinary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) **Duty to Inform Lessor**. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

(c) **Lessee Remediation**. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) **Lessee Indemnification**. Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project not caused or contributed to by Lessee). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) **Lessor Indemnification**. Except as otherwise provided in paragraph 8.7, Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including the cost of remediation, which result from Hazardous Substances which existed on the Premises prior to Lessee's occupancy or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) **Investigations and Remediations**. Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Lessee's occupancy, unless such remediation measure is required as a result of Lessee's use (including "Alterations", as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) **Lessor Termination Option**. If a Hazardous Substance Condition (see Paragraph 9.1(e)) occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds 12 times the then monthly Base Rent or $100,000, whichever is greater, give written notice to Lessee, within 30 days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date 60 days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within 10 days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to 12 times the then monthly Base Rent or $100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 **Lessee's Compliance with Applicable Requirements**. Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within 10 days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements. Likewise, Lessee shall immediately give written notice to Lessor of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises.

6.4 **Inspection; Compliance**. Lessor and Lessor's "**Lender**" (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, after reasonable notice, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a Hazardous Substance Condition (see paragraph 9.1e) is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Lessee shall provide copies of all relevant material safety data sheets (**MSDS**) to Lessor within 10 days of the receipt of written request therefor.

7. **Maintenance; Repairs; Utility Installations; Trade Fixtures and Alterations.**

7.1 **Lessee's Obligations**. Notwithstanding Lessor's obligation to keep the Premises in good condition and repair, Lessee shall be responsible for payment of the cost thereof to Lessor as additional rent for that portion of the cost of any maintenance and repair of the Premises, or any equipment (wherever located) that serves only Lessee or the Premises, to the extent such cost is attributable to abuse or misuse. In addition, Lessee rather than the Lessor shall be responsible for the cost of painting, repairing or replacing wall coverings, and to repair or replace any similar improvements within the Premises. Lessor may, at its option, upon reasonable notice, elect to have Lessee perform any particular such maintenance or repairs the cost of which is otherwise Lessee's responsibility hereunder."

7.2 **Lessor's Obligations**. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 4.2 (Operating Expenses), 6 (Use), 7.1 (Lessee's Obligations), 9 (Damage or Destruction) and 14 (Condemnation), Lessor, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, fire sprinkler system, fire alarm and/or smoke detection systems, fire hydrants, and the Common Areas. Lessee expressly waives the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions**. The term "**Utility Installations**" refers to all floor and window coverings, air lines, vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, and plumbing in or on the Premises. The term "**Trade Fixtures**" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term " **Alterations**" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "**Lessee Owned Alterations and/or Utility Installations**" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a).

(b) **Consent**. Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Alterations or Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof, ceilings, floors or any existing walls, will not affect the electrical, plumbing, HVAC, and/or life safety systems, and the cumulative cost thereof during this Lease as extended does not exceed $2,000. Notwithstanding the foregoing, Lessee shall not make or permit any roof penetrations and/or install anything on the roof without the prior written approval of Lessor. Lessor may, as a precondition to granting such approval, require Lessee to utilize a contractor chosen and/or approved by Lessor. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with asbuilt plans and specifications. For work which costs an amount in excess of one month's Base Rent, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to 150% of the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor. In addition to, and without limitng the other requirements of this Paragraph 7.3 all utilities, installations, and alterations made by Lessee shall also be subject to the provisions of Exhibit "D" attached to this Lease.

(c) **Liens; Bonds**. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than 10 days notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to 150% of the amount of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 **Ownership; Removal; Surrender; and Restoration.**

(a) **Ownership**. Subject to Lessor's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) **Removal**. By delivery to Lessee of written notice from Lessor not earlier than 90 and not later than 30 days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) **Surrender; Restoration.** Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Lessee shall surrender the Premises in the same condition as delivered to Lessee on the Start Date with NO allowance for ordinary wear and tear. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee. Lessee shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Lessee, or any third party (except Hazardous Substances which were deposited via underground migration from areas outside of the Premises) even if such removal would require Lessee to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. Any personal property of Lessee not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Lessee and may be disposed of or retained by Lessor as Lessor may desire. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. *(See Addendum Paragraph 3.)* **Insurance; Indemnity.**

~~8.1 **Insurance Premiums.** The cost of the premiums for the insurance policies maintained by Lessor pursuant to paragraph 8 are included as Operating Expenses (see paragraph 4.2 (c)(iv)). Said costs shall include increases in the premiums resulting from additional coverage related to requirements of the holder of a mortgage or deed of trust covering the Premises, Building and/or Project, increased valuation of the Premises, Building and/or Project, and/or a general premium rate increase. Said costs shall not, however, include any premium increases resulting from the nature of the occupancy of any other tenant of the Building. If the Project was not insured for the entirety of the Base Year, then the base premium shall be the lowest annual premium reasonably obtainable for the required insurance as of the Start Date, assuming the most nominal use possible of the Building and/or Project. In no event, however, shall Lessee be responsible for any portion of the premium cost attributable to liability insurance coverage in excess of $2,000,000 procured under Paragraph 8.2(b).~~

~~8.2 **Liability Insurance.**~~

~~(a) **Carried by Lessee.** Lessee shall obtain and keep in force a Commercial General Liability policy of insurance protecting Lessee and Lessor as an additional insured against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than $1,000,000 per occurrence with an annual aggregate of not less than $2,000,000. Lessee shall add Lessor as an additional insured by means of an endorsement at least as broad as the Insurance Service Organization's "Additional Insured-Managers or Lessors of Premises" Endorsement and coverage shall also be extended to include damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. Lessee shall provide an endorsement on its liability policy(ies) which provides that its insurance shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.~~

~~(b) **Carried by Lessor.** Lessor shall maintain liability insurance as described in Paragraph 8.2(a), in addition to, and not in lieu of, the insurance required to be maintained by Lessee. Lessee shall not be named as an additional insured therein.~~

~~8.3 **Property Insurance - Building, Improvements and Rental Value.**~~

~~(a) **Building and Improvements.** Lessor shall obtain and keep in force a policy or policies of insurance in the name of Lessor, with loss payable to Lessor, any ground-lessor, and to any Lender insuring loss or damage to the Building and/or Project. The amount of such insurance shall be equal to the full insurable replacement cost of the Building and/or Project, as the same shall exist from time to time, or the amount required by any Lender, but in no event more than the commercially reasonable and available insurable value thereof. Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee not by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed $5,000 per occurrence.~~

~~(b) **Rental Value.** Lessor shall also obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one year with an extended period of indemnity for an additional 180 days ("**Rental Value insurance**"). Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next 12 month period.~~

~~(c) **Adjacent Premises.** Lessee shall pay for any increase in the premiums for the property insurance of the Building and for the Common Areas or other buildings in the Project if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.~~

~~(d) **Lessee's Improvements.** Since Lessor is the Insuring Party, Lessor shall not be required to insure Lessee Owned Alterations and Utility Installations unless the item in question has become the property of Lessor under the terms of this Lease.~~

~~8.4 **Lessee's Property; Business Interruption Insurance; Worker's Compensation Insurance.**~~

~~(a) **Property Damage.** Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed $1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations.~~

~~(b) **Worker's Compensation Insurance.** Lessee shall obtain and maintain Worker's Compensation Insurance in such amount as may be required by Applicable Requirements. Such policy shall include a 'Waiver of Subrogation' endorsement. Lessee shall provide Lessor with a copy of such endorsement along with the certificate of insurance or copy of the policy required by paragraph 8.5.~~

~~(c) **Business Interruption.** Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.~~

~~(d) **No Representation of Adequate Coverage.** Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.~~

~~8.5 **Insurance Policies.** Insurance required herein shall be by companies maintaining during the policy term a "General Policyholders Rating" of at least A-, VII, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates with copies of the required endorsements evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after 10 days prior written notice to Lessor. Lessee shall, at least 30 days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.~~

~~8.6 **Waiver of Subrogation.** Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.~~

8.7 **Indemnity.** Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 **Exemption of Lessor and Its Agents from Liability.** Notwithstanding the negligence or breach of this Lease by Lessor or its agents, neither Lessor nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Lessor or from the failure of Lessor or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Lessee's business or for any loss of income or profit therefrom. Instead, it is intended that Lessee's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Lessee is required to maintain pursuant to the provisions of paragraph 8.

8.9 **Failure to Provide Insurance.** Lessee acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Lessee does not maintain the required insurance and/or does not provide Lessor with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or $100, whichever is greater. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to maintain such insurance, prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Lessee of its obligation to maintain the insurance specified in this Lease.

9. **Damage or Destruction.**

9.1 **Definitions.**

(a) "**Premises Partial Damage**" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations, which can reasonably be repaired in 3 months or less from the date of the damage or destruction, and the cost thereof does not exceed a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(b) "**Premises Total Destruction**" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in 3 months or less from the date of the damage or destruction and/or the cost thereof exceeds a sum equal to 6 month's Base Rent. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

(c) "**Insured Loss**" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in *Paragraphs 8.1 &8.2 of this Lease (See Addendum Paragraph 3)* ~~Paragraph 8.3(a)~~, irrespective of any deductible amounts or coverage limits involved.

(d) "**Replacement Cost**" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "**Hazardous Substance Condition**" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance, in, on, or under the Premises which requires restoration.

9.2 **Partial Damage - Insured Loss.** If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is $5,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds as and when required to complete said repairs. In the event, however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within 10 days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said 10 day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect. If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within 10 days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or (ii) have this Lease terminate 30 days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 **Partial Damage - Uninsured Loss.** If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) terminate this Lease by giving written notice to Lessee within 30 days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective 60 days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within 10 days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within 30 days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 **Total Destruction.** Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall terminate 60 days following such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in *Paragraph 8.3 (e) of this Lease (see Addendum Paragraph 3)* ~~Paragraph 8.6~~.

9.5 **Damage Near End of Term.** If at any time during the last 6 months of this Lease there is damage for which the cost to repair exceeds one month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective 60 days following the date of occurrence of such damage by giving a written termination notice to Lessee within 30 days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is 10 days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

9.6 **Abatement of Rent; Lessee's Remedies.**

(a) **Abatement.** In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) **Remedies.** If Lessor is obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within 90 days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than 60 days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within 30 days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within such 30 days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 **Termination; Advance Payments.** Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

10. **Real Property Taxes.**

10.1 **Definitions.** As used herein, the term "**Real Property Taxes**" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Project, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. **"Real Property Taxes"** shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project, (ii) a change in the improvements thereon, and/or (iii) levied or assessed on machinery or equipment provided by Lessor to Lessee pursuant to this Lease.

10.2 **Payment of Taxes.** Except as otherwise provided in Paragraph 10.3, Lessor shall pay the Real Property Taxes applicable to the Project, and said payments shall be included in the calculation of Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other lessees or by Lessor for the exclusive enjoyment of such other lessees. Notwithstanding Paragraph 10.2 hereof, Lessee shall, however, pay to Lessor at the time Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Lessee or at Lessee's request or by reason of any alterations or improvements to the Premises made by Lessor subsequent to the execution of this Lease by the Parties.

10.4 **Joint Assessment.** If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes.** Lessee shall pay prior to delinquency all taxes assessed against and levied upon Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee contained in the Premises. When possible, Lessee shall cause its Lessee Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. **Utilities and Services.**

11.1 **Services Provided by Lessor.** Lessor shall provide heating, ventilation, air conditioning, reasonable amounts of electricity for normal lighting and office machines, water for reasonable and normal drinking and lavatory use in connection with an office, and replacement light bulbs and/or fluorescent tubes and ballasts for standard overhead fixtures. Lessor shall also provide janitorial services to the Premises and Common Areas 5 times per week, excluding Building Holidays, or pursuant to the attached janitorial schedule, if any. Lessor shall not, however, be required to provide janitorial services to kitchens or storage areas included within the Premises.

11.2 **Services Exclusive to Lessee.** Lessee shall pay for all water, gas, light, power, telephone and other utilities and services specially or exclusively supplied and/or metered exclusively to the Premises or to Lessee, together with any taxes thereon. If a service is deleted by Paragraph 1.13 and such service is not separately metered to the Premises, Lessee shall pay at Lessor's option, either Lessee's Share or a reasonable proportion to be determined by Lessor of all charges for such jointly metered service.

11.3 **Hours of Service.** Said services and utilities shall be provided during times set forth in Paragraph 1.12. Utilities and services required at other times shall be subject to advance request and reimbursement by Lessee to Lessor of the cost thereof.

11.4 **Excess Usage by Lessee.** Lessee shall not make connection to the utilities except by or through existing outlets and shall not install or use machinery or equipment in or about the Premises that uses excess water, lighting or power, or suffer or permit any act that causes extra burden upon the utilities or services, including but not limited to security and trash services, over standard office usage for the Project. Lessor shall require Lessee to reimburse Lessor for any excess expenses or costs that may arise out of a breach of this subparagraph by Lessee. Lessor may, in its sole discretion, install at Lessee's expense supplemental equipment and/or separate metering applicable to Lessee's excess usage or loading.

11.5 **Interruptions.** There shall be no abatement of rent and Lessor shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair or other cause beyond Lessor's reasonable control or in cooperation with governmental request or directions.

12. **Assignment and Subletting.**

12.1 **Lessor's Consent Required.**

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, **"assign or assignment"**) or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) Unless Lessee is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of 25% or more of the voting control of Lessee shall constitute a change in control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buyout or otherwise), whether or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. **"Net Worth of Lessee"** shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon 30 days written notice, increase the monthly Base Rent to 110% of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to 110% of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to 110% of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

(f) Lessor may reasonably withhold consent to a proposed assignment or subletting if Lessee is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis portion of the Premises, i e. 20 square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Lessor's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or sublessee of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of $500 as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or sublessee under, this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

(g) Lessor's consent to any assignment or subletting shall not transfer to the assignee or sublessee any Option granted to the original Lessee by this Lease unless such transfer is specifically consented to by Lessor in writing. (See Paragraph 39.2)

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however, that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. In the event that the amount collected by Lessor exceeds Lessee's then outstanding obligations any such excess shall be refunded to Lessee. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. **Default; Breach; Remedies.**

13.1 **Default; Breach.** A "**Default**" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "**Breach**" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in *Paragraphs 8.1 & 8.2 of this Lease (See Addendum Paragraph 3)* ~~Paragraph 8.3~~ is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Lessee. THE ACCEPTANCE BY LESSOR OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LESSOR'S RIGHTS, INCLUDING LESSOR'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Lessee to allow Lessor and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Lessee, where such actions continue for a period of 3 business days following written notice to Lessee.

(d) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41, (viii) material data safety sheets (MSDS), or (ix) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Lessee.

(e) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b) or (c), above, where such Default continues for a period of 30 days after written notice; provided, however, that if the nature of Lessee's Default is such that more than 30 days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said 30 day period and thereafter diligently prosecutes such cure to completion.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "**debtor**" as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this subparagraph is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(h) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within 60 days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 **Remedies.**. If Lessee fails to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Lessee shall pay to Lessor an amount equal to 115% of the costs and expenses incurred by Lessor in such performance upon receipt of an invoice therefor. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent. Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover any damages to which Lessor is otherwise entitled. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 **Inducement Recapture.** Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "**Inducement Provisions**", shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within 5 days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall immediately pay to Lessor a one-time late charge equal to 10% of each such overdue amount or $100, whichever is greater. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for 3 consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 **Interest**. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due shall bear interest from the 31st day after it was due. The interest ("**Interest**") charged shall be computed at the rate of 10% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 **Breach by Lessor**. (*see Addendum*)

(a) **Notice of Breach**. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than 30 days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than 30 days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such 30 day period and thereafter diligently pursued to completion.

~~(b) **Performance by Lessee on Behalf of Lessor**. In the event that neither Lessor nor Lender cures said breach within 30 days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from Rent the actual and reasonable cost to perform such cure, provided however, that such offset shall not exceed an amount equal to the greater of one month's Base Rent or the Security Deposit, reserving Lessee's right to seek reimbursement from Lessor for any such expense in excess of such offset. Lessee shall document the cost of said cure and supply said documentation to Lessor.~~

14. **Condemnation**. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the rentable floor area of the Premises, or more than 25% of Lessee's Reserved Parking Spaces, if any, are taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within 10 days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within 10 days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation paid by the condemnor for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. **Brokerage Fees**.

15.1 ~~**Additional Commission**. In addition to the payments owed pursuant to Paragraph 1.10 above, and unless Lessor and the Brokers otherwise agree in writing, Lessor agrees that: (a) if Lessee exercises any Option, (b) if Lessee or anyone affiliated with Lessee acquires from Lessor any rights to the Premises or other premises owned by Lessor and located within the Project, (c) if Lessee remains in possession of the Premises, with the consent of Lessor, after the expiration of this Lease, or (d) if Base Rent is increased, whether by agreement or operation of an escalation clause herein, then, Lessor shall pay Brokers a fee in accordance with the fee schedule of the Brokers in effect at the time the Lease was executed.~~

~~15.2 **Assumption of Obligations**. Any buyer or transferee of Lessor's interest in this Lease shall be deemed to have assumed Lessor's obligation hereunder. Brokers shall be third party beneficiaries of the provisions of Paragraphs 1.10, 15, 22 and 31. If Lessor fails to pay to Brokers any amounts due as and for brokerage fees pertaining to this Lease when due, then such amounts shall accrue Interest. In addition, if Lessor fails to pay any amounts to Lessee's Broker when due, Lessee's Broker may send written notice to Lessor and Lessee of such failure and if Lessor fails to pay such amounts within 10 days after said notice, Lessee shall pay said monies to its Broker and offset such amounts against Rent. In addition, Lessee's Broker shall be deemed to be a third party beneficiary of any commission agreement entered into by and/or between Lessor and Lessor's Broker for the limited purpose of collecting any brokerage fee owed.~~

15.3 **Representations and Indemnities of Broker Relationships**. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. **Estoppel Certificates**.

(a) Each Party (as "**Responding Party**") shall within 10 days after written notice from the other Party (the "**Requesting Party**") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "**Estoppel Certificate**" form published by the AIRCommercial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by the Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such 10 day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate. In addition, Lessee acknowledges that any failure on its part to provide such an Estoppel Certificate will expose Lessor to risks and potentially cause Lessor to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, should the Lessee fail to execute and/or deliver a requested Estoppel Certificate in a timely fashion the monthly Base Rent shall be automatically increased, without any requirement for notice to Lessee, by an amount equal to 10% of the then existing Base Rent or $100, whichever is greater for remainder of the Lease. The Parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Lessor will incur by reason of Lessee's failure to provide the Estoppel Certificate. Such increase in Base Rent shall in no event constitute a waiver of Lessee's Default or Breach with respect to the failure to provide the Estoppel Certificate nor prevent the exercise of any of the other rights and remedies granted hereunder.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall within 10 days after written notice from Lessor deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past 3 years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Lessor**. The term "**Lessor**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined.

18. **Severability**. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days**. Unless otherwise specifically indicated to the contrary, the word "**days**" as used in this Lease shall mean and refer to calendar days.

20. **Limitation on Liability**. The obligations of Lessor under this Lease shall not constitute personal obligations of Lessor or its partners, members, directors, officers or shareholders, and Lessee shall look to the Project, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse against Lessor's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. **Time of Essence**. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements; Broker Disclaimer**. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility

of the other Party to this Lease and as to the use, nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party.

23. **Notices.**

23.1 **Notice Requirements.** All notices required or permitted by this Lease or applicable law shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 **Date of Notice.** Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given 72 hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantees next day delivery shall be deemed given 24 hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt (confirmation report from fax machine is sufficient), provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. **Waivers.**

(a) No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. **Disclosures Regarding The Nature of a Real Estate Agency Relationship.**

(a) When entering into a discussion with a real estate agent regarding a real estate transaction, a Lessor or Lessee should from the outset understand what type of agency relationship or representation it has with the agent or agents in the transaction. Lessor and Lessee acknowledge being advised by the Brokers in this transaction, as follows:

(i) <u>Lessor's Agent.</u> A Lessor's agent under a listing agreement with the Lessor acts as the agent for the Lessor only. A Lessor's agent or subagent has the following affirmative obligations: <u>To the Lessor:</u> A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessor. <u>To the Lessee and the Lessor:</u> a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(ii) <u>Lessee's Agent.</u> An agent can agree to act as agent for the Lessee only. In these situations, the agent is not the Lessor's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Lessor. An agent acting only for a Lessee has the following affirmative obligations. <u>To the Lessee:</u> A fiduciary duty of utmost care, integrity, honesty, and loyalty in dealings with the Lessee. <u>To the Lessee and the Lessor:</u> a. Diligent exercise of reasonable skills and care in performance of the agent's duties. b. A duty of honest and fair dealing and good faith. c. A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the Parties. An agent is not obligated to reveal to either Party any confidential information obtained from the other Party which does not involve the affirmative duties set forth above.

(iii) <u>Agent Representing Both Lessor and Lessee.</u> A real estate agent, either acting directly or through one or more associate licenses, can legally be the agent of both the Lessor and the Lessee in a transaction, but only with the knowledge and consent of both the Lessor and the Lessee. In a dual agency situation, the agent has the following affirmative obligations to both the Lessor and the Lessee: a. A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either Lesser or the Lessee. b. Other duties to the Lessor and the Lessee as stated above in subparagraphs (i) or (ii). In representing both Lessor and Lessee, the agent may not without the express permission of the respective Party, disclose to the other Party that the Lessor will accept rent in an amount less than that indicated in the listing or that the Lessee is willing to pay a higher rent than that offered. The above duties of the agent in a real estate transaction do not relieve a Lessor or Lessee from the responsibility to protect their own interests. Lessor and Lessee should carefully read all agreements to assure that they adequately express their understanding of the transaction. A real estate agent is a person qualified to advise about real estate. If legal or tax advise is desired, consult a competent professional.

(b) Brokers have no responsibility with respect to any default or breach hereof by either Party. The Parties agree that no lawsuit or other legal proceeding involving any breach of duty, error or omission relating to this Lease may be brought against Broker more than one year after the Start Date and that the liability (including court costs and attorneys' fees), of any Broker with respect to any such lawsuit and/or legal proceeding shall not exceed the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

(c) Lessor and Lessee agree to identify to Brokers as "Confidential" any communication or information given Brokers that is considered by such Party to be confidential.

26. **No Right To Holdover.** Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to 150% of the Base Rent applicable immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions; Construction of Agreement.** All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the Parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

29. **Binding Effect; Choice of Law.** This Lease shall be binding upon the Parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. **Subordination; Attornment; Non-Disturbance.**

30.1 **Subordination.** This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "**Security Device**"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "**Lender**") shall have no liability or obligation to perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 **Attornment.** In the event that Lessor transfers title to the Premises, or the Premises are acquired by another upon the foreclosure or termination of a Security Devise to which this Lease is subordinated (i) Lessee shall, subject to the non-disturbance provisions of Paragraph 30.3, attorn to such new owner, and upon request, enter into a new lease, containing all of the terms and provisions of this Lease, with such new owner for the remainder of the term hereof, or, at the election of the new owner, this Lease will automatically become a new lease between Lessee and such new owner, and (ii) Lessor shall thereafter be relieved of any further obligations hereunder and such new owner shall assume all of Lessor's obligations, except that such new owner shall not: (a) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (b) be subject to any offsets or defenses which Lessee might have against any prior lessor, (c) be bound by prepayment of more than one month's rent, or (d) be liable for the return of any security deposit paid to any prior lessor which was not paid or credited to such new owner.

30.3 **Non-Disturbance.** With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "**Non-Disturbance Agreement**") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within 60 days after the execution of this Lease, Lessor shall, if requested by Lessee, use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said 60 days, then Lessee may, at Lessee's option, directly contact Lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 **Self-Executing**. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. **Attorneys' Fees**. If any Party or Broker brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "**Prevailing Party**" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($200 is a reasonable minimum per occurrence for such services and consultation).

32. **Lessor's Access; Showing Premises; Repairs**. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect on Lessee's use of the Premises. All such activities shall be without abatement of rent or liability to Lessee.

33. **Auctions**. Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. **Signs**. Lessor may place on the Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs during the last 6 months of the term hereof. Lessor may not place any sign on the exterior of the Building that covers any of the windows of the Premises. Except for ordinary "For Sublease" signs which may be placed only on the Premises, Lessee shall not place any sign upon the Project without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. **Termination; Merger**. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee, the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within 10 days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessor's election to have such event constitute the termination of such interest.

36. **Consents**. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within 10 business days following such request.

37. **Guarantor**.

37.1 **Execution**. The Guarantors, if any, shall each execute a guaranty in the form most recently published by the AIR Commercial Real Estate Association.

37.2 **Default**. It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) an Estoppel Certificate, or (d) written confirmation that the guaranty is still in effect.

38. **Quiet Possession**. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. **Options**. If Lessee is granted any Option, as defined below, then the following provisions shall apply.

39.1 **Definition**. "**Option**" shall mean: (a) the right to extend or reduce the term of or renew this Lease or to extend or reduce the term of or renew any lease that Lessee has on other property of Lessor; (b) the right of first refusal or first offer to lease either the Premises or other property of Lessor; (c) the right to purchase, the right of first offer to purchase or the right of first refusal to purchase the Premises or other property of Lessor.

39.2 **Options Personal To Original Lessee**. Any Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 **Multiple Options**. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 **Effect of Default on Options**.

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of Default and continuing until said Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in Breach of this Lease, or (iv) in the event that Lessee has been given 3 or more notices of separate Default, whether or not the Defaults are cured, during the 12 month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term or completion of the purchase, (i) Lessee fails to pay Rent for a period of 30 days after such Rent becomes due (without any necessity of Lessor to give notice thereof), or (ii) if Lessee commits a Breach of this Lease.

40. **Security Measures**. Lessee hereby acknowledges that the Rent payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties. In the event, however, that Lessor should elect to provide security services, then the cost thereof shall be an Operating Expense.

41. **Reservations**.

(a) Lessor reserves the right: (i) to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, (ii) to cause the recordation of parcel maps and restrictions, (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Lessee. Lessor may also: change the name, address or title of the Building or Project upon at least 90 days prior written notice; provide and install, at Lessee's expense, Building standard graphics on the door of the Premises and such portions of the Common Areas as Lessor shall reasonably deem appropriate; grant to any lessee the exclusive right to conduct any business as long as such exclusive right does not conflict with any rights expressly given herein; and to place such signs, notices or displays as Lessor reasonably deems necessary or advisable upon the roof, exterior of the Building or the Project or on signs in the Common Areas. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate such rights. The obstruction of Lessee's view, air, or light by any structure erected in the vicinity of the Building, whether by Lessor or third parties, shall in no way affect this Lease or impose any liability upon Lessor.

(b) Lessor also reserves the right to move Lessee to other space of comparable size in the Building or Project. Lessor must provide at least 45 days prior written notice of such move, and the new space must contain improvements of comparable quality to those contained within the Premises. Lessor shall pay the reasonable out of pocket costs that Lessee incurs with regard to such relocation, including the expenses of moving and necessary stationary revision costs. In no event, however, shall Lessor be required to pay an amount in excess of two months Base Rent. Lessee may not be relocated more than once during the term of this Lease.

(c) Lessee shall not: (i) use a representation (photographic or otherwise) of the Building or Project or their name(s) in connection with Lessee's business; or (ii) suffer or permit anyone, except in emergency, to go upon the roof of the Building.

42. **Performance Under Protest**. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay. A Party who does not initiate suit for the recovery of sums paid "under protest" within 6 months shall be deemed to have waived its right to protest such payment.

43. **Authority; Multiple Parties; Execution**

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each Party shall, within 30 days after request, deliver to the other Party satisfactory evidence of such authority.

(b) If this Lease is executed by more than one person or entity as "Lessee", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Lessees shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Lessees, and Lessor may rely on the same as if all of the named Lessees had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

44. **Conflict**. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

45. **Offer**. Preparation of this Lease by either party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

46. **Amendments**. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable nonmonetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

47. **Waiver of Jury Trial. THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT.**

48. **Arbitration of Disputes**. An Addendum requiring the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease ☐ is ☑ is not attached to this Lease.

49. **Accessibility; Americans with Disabilities Act.**

(a) The Premises: ☐ have not undergone an inspection by a Certified Access Specialist (CASp). ☐ have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises met all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq. ☑ have undergone an inspection by a Certified Access Specialist (CASp) and it was determined that the Premises did not meet all applicable construction-related accessibility standards pursuant to California Civil Code §55.51 et seq.

(b) Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Lessee's specific use of the Premises, Lessor makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Lessee's use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Lessee agrees to make any such necessary modifications and/or additions at Lessee's expense.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AIR COMMERCIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING AND SIZE OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES ARE LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES ARE LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

Executed at: 24031 El Toro Road, Suite 100	Executed at:
On:	On:
By LESSOR:	**By LESSEE:**
The City of Laguna Hills	Dayle McIntosh Center for the Disabled Inc., a California corporation
By:	By:
Name Printed: Bruce E. Channing	Name Printed: Richard Devylder
Title: City Manager	Title: Board President
By:	By:
Name Printed: Peggy Johns	Name Printed: Michael Ryan
Title: City Clerk	Title: Board Treasurer
Address: 24031 El Toro Road, Suite 100, Laguna Hills, CA 92654	Address:
Telephone:( )	Telephone:( )
Facsimile:( )	Facsimile:( )
Email:	Email:
Email:	Emai:
Federal ID No.	Federal ID No.

INITIALS

INITIALS

OFG-11-2/13E

FORM

12/9/2014 ITEM NO. 3.11

LESSOR'S BROKER:	LESSEE'S BROKER:
Essex Realty Management, Inc.	
Attn: Sandi Montez	Attn:
Address: 111 Corporate Drive, Suite 110	Address:
Ladera Ranch, CA 92694	
Telephone:(949) 218-3801	Telephone:(___)
Facsimile:(___)	Facsimile:(___)
Email:	Email:
Broker/Agent DRE License #: 00965485	Broker/Agent DRE License #:

NOTICE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AIR Commercial Real Estate Association, 500 N Brand Blvd, Suite 900, Glendale, CA 91203. Telephone No. (213) 687-8777. Fax No.: (213) 687-8616.

ADDENDUM TO LEASE

THIS ADDENDUM TO LEASE (this "Addendum") shall constitute part of that certain STANDARD MULTI-TENANT OFFICE LEASE – GROSS ("Lease"), dated as of December 9, 2014, between The City of Laguna Hills ("Lessor"), and Dayle McIntosh Center ("Lessee"). The terms of this Addendum shall be incorporated into the Lease for all purposes. In the event of any conflict between the terms of the Lease and the terms of this Addendum, the terms of this Addendum shall control.

1. Base Rent Schedule. Section 4.4 is hereby added to the Lease to read as follows:

4.4 Base Rent Schedule

4.4.1 The monthly Base Rent payable as defined in paragraph 4.1 and as set forth in paragraph 1.7 (a) of the Lease shall be adjusted as set forth below:

Months		Rent Per Month
12/21/2014	12/20/2015	$2,436.00
12/21/2015	12/20/2016	$2,533.44
12/21/2016	12/20/2017	$2,634.78

2. Use. Section 6.1 of the Lease is hereby deleted in its entirety and replaced by the following:

"6.1. Use. The Premises shall be used only for the Agreed Use and for no other use. Lessee's use of the Premises shall be in compliance with and subject to all Applicable Requirements relating to or affecting the Project, the Premises or the Building or the use or operation thereof, whether now existing or hereafter enacted, including, without limitation, the Americans with Disabilities Act of 1990, 42 USC 12111 et seq. (the "ADA") as the same may be amended from time to time, any and all federal, state or local environmental, health and/or safety-related laws, regulations, standards, decisions of courts, ordinances, rules, codes, orders, decrees, directives, guidelines, permits or permit conditions, currently existing and as amended, enacted, issued or adopted in the future which are or become applicable to Lessee, the Premises, the Building, or the Project ("Environmental Laws"), any transportation or traffic management plan in satisfaction of any requirement imposed on the Project by a governmental agency with jurisdiction over the Project, and any CC&Rs or any supplement thereto recorded in any official or public records with respect to the Project or any portion thereof (collectively, "Applicable Laws"). Lessee shall be responsible for obtaining any permit, business license, or other permits or licenses required by any governmental agency permitting Lessee's use or occupancy of the Premises. Lessee shall not commit waste, overload the floors or structure of the Building, subject the Premises, the Building, the Common Area or the Project to any use which would damage the same or increase the risk of loss or violate any insurance coverage, permit any unreasonable odors, smoke, dust, gas, substances, noise or vibrations to emanate from the Premises, take any action which would constitute a nuisance or would disturb, obstruct or endanger any other tenants, take any action which would abrogate any warranties, or use or allow the Premises to be used for any unlawful purpose. Lessor shall not be responsible for non-compliance by any other tenant or occupant of the Project with, or Lessor's failure to enforce, any of the rules or regulations or CC&Rs or any other terms or provisions of such tenant's or occupant's lease. Lessee shall promptly comply with the reasonable requirements of any board of fire insurance underwriters or other similar body now or hereafter constituted. Lessee shall not do any act which shall in any way encumber the title of Lessor in and to the Premises, the Building or the Project.

3. Insurance; Indemnity. Sections 8.1 through 8.6 of the Lease are hereby deleted in their entirety and replaced by the following:

"8.1 Lessor's Insurance. Lessor shall maintain insurance through individual or blanket policies insuring the Building against fire and extended coverage (including, if Lessor elects, "all risk" coverage, earthquake/volcanic action, flood and/or surface water insurance) for the full replacement cost of the Building, with deductibles and the form and endorsements of such coverage as selected by Lessor, together with rental abatement insurance against loss of Rent in an amount equal to the amount of Rent for a period of at least twelve (12) months commencing on the date of loss. Lessor may also carry such other insurance as Lessor may deem prudent or advisable, including, without limitation, liability insurance in such amounts and on such terms as Lessor shall determine. Lessee shall pay to Lessor, as a portion of the Operating Expenses, the costs of the insurance coverages described herein, including, without limitation, Lessor's cost of any self-insurance deductible or retention.

8.2 Lessee's Insurance. Lessee shall, at Lessee's expense, obtain and keep in force at all times the following insurance:

(a) Commercial General Liability Insurance (Occurrence Form). A policy of commercial general liability insurance (occurrence form) having a combined single limit of not less than One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) aggregate per location if Lessee has multiple locations, providing coverage for, among other things, blanket contractual liability, premises, products/completed operations with an "Additional Insured Managers or Lessors of Premises Endorsement" and personal and advertising injury coverage, with deletion of the exclusion for explosion, collapse or underground hazard, if applicable, and, if necessary, Lessee shall provide for restoration of the aggregate limit, and provided that the policy shall not contain any intra insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under the Lease as an "insured contract" for the performance of Lessee's indemnity obligations under the Lease;

(b) Automobile Liability Insurance. Comprehensive automobile liability insurance having a combined single limit of not less than One Million Dollars ($1,000,000) per occurrence and insuring Lessee against liability for claims arising out of ownership, maintenance, or use of any owned, hired or non-owned automobiles;

(c) Workers' Compensation and Employer's Liability Insurance. Workers' compensation insurance having limits not less than those required by state statute and federal statute, if applicable, and covering all persons employed by Lessee in the conduct of its operations on the Premises (including the all states endorsement and, if applicable, the volunteers endorsement), together with employer's liability insurance coverage in the amount of at least Five Hundred Thousand ($500,000);

(d) Property Insurance. "Special Form" property insurance including boiler and machinery comprehensive form, if applicable, covering damage to or loss of any of Lessee's personal property, fixtures, equipment and alterations, including electronic data processing equipment (collectively "Lessee's Property") (and coverage for the full replacement cost thereof including business interruption of the Lessee), together with, if the property of Lessee's invitees is to be kept in the Premises, warehouseman's legal liability or bailee customers insurance for the full replacement cost of the property belonging to invitees and located on the Premises.

(e) Business Interruption. Loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all peril commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

8.3 General.

(a) Insurance Companies. Insurance required to be maintained by Lessee shall be written by companies licensed to do business in the state in which the Premises are located and having a "General Policyholders Rating" of at least "A-" (or such higher rating as may be required by a lender having a lien on the Premises) and a financial rating of no less than VII as set forth in the most current issue of "Best's Insurance Guide."

(b) Certificates of Insurance. Lessee shall deliver to Lessor certificates of insurance and endorsements for all insurance required to be maintained by Lessee in the form acceptable to Lessor no later than seven (7) days prior to the date of possession of the Premises. Lessee shall, at least ten (10) days prior to expiration of the policy, furnish Lessor with certificates of renewal or "binders" thereof. If Lessee fails to maintain any insurance required in the Lease, Lessee shall be liable for all losses and costs suffered or incurred by Lessor (including litigation costs and attorneys' fees and expenses) resulting from said failure.

(c) Additional Insureds. Lessor, Lessor's lender, and any property management company of Lessor for the Premises shall be named as additional insureds (utilizing ISO Form CG2010 (11/85) or its equivalent) under all of the policies required by section 8.2(a). The policies required under Section 8.2(a) shall provide for severability of interest.

(d) Primary Coverage. All insurance to be maintained by Lessee shall, except for workers' compensation and employer's liability insurance, be primary, without right of contribution from insurance of Lessor. Any umbrella liability policy or excess liability policy (which shall be in "following form") shall provide that if the underlying aggregate is exhausted, the excess coverage will drop down as primary insurance. The limits of insurance maintained by Lessee shall not limit Lessee's liability under the Lease.

(e) Waiver of Subrogation. Notwithstanding any other provisions of the Lease, Lessee and Lessor each waive all rights to recover damages against the other, for loss or damage caused by fire and other perils and any other risk to the extent covered by policies of insurance or required to be covered by policies of insurance which are required to be carried in accordance with this Lease. This provision is intended to waive fully, any rights and/or claims which might give rise to a right of subrogation in favor of any insurance carrier. The coverages obtained by each of Lessee and Lessor pursuant to the Lease shall include, without limitation, a waiver of subrogation endorsement attached to the certificate of insurance.

(f) Notification of Incidents. Lessee shall notify Lessor within twenty-four (24) hours after the occurrence of any accidents or incidents in the Premises, the Building, Common Areas or the Project which could give rise to a claim under any of the insurance policies required under this Section 8.

4. Breach by Lessor; Performance by Lessee on Behalf of Lessor. Section 13.6(b) of the Lease is hereby deleted in its entirety and replaced with the following:

"13.6(b). **Lessee's Remedies.** Lessee and all successors and assigns covenant and agree that, in the event of any actual or alleged default by Lessor, Lessee's sole and exclusive remedy shall be either to seek either specific performance or monetary damages, provided that Lessor shall not be liable for loss of business profits or consequential damages, and provided further, that any recourse for monetary damages by Lessee against Lessor shall be limited solely and exclusively to an amount which is equal to the amounts paid by Lessee to Lessor under the Lease (and Lessee hereby expressly waives and releases personal liability of Lessor in excess of such amount on behalf of itself and all persons claiming by through, or under the lease) Further, in no event shall the obligations of Lessor under the Lease constitute the personal obligations of Lessor or its partners, members, directors, officers, elected officials or shareholders, and Lessee shall have no right to seek recourse against Lessor's partners, members, directors, officers, elected officials or shareholders, or any of their personal assets for the satisfaction of any liability of Lessor with respect to the Lease. Lessee expressly waives all remedies except those specifically set forth in the Lease, including, without limitation, any right of offset or abatement except as specifically set forth in the Lease, any right to terminate the Lease under Civil Code Sections 1932(2), 1933(4) and 1941 or any other successor statute, or any statutory, legal or equitable self-help remedy including, without limitation, Civil Code Section 1942 or any other current or future law. Nothing contained in the Lease shall entitle Lessee to terminate the Lease as a result of Lessor's default nor excuse Lessee from paying Rent or Additional Rent due hereunder."

5. Estoppel Certificates. All references in the Lease to "Estoppel Certificate", including, but not limited to the definition in Section 16(a), shall refer to Lessor's standard form certificate.

6. Recordation. Lessee shall not have any right to cause the Lease or any short form or memorandum thereof to be recorded.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date of the Lease.

"Lessor"

THE CITY OF LAGUNA HILLS

By: Bruce E. Channing

By:________________________
Its: City Manager

By: Peggy Johns

By:________________________
Its: City Clerk

APPROVED AS TO FORM:

By:________________________
City Attorney

"Lessee"
Dayle McIntosh Center for the Disabled Inc., a California corporation

By: Richard Devylder

____

Its: Board President

By: Michael Ryan

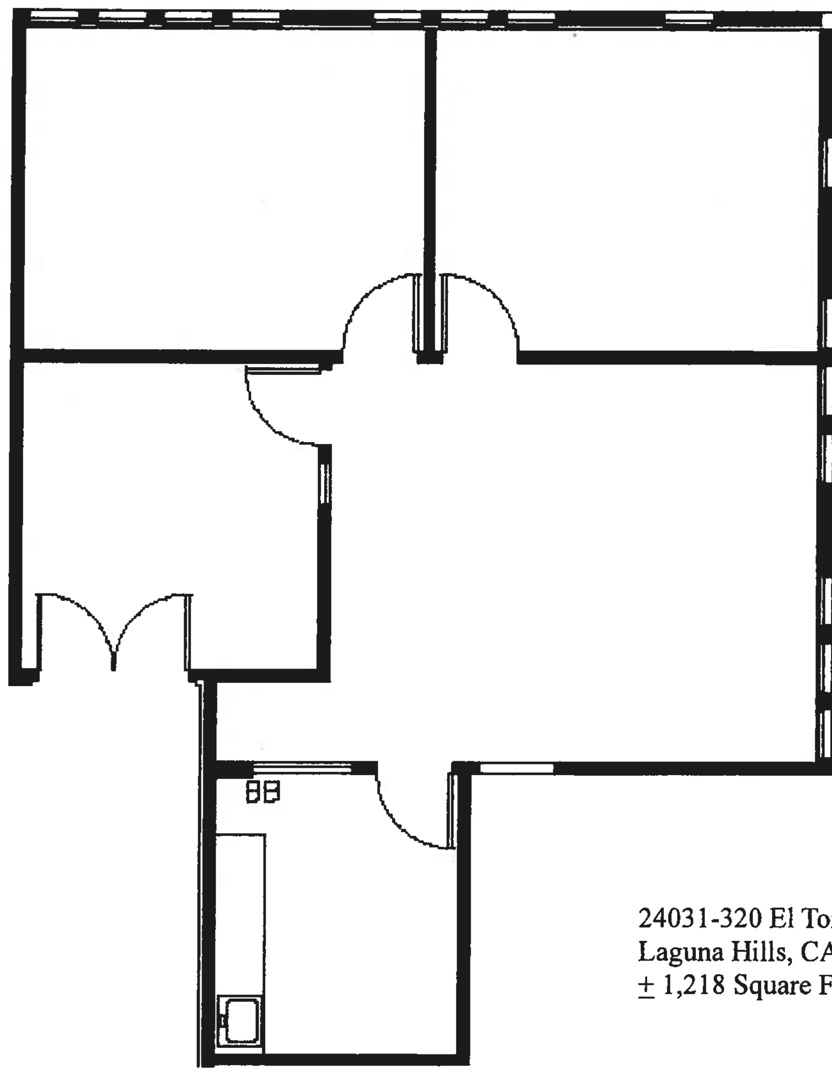
____

Its: Board Treasurer

EXHIBIT "A"

LAGUNA HILLS CIVIC CENTER

24031-24035 El Toro Road, Laguna Hills



24031-320 El Toro Road
Laguna Hills, CA 92653
± 1,218 Square Feet

For Leasing Information:

Sandi Montez
smontez@essexrealty.com

Jessica Heer
jheer@essexrealty.com

(949) 218-3801

Managed by:

ESSEX | Management Investment Development

EXHIBIT B

RULES AND REGULATIONS

ATTACHED TO AND MADE A PART OF STANDARD OFFICE LEASE

The following Rules and Regulations shall be in effect at the Office Building Project. Lessor reserves the right to adopt reasonable modifications and additions hereto. In the case of any conflict between these Rules and Regulations and the Lease, the Lease shall be controlling.

1. Except with the prior written consent of Lessor, no Lessee shall conduct any retail sales or any manufacturing of any kind in or from the Premises, or any business other than that specifically provided for in the Lease.

2. Lessor reserves the right to prohibit personal goods and services vendors from access to the Office Building Project except upon such reasonable terms and conditions, including but not limited to the payment of a reasonable fee and provision for insurance coverage, as are related to the safety, care and cleanliness of the Office Building Project, the preservation of good order thereon, and the relief of any financial or other burden on Lessor occasioned by the presence of such vendors or the sale by them of personal goods or services to the Lessee or its employees. If reasonably necessary for the accomplishment of these purposes, Lessor may exclude a particular vendor entirely or limit the number of vendors who may be present at any one time in the Office Building Project. The term "personal goods or services vendors" means persons who periodically enter the Office Building Project of which the Premises are a part for the purpose of selling goods or services to a Lessee, other than goods or services, which are used by a lessee only for the purpose of conducting its business on the Premises. "Personal goods or services" include, but are not limited to, drinking water and other beverages, food, barbering services, and shoe shining services. This Section 2 shall not apply to Lessee's vendors and suppliers in connection with Lessee's operation of its business.

3. The sidewalks, halls, passages, elevators and stairways shall not be obstructed by any Lessee or used by it for any purpose other than for ingress to and egress from their respective Premises. The halls, passages, entrances, elevators, stairways, balconies and roof are not for the use of the general public, and Lessor shall in all cases retain the right to control and prevent access thereto of all persons whose presence in the judgment of Lessor shall be prejudicial to the safety, character, reputation and interests of the Office Building Project and its lessees, provided that nothing herein contained shall be construed to prevent such access to persons with whom Lessee normally deals only for the purpose of conducting its business on the Premises (such as clients, customers, office suppliers and equipment vendors, and the like) unless such persons are engaged in illegal activities. No Lessee and no employees of any Lessee shall go upon the roof of the Building without the written consent of Lessor. This Section 3 shall not apply to Lessee's vendor's suppliers in connection with Lessee's operation of its business.

4. The sashes, sash doors, windows, glass lights, and any lights or skylights that reflect or admit light into the halls or other places of the Building shall not be covered or obstructed. The toilet rooms, water and wash closets and other water apparatus shall not be used for any purpose other than that or which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein, and the expense of any breakage, stoppage or damage, resulting from the violation of this rule shall be borne by the Lessee who, or whose clerks, agents, employees, or visitors, shall have caused it.

5. No sign, advertisement or notice visible from the exterior of the Premises or Building shall be inscribed, painted or affixed by Lessee on any part of the Office Building Project or the Premises without the prior written consent of Lessor. If Lessor shall have given such consent at any time, whether before or after the execution of this Lease, such consent shall in no way operate as a waiver or release of any of the

provisions hereof or of this Lease, and shall be deemed to relate only to the particular sign, advertisement or notice so consented to by Lessor and shall not be construed as dispensing with the necessity or obtaining the specific written consent of Lessor with respect to each and every such sign, advertisement or notice, as the case may be, so consented to by Lessor. Lessor shall have the right to remove any non-approved sign, advertisement or notice, without notice to and at the expense of Lessee, and Lessor shall not be liable in damages for such removal.

6. In order to maintain the outward professional appearance of the Office Building Project all window coverings to be installed at the Premises shall be subject to Lessor's prior approval. If Lessor, by a notice in writing to Lessee, shall object to any curtain, blind, shade or screen attached to or hung in, or used in connection with, any window door of the Premises, such use of such curtain, blind, shade or screen shall be forthwith discontinued by Lessee. No awnings shall be permitted on any part of the Premises.

7. Lessee shall not lay linoleum, tile, carpet or other similar floor covering so that the same shall be affixed to the floor of the Premises in any manner except as approved by Lessor.

8. Lessee shall not do or permit anything to be done in the Premises, or bring or keep anything therein, which shall in any way increase the rate of fire insurance on the Office Building Project, or on the property kept therein, or obstruct or interfere with the rights of other Lessees, or in any way injure or annoy them, or conflict with the regulations of the Fire Department or the fire laws, or with any insurance policy upon the Office Building Project, or any part thereof, or with any rules and ordinances established by the Board of Health or other governmental authority.

9. No Lessee shall sweep or throw or permit to be swept or thrown from the Premises any dirt or other substance into any of the corridors or halls or elevators, or out of the doors or windows or stairways of the Building. Lessee shall not use, keep or permit to be used any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Lessor or other occupants of the Office Building Project by reason of noise, odors, fire hazards and/or vibrations, or interfere in any way with other Lessees or those having business therein, nor shall any animals or birds be kept in or about the Office Building Project.

10. Lessee and its employees, agents and invitees shall not smoke any tobacco products or any other smoking materials whatsoever in the Premises, Building, common areas or any other area of the Project except in such areas, if any, as shall be designated by Lessor for smoking, in Lessor's sole and absolute discretion.

11. No cooking shall be done or permitted by Lessee on the Premises, except for the use of a microwave oven for food or Underwriter's Laboratory approved equipment for brewing coffee, tea, and similar beverages shall be permitted, provided that such use is in compliance with law. Offices in the Office Building Project shall not be used for the storage of merchandise or for sleeping or lodging.

12. Lessee, upon the termination of its tenancy, shall deliver to Lessor all the keys of offices, rooms and toilet rooms which shall have been furnished Lessee or which Lessee shall have had made, and in the event of loss of any keys so furnished, shall pay Lessor therefore.

13. On Saturdays after 6:00pm., Sundays and legal holidays, and on other days between the hours of 9:00 p.m. and 7:00 a.m., access to the Office Building Project or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the building watchman, if any, in charge and has a pass or is properly identified. Lessor shall in no case be liable for damages for the admission to or exclusion from the Office Building Project of any person whom Lessor has the right to exclude under Rule 3 above. In case of invasion, mob, riot, public excitement, or other commotion, Lessor reserves the right but shall not be

obligated to prevent access to the Office Building Project during the continuance of the same by closing the doors or otherwise, for the safety of the tenants and protection of property in the Office Building Project.

14. Lessee shall see that the windows and doors of the Premises are closed and securely locked before leaving the building and Lessee shall exercise extraordinary care and caution that all water faucets or water apparatus are entirely shut off before Lessee or Lessee's employees leave the Building, and that all electricity, gas or air shall likewise be carefully shut off, so as to prevent waste or damage, and for any default or carelessness Lessee shall make good all injuries sustained by other Lessees or occupants of the Building or Lessor.

15. Lessee shall not alter any lock or install a new or additional lock or any bolt on any door of the Premises without prior written consent of Lessor. If Lessor shall give its consent, Lessee shall in each case furnish Lessor with a key for any such lock.

16. Lessee shall not install equipment such as, but not limited to, electronic tabulating or computer equipment requiring electrical or air conditioning service in excess of those to be provided by Lessor under the Lease and any such equipment shall be placed in the Premises in settings approved by Lessor to adsorb or prevent any vibration, noise or annoyance.

17. No bicycle, or shopping cart, or other vehicle or any animal shall be brought into the Premises or the halls, corridors, elevators or any part of the Building by Lessee.

18. Lessor shall have the right to prohibit the use of the name of the Office Building Project or any other publicity by Lessee which in Landlord's opinion tends to impair the reputation of the Office Building Project, or their desirability for other Lessees, and upon written notice from Lessor, Lessee will refrain from or discontinue such publicity.

19. Lessee shall not erect any aerial or antenna on the roof or exterior walls of the Premises, the Building, or the Office Building Project.

20. Lessee shall not overload the floor of the Premises. In addition, Lessee shall not mark, drive nails, screw or drill into partitions, ceilings or floor of the Premises or deface the Premises.

21. No furniture, freight or equipment of any kind shall be brought into the Building or the Building's elevator without the consent of Lessor and all moving of the same into or out of the Building shall be done at such time and in such manner, as Lessor shall designate. Lessor shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Office Building Project. Safes or other heavy objects shall, if considered necessary by Lessor, stand on wood strips of such thickness as is necessary to properly distribute the weight. However, Lessor's consent to placement of Lessee's safes, heavy equipment or furniture shall not constitute a representation or warranty by Lessor that the safe, heavy equipment or furniture complies, with regard to distribution of weight and/or vibration, with the provisions of the Rule 21 nor relieve Lessee from responsibility for the consequences of noncompliance. Lessor will not be responsible for loss of or damage to any safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Lessee. There shall not be used in any space, or in the public halls of the Building, either by any Lessee or others, any hand trucks except those equipped with rubber tires and side guards.

22. Except with the written consent of Lessor, no person or persons other than those approved by Lessor shall be permitted to enter the Building for their purpose of cleaning the same. Lessee shall not cause any unnecessary labor by reason of Lessee's carelessness or indifference in the preservation of good order and cleanliness. Lessor shall in no way be responsible to any Lessee for any loss of property on the Premises, however occurring, or for any damage done to the effects of any lessee by the janitor or any other employee or any other person. Janitor service shall include ordinary dusting and cleaning by the janitor assigned to such work and shall not include cleaning of carpets or rugs, except normal vacuuming, or moving of furniture and other special services. Janitor service may not be furnished on nights when rooms are occupied after 9:00p.m.

23. Lessor will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of Lessor. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Lessor.

24. No furniture, packages, supplies, equipment or merchandise will be received in the Building or carried up or down in the elevators, except between such hours and in such elevators as shall be designated by Lessor.

25. Lessor reserves the right to exclude or expel from the Office Building Project any person who in the judgment of Lessor, is intoxicated or under the influence of liquor or illegal, non-prescription drugs, or who shall in any manner do any act in violation of any of the Rules and Regulations of the Office Building Project.

26. The requirements of Lessee will be attended to only upon application to Lessor. Contractors, vendors and employees of Lessor shall not perform any work or do anything outside of their regular duties unless under special instructions from the Lessor or Lessor's agent.

27. No vending machine shall be installed, maintained or operated upon the Premises without the written consent of the Lessor.

28. Lessor shall have the right, exercisable without notice and without liability to Lessee, to change the name and the street address of the Building and/or Office Building Project of which the Premises are a part.

29. Lessee agrees that it shall comply with all fire and security regulations that may be issued from time-to-time by Lessor and Lessee also shall provide Lessor with the name of a designated responsible employee to represent Lessee in all matters pertaining to such fire or security regulations.

30. Lessor reserves the right by written notice to Lessee, to rescind, alter or waive any rule or regulation at any time prescribed for the Office Building Project when, in Lessor's judgment, it is necessary, desirable or proper for the best interest of the Office Building Project and its lessees.

31. Lessees shall not disturb, solicit, or canvas any occupant of the Office Building Project and shall cooperate to prevent same.

32. Lessor shall furnish heating and air conditioning during the hours of 7:00 a.m. to 6:00 p.m., Monday through Friday, and 8:00 a.m. to 12:00 p.m. on Saturday except for holidays. In the event Lessee requires heating and air conditioning during off hours, Sundays or Holidays, Lessor shall on notice provide such services at the then prevailing rate for such extra services.

33. Lessee shall cooperate with Lessor in obtaining maximum effectiveness of the cooling system by closing blinds when the sun's rays fall directly on windows of the premises. Lessee shall not obstruct, alter, or in any way impair the efficient operation of Lessor's heating, ventilating and air-conditioning system. Lessee shall not tamper with or change the setting of any thermostats or control valves.

34. Parking

(a) The parking lot shall be accessible twenty-four (24) hours per day, subject to parking card or other reasonable Identification or security restriction as may be reasonably established by Lessor from time-to-time. Lessee agrees to cooperate with Lessor in completing regular maintenance of the parking lot.

(b) Automobiles must be parked entirely within the stall lines.

(c) All directional signs and arrows must be observed and the speed limit shall be 5 miles per hour.

(d) Parking is prohibited in areas not striped for parking.

(e) Lessor may refuse to permit any person who violates the within rules to park in the parking lot, and any violation of the rules shall subject the automobile to removal from the parking lot at the parker's expense.

(f) Every parker is required to park and lock his or her own automobile. All responsibility for any loss or damage to automobile or any personal property therein is assumed by the parker.

(g) The parking lot is for the sole purpose of parking one automobile per space. Washing, waxing, cleaning or servicing of any vehicles by the parker or his agents is prohibited.

(h) Storage of vehicles in the parking facilities is prohibited. Lessee and Lessee's employees and visitors shall not leave vehicles in the parking lot overnight.

(I) Lessor reserves the right to restrict customer, Lessee and Lessee's employees parking to a limited designated area or areas.

35. Lessee agrees to comply and acquaint its employees with such reasonable rules and regulations in the use of such Common areas as Lessor may adopt from time to time for the orderly and proper operation of said Common Areas.

Lessor reserves the right to make such other and further rules and regulations as in its judgment may be for the safety, care and cleanliness of the Office Building Project and for the preservation of good order therein. Lessee agrees to abide by these Rules and Regulations herein above stated and any additional rules and regulations, which are adopted hereafter.

Date: ____________________ Date: ____________________

Lessor's Initials: ____________________ Lessee's Initials: ________________

EXHIBIT "C"

Waiver and Release.

It is the express and understood intent, purpose, desire, and agreement of the parties in the event of termination for cause or expiration of the Lease term, that Lessee, on behalf of itself, its officers, heirs, agents, shareholders, employees, subcontractors, executors, successors and assigns, shall and does hereby release and discharge Lessor, and its respective elected and appointed officials, officers, directors, employees, attorneys, accountants, consultants, other professionals, and agents, from and against the following: any claims, penalties, actions or causes of action, obligations, and demands of any kind including but not limited to, any claims arising under the California Eminent Domain Law (Title 7 (commending with Section 1230.010) of Part 3 of the California Code of Civil Procedure), the Relocation Statutes and Regulations set forth in Chapter 16 (commending with Section 7260) of Division 7 of the California Government Code and Subchapter 1 (commencing with Section 6000) Division 3 of Title 25 of the California Code of regulations, and claims for a "taking" or inverse condemnation arising under the United States or California Constitutions or under any federal, state, or local law, statute, ordinance, regulation, rule, official policy, court order, or common law (collectively, the "Released Claims").

The parties further acknowledge that the Released Claims include any claims for loss of business goodwill pursuant to Code of Civil Procedure §1263.510 et seq., for precondemnation damages and severance damages.

Date: ____________________

Lessee's Initials: ________________

EXHIBIT "D"

WORK LETTER/REQUIREMENTS FOR IMPROVEMENTS OR ALTERATIONS BY LESSEE

If Lessor shall permit Lessee to construct any interior improvements (subsequent to the initial improvements to be constructed by Lessor, if any) in the Premises or to have any work performed in the Premises at any time prior to or during the Lease term by a contractor retained by Lessee ("Lessee's Work"), then Lessee shall comply with the requirements set forth herein. If Lessee's Work has been properly authorized, Lessee will receive written approval and consent for alterations to the Premises. All alterations to the Premises, excepting movable furniture and trade fixtures, shall, at Lessor's option, become a part of the realty and belong to Lessor.

1. SUBMITTAL OF PLANS. Prior to commencing any work in the Premises, Lessee shall submit to Lessor for approval its proposed plans for the work. Without limiting the foregoing, Lessee shall provide:

(a) A separate scale drawing denoting all proposed construction and/or demolition, if necessary.

(b) A separate drawing for each trade proposing structural, electrical, mechanical, civil or landscaping modifications.

(c) Specify all dimensions and complete references to all work to be performed in the affected areas.

(d) If adding extra electrical or mechanical equipment, provide complete operating and maintenance specifications for each item.

2. CHECKLIST. With respect to each project, Lessor will provide Lessee with a checklist listing the items required to be furnished to Lessor in connection with the proposed work. Lessee shall furnish to Lessor prior to, during, or upon completion of Lessee's Work, as applicable, each of the items specified in the checklist attached hereto as Attachment 1.

3. CONTRACTORS PROVIDING INTERIOR IMPROVEMENT SERVICES.

(a) The contractor employed by Lessee and any subcontractors shall be (i) duly licensed in the state in which the Premises are located, and (ii) subject to Lessor's prior written approval, which approval shall not be unreasonably withheld. If more than one trade is employed on a single job, state law requires the services of a general contractor in addition to contractors for specialty work being performed.

(b) Each contractor shall provide proof of licensing as a general or specialty contractor in accordance with state law. Additionally, each contractor shall furnish proof of licensing in the city or municipality in which the construction related activity is to take place.

(c) Lessee shall use Lessor's subcontractor for mechanical, electrical, plumbing, roofing and roofing consultant if available at competitive rates.

(d) Lessee and Lessee's contractors shall comply with all Applicable Laws pertaining to the performance of Lessee's Work and the completed improvements and all applicable safety regulations established by Lessor or the general contractor.

(e) Prior to commencement of any work in the Premises, Lessee and Lessee's contractors (and any subcontractors) shall obtain and provide Lessor with certificates evidencing Workers' Compensation, public liability and property damage insurance in amounts and forms and with companies satisfactory to Lessor. Each general contractor (and any subcontractor) employed on the Premises shall provide Lessor with a current certificate of insurance in effect for that contractor with a thirty day notice of cancellation or revocation clause. Insurance requirements are as follows:

(i) Comprehensive General Liability with a $1,000,000 Combined Single Limit covering the liability of Lessor and contractor for bodily injury and property damage arising as a result of the construction of the improvements and the services performed thereunder. Lessor and any Management Company shall be named as an additional insured.

(ii) Comprehensive Automobile Liability with a $1,000,000 Combined Single Limit covering Lessor and vehicles used by contractor (and any subcontractor) in connection with the construction of the improvements.

(iii) Workers' Compensation and Employer's Liability as required by law, for employees of the contractor (and any subcontractors) performing work on the Premises.

(f) The following requirements shall be incorporated as "Special Conditions" into the contract between Lessee and its contractors and a copy of the contract shall be furnished to Lessor prior to the commencement of Lessee's Work:

(i) Prior to start of Lessee's Work, Lessee's contractor shall provide Lessor with a construction schedule in "bar graph" form indicating the completion dates of all phases of Lessee's Work.

(ii) Lessee's contractor shall be responsible for the repair, replacement or clean-up of any damage done by it to other contractors' work which specifically includes accessways to the Premises which may be concurrently used by others.

(iii) Lessee's contractor shall accept the Premises prior to starting any trenching operations. Any rework of sub-base or compaction required after the contractor's initial acceptance of the Premises shall be done by Lessee's contractor, which shall include the removal from the Project of any excess dirt or debris.

(iv) Lessee's contractor shall contain its storage of materials and its operations within the Premises and such other space as it may be assigned by Lessor or Lessor's contractor. Should Lessee's contractor be assigned space outside the Premises, it shall move to such other space as Lessor or Lessor's contractor shall direct from time to time to avoid interference or delays with other work.

(v) Lessee's contractor shall clean up the construction area and surrounding exterior areas daily. All trash, demolition materials and surplus construction materials shall be stored within the Premises and promptly removed from the Premises and the Project and disposed of in an approved sanitation site.

(vi) Lessee's contractor shall provide temporary utilities, portable toilet facilities, and potable drinking water as required for its work within the Premises and shall pay to Lessor's contractor the cost of any temporary utilities and facilities provided by Lessor's contractor at Lessee's contractor's request.

(vii) Lessee's contractor shall notify Lessor or Lessor's project manager of any planned work to be done on weekends or other than normal job hours.

(viii) Lessee's contractor or subcontractors shall not post signs on any part of the Project or on the Premises.

4. COSTS.

(a) Lessee shall promptly pay any and all costs and expenses in connection with or arising out of the performance of Lessee's Work (including the costs of permits thereof) and shall furnish to Lessor evidence of such payment upon request.

(b) Except in the case of carpet replacement or repainting, Lessee shall pay Lessor an amount equal to five percent (5%) of the total hard costs of construction and installation of Lessee's Work as compensation to Lessor for review of plans, use of facilities and other miscellaneous costs of Lessor incurred as a result of such work.

5. CONTRACTOR'S BONDS. At Lessor's sole discretion, Lessor may require Lessee to obtain performance and completion bonds to insure Interior Work

6. MECHANIC'S LIENS.

(a) Lessee shall not suffer or permit to be enforced against the Premises or any part of the Project any mechanic's, materialman's, contractor's or subcontractor's lien arising out of any work of improvement, however it may arise.

(b) Lessee shall notify Lessor at least ten (10) days prior to the commencement of construction of any Lessee's Work and Lessor shall have the right to post and record a notice of no responsibility in conformity with applicable law. Within ten (10) days following completion of Lessee's Work, Lessee shall file a Notice of Completion and deliver to Lessor an unconditional release and waiver of lien executed by each contractor, subcontractor and materialman involved in Lessee's Work.

(c) In the event any lien is filed against the Project or any portion thereof or against Lessee's leasehold interest therein as a result of Lessee's work, Lessee shall obtain the release and/or discharge of said lien, within ten (10) days after the filing thereof. In the event Lessee fails to do so, Lessor may obtain the release and/or discharge of said lien and Lessee shall indemnify Lessor for the costs thereof, including reasonable attorney's fees, together with interest at the Applicable Interest Rate from the date of demand. Nothing herein shall prohibit Lessee from contesting the validity of any such asserted claim, provided Lessee has furnished to Lessor a lien release bond freeing the Premises from the effect of the lien claim.

7. INDEMNITY. Lessee shall indemnify, defend (with counsel satisfactory to Lessor) and hold Lessor harmless from and against any and all suits, claims, actions, loss, cost or expense (including claims for workers' compensation, attorney's fees and costs) based on personal injury or property damage, or otherwise (including, without limitation, contract and breach of warranty claims) arising from the performance of Lessee's Work. Lessee shall repair or replace (or, at Lessor's election, reimburse Lessor for the cost of repairing or replacing) any portion of the Building or item of Lessor's equipment or any of Lessor's real or personal property damaged, lost or destroyed in the performance of Lessee's Work.

8. BUILDING STANDARDS. All work shall conform to Lessor's established building standards and specifications. Lessee is required to make these standards part of the construction documents.

9. ROOF PENETRATIONS. If improvements penetrate the roof membrane, the penetrations will be sealed per Lessor/IRC roofing specifications and inspected by IRC to maintain roof warranty. The cost of inspection and all corrective work shall be borne by Lessee. Lessee shall use Lessor's original roofing contractor.

10. BUILDING MODIFICATIONS. Work will only be approved within the confines of a given space. Lessee will not be allowed to modify building exterior or mechanical and electrical service as provided to the building in common with other tenants.

11. ELECTRICAL WORK. All electrical work shall be approved from the unit space electrical panel only. Additional service requirements shall be secured only by direction of Lessor. Lessee shall use Lessor's original electrical contractor if available at competitive rates.

12. SCHEDULE OF WORK. Lessee shall be required to provide a schedule of all work to be performed, subject to Lessor approval. All costs to produce such schedule shall be borne solely by Lessee.

13. CLEAN UP AND DISPOSAL OF CONSTRUCTION DEBRIS. Building trash containers are provided for office generated trash only and are not to be used for disposal of construction-related materials and debris. Unapproved usage will result in a penalty assessment to the Lessee equal to the cost of an extra pick-up service as provided under the current rate schedule of regular trash removal service.

14. INSPECTION BY LANDLORD. Lessor reserves the following rights: (i) the right of inspection prior to, during and at completion of all construction and/or demolition, (ii) the right to post and record a notice of nonresponsibility in conformity with California law, and (iii) the right to order, if reasonable, a total stop to all improvements underway for non-compliance with any of the requirements hereof.

15. GENERAL PROVISIONS.

(a) If Lessor has agreed to provide an allowance toward the cost of tenant improvements (other than the initial Lessee Improvement Allowance), Lessor shall retain from such funds an amount determined by Lessor until Lessee has fully complied with the requirements hereof.

(b) All materials, work, installations and decorations of any nature whatsoever brought on or installed in the Premises before the commencement of the Term or throughout the Term shall be at Lessee's risk, and neither Lessor nor any party acting on Lessor's behalf shall be responsible for any damage thereto or loss or destruction thereof due to any reason or cause whatsoever.

(c) Nothing contained herein shall make or constitute Lessee as the agent of Lessor.

Attachment 1 to "Exhibit D"

ITEMS TO BE FURNISHED TO LESSOR FOR EACH WORK OF IMPROVEMENT

1. Plan of Alterations for Lessor Approval.
2. Contractor(s), Address, Telephone Number, Contact Person.
3. Copy of Contractor's State and City Business License.
4. Copy of Building Permit.
5. Copy of Final Inspection and Signed Building Permit Cards.
6. Copy of Certificate of Insurance Naming The City of Laguna Hills and Essex Realty Management as Additional Insured. Insurance to include Comprehensive General Liability, Comprehensive Auto, Workers' Compensation, Employer's Liability and original Endorsement.
7. Signed Unconditional Lien Waiver in favor of Development Corporation.
8. Schedule of Work.
9. Copy of Completion and Payment Bond.
10. Architect's License and Expiration.
11. Copy of Permit Plans.
12. Copy of As-Builts.
13. Copy of Recorded Notice of Completion.
14. Certificate of Occupancy.
15. Evidence of Insurance for All-Risk/Builder's Risk Insurance to the Amount of Improvements.

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: DECEMBER 9, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: KENNETH H. ROSENFIELD
DIRECTOR OF PUBLIC SERVICES/CITY ENGINEER

ISSUE: COOPERATIVE AGREEMENT NO. C-4-1883 BETWEEN ORANGE COUNTY TRANSPORTATION AUTHORITY AND CITIES OF MISSION VIEJO, ALISO VIEJO, LAGUNA HILLS AND LAGUNA NIGUEL FOR LA PAZ ROAD REGIONAL TRAFFIC SIGNAL SYNCHRONIZATION PROJECT, CIP NO. 168B

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE COOPERATIVE AGREEMENT NO. C-4-1883 BETWEEN ORANGE COUNTY TRANSPORTATION AUTHORITY AND CITIES OF MISSION VIEJO, ALISO VIEJO, LAGUNA HILLS AND LAGUNA NIGUEL FOR LA PAZ ROAD REGIONAL TRAFFIC SIGNAL SYNCHRONIZATION PROJECT AND AUTHORIZE THE MAYOR TO EXECUTE THE AGREEMENT.

SUMMARY:

By action on October 22, 2013, City Council authorized staff to seek Measure M-2 funding for a Traffic Signal Synchronization Project (TSSP) along the length of La Paz Road in concert with adjacent agencies. The project has been funded. Due to the “regional” nature of the project, the Orange County Transportation Authority (OCTA) has offered to manage the project. OCTA has provided the attached Cooperative Agreement which defines the roles of each participating agency and which will allow the project to proceed. Approval of the Agreement is recommended.

BACKGROUND:

The Measure M-2 Program, Project P, seeks to encourage traffic signal synchronization throughout the County with all arterial highways being eligible to seek grant funding on a three year cycle to upgrade signal equipment and to refresh and improve traffic signal timing and coordination within these corridors. Last year, in response to a call for projects, the City of Mission Viejo requested that all cities along the La Paz Road corridor seek a synchronization project. By action on October 22, 2013, City Council authorized staff to seek Measure M-2 funding for a Traffic Signal Synchronization Project (TSSP) along the length of La Paz Road in concert with adjacent agencies. This project was subsequently funded and OCTA has offered to manage this project given its "regional" nature.

In Laguna Hills, La Paz Road traffic operations were previously improved, more than three years ago, through a signal synchronization project. However, La Paz Road is again eligible for improvements under Measure M-2 Project P. The proposed La Paz Road TSSP will upgrade equipment, where needed, and traffic signal timing and coordination. The equipment upgrades include emergency preemption equipment at the La Paz/McIntyre intersection and at the La Paz/Aliso Hills intersection and the replacement of the traffic signal cabinet and communication equipment at the La Paz/Paseo de Valencia intersection. The entire corridor will then be evaluated for coordination and an enhanced synchronization program will be instituted by the design traffic engineers employed on contract by OCTA. The project will require approximately one year to complete.

OCTA has provided the attached Cooperative Agreement which defines the roles of each participating agency and which will allow the project to proceed. Approval of the Agreement is recommended.

FISCAL IMPACT:

The La Paz Road TSSP has a total corridor estimated improvement cost of $355,000 of which the City of Laguna Hills is responsible for approximately $16,000 in matching funds. This project is funded in the current fiscal year Capital Improvement Program as project CIP No. 168B.

ATTACHMENTS:

- Cooperative Agreement C-4-1883

COOPERATIVE AGREEMENT NO. C-4-1883

BETWEEN

ORANGE COUNTY TRANSPORTATION AUTHORITY

AND

CITIES OF MISSION VIEJO, ALISO VIEJO, LAGUNA HILLS, AND LAGUNA NIGUEL

FOR

LA PAZ ROAD REGIONAL TRAFFIC SIGNAL SYNCHRONIZATION PROJECT

THIS COOPERATIVE AGREEMENT (Agreement), is effective this _______ day of _________________, 201__, by and between the Orange County Transportation Authority, 550 South Main Street, P.O. Box 14184, Orange California 92863-1584, a public corporation of the State of California (herein referred to as "AUTHORITY") and the cities of Mission Viejo, Aliso Viejo, Laguna Hills, and Laguna Niguel (hereinafter referred to as "PARTICIPATING AGENCIES") each individually known as "Party" and collectively known as the "Parties".

RECITALS:

WHEREAS, the AUTHORITY in cooperation with the PARTICIPATING AGENCIES is working together in coordinating traffic signals across multiple jurisdictional boundaries as a part of the Renewed Measure M (M2) Regional Traffic Signal Synchronization Program (Project P) to enhance countywide traffic flow and reduce congestion; and

WHEREAS, the AUTHORITY has completed the competitive 2014 Call for Projects (hereinafter, "2014 CALL") in support of Project P and awarded Project P funds based on the application (hereinafter, "APPLICATION") prepared by the City of Mission Viejo (hereinafter referred to as the "APPLICANT AGENCY") for implementation of signal synchronization of traffic signals along La Paz Road (hereinafter, "PROJECT"); and

WHEREAS, the PARTICIPATING AGENCIES in their approved APPLICATION have elected to designate the AUTHORITY and the AUTHORITY agrees to act as the implementing agency to carry out the PROJECT; and

WHEREAS, the PROJECT will include approximately twenty-three (23) traffic signalized intersections as identified in the APPLICATION; and

WHEREAS, the PROJECT will include Intelligent Transportation System (ITS) elements identified in the APPLICATION including certain hardware and software upgrades to intersection traffic controller units, traffic telematics and intertie systems, Advanced Transportation Management Systems (ATMS), and other associated systems (hereinafter collectively referred to as "ITS ELEMENTS"), will be constructed and/or installed and implemented as part of the PROJECT as identified in APPLICATION; and

WHEREAS, the AUTHORITY agrees to work with PARTICIPATING AGENCIES to coordinate the inclusion of other ITS elements (OTHER ELEMENTS) that should be installed at the same time as the construction of the PROJECT and are not part of this Agreement; and

WHEREAS, all costs associated with the inclusion of these OTHER ELEMENTS are the sole responsibility of the AGENCY owning each and any of those OTHER ELEMENTS during the course of the project; and

WHEREAS, based on APPLICATION, the AUTHORITY agrees to implement the PROJECT; and

WHEREAS, the PARTICIPATING AGENCIES per the M2 Ordinance, agree to provide PROJECT funding in a combined cash and in-kind services match of eighty-two thousand, forty-eight dollars ($82,048.00), as shown in Attachment A, or equivalent to twenty percent (20%) of PROJECT cost; and

WHEREAS, the AUTHORITY and the PARTICIPATING AGENCIES desire to enter into this Agreement to implement the PROJECT in support of Project P; and

WHEREAS, this Agreement defines the specific terms, conditions, and funding responsibilities between the AUTHORITY and the PARTICIPATING AGENCIES for the implementation of the PROJECT.

/

WHEREAS, the AUTHORITY's Board of Directors approved funding for the PROJECT and authorized the Chief Executive Officer to negotiate and execute this cooperative agreement on April 14, 2013.

WHEREAS, the CITY of Mission Viejo's City Council approved this Agreement on the _____ day of __________________, 20_____.

WHEREAS, the CITY of Aliso Viejo's City Council approved this Agreement on the _____ day of __________________, 20_____.

WHEREAS, the CITY of Laguna Hills' City Council approved this Agreement on the _____ day of __________________, 20_____.

WHEREAS, the CITY of Laguna Niguel's City Council approved this Agreement on the _____ day of __________________, 20_____.

NOW, THEREFORE, it is mutually understood and agreed by AUTHORITY and the PARTICIPATING AGENCIES as follows:

ARTICLE 1. COMPLETE AGREEMENT

A. This Agreement, including any attachments incorporated herein and made applicable by reference, constitutes the complete and exclusive statement of the term(s) and conditions(s) of this Agreement between AUTHORITY and PARTICIPATING AGENCIES and it supersedes all prior representations, understandings, and communications. The invalidity in whole or in part of any term or condition of this Agreement shall not affect the validity of other term(s) or conditions(s) of this Agreement. The above referenced Recitals are true and correct and are incorporated by reference herein.

B. AUTHORITY's failure to insist on any instance(s) of PARTICIPATING AGENCIES' performance of any term(s) or condition(s) of this Agreement shall not be construed as a waiver or relinquishment of AUTHORITY's right to such performance or to future performance of such term(s) or condition(s), and PARTICIPATING AGENCIES' obligation in respect thereto shall continue in full force and effect. Changes to any portion of this Agreement shall not be binding upon AUTHORITY except when specifically confirmed in writing by an authorized representative of AUTHORITY by way of a written amendment to this Agreement and issued in accordance with the provisions of this Agreement.

C. PARTICIPATING AGENCIES' failure to insist on any instance(s) of AUTHORITY's performance of any term(s) or condition(s) of this Agreement shall not be construed as a waiver or relinquishment of PARTICIPATING AGENCIES' right to such performance or to future performance of such term(s) or condition(s), and AUTHORITY's obligation in respect thereto shall continue in full force and effect. Changes to any portion of this Agreement shall not be binding upon PARTICIPATING AGENCIES except when specifically confirmed in writing by an authorized representative of PARTICIPATING AGENCIES by way of a written amendment to this Agreement and issued in accordance with the provisions of this Agreement.

ARTICLE 2. SCOPE OF AGREEMENT

This Agreement specifies the roles and responsibilities of the Parties as they pertain to the subjects and projects addressed herein. Both AUTHORITY and PARTICIPATING AGENCIES agree that each will cooperate and coordinate with the other in all activities covered by this Agreement and any other supplemental agreements that may be required to facilitate purposes thereof.

ARTICLE 3. RESPONSIBILITIES OF AUTHORITY

AUTHORITY agrees to the following responsibilities for funding of the PROJECT:

A. AUTHORITY shall implement the PROJECT based on the intent of the usage in the APPLICATION prepared by the APPLICANT AGENCY in accordance with the policies and procedures contained in the CTFP Guidelines.

B. AUTHORITY shall provide oversight in order to maintain inter-jurisdictional traffic signal operational integrity between PROJECT and other similar type projects not older than 3 years..

C. AUTHORITY will act as the LEAD AGENCY and provide and file all documentation necessary to comply with California Environmental Quality Act (CEQA) regulations for PROJECT.

D. AUTHORITY shall perform web-based public outreach activities for the project to communicate major project milestones and results.

E. AUTHORITY shall provide formats, templates, and guidance in reporting requirements as described in Comprehensive Transportation Funding Program (CTFP).

F. AUTHORITY, or agents of AUTHORITY, under this Agreement and upon closeout of PROJECT, may perform a technical and/or field review to ensure that the CTFP Guidelines, policies, and procedures were followed. Such a review may be performed one hundred and eighty (180) days after the PROJECT three-year grant period is complete. If the technical and or field review determines that any of the activities performed are ineligible for CTFP funding, PARTICIPATING AGENCIES must reimburse and return the amount of funding used to perform the ineligible activity to AUTHORITY.

G. AUTHORITY shall invoice the PARTICIPATING AGENCIES as identified in APPLICATION and Attachment A for the dollar cash match at the start of the PROJECT or at a mutually agreed upon time to facilitate any respective AGENCY funding timeframes.

H. AUTHORITY shall request updates on the PROJECT as part of semi-annual review process, including documentation of in-kind match conforming to Attachment A and will include the PROJECT in the list of active projects in OCfundTrAcker until completion of the three year grant period. Documents to be provided include, but are not limited to, payroll records, contracts, and purchase orders.

ARTICLE 4. RESPONSIBILITIES OF THE AUTHORITY AS PROJECT LEAD AGENCY

The AUTHORITY as the LEAD AGENCY agrees to the following responsibilities for the implementation of the PROJECT:

A. AUTHORITY shall act as the LEAD AGENCY for the work necessary to manage, procure, and complete the PROJECT as identified in APPLICATION.

B. To coordinate outreach with PARTICIPATING AGENCIES for PROJECT.

C. To collect all data necessary to provide new optimized timing plans including but not limited to manual intersection all movement counts and automated machine traffic and vehicle classification counts.

D. To develop and implement new timing plans optimized for signal synchronization.

E. To provide updated timing plans for all control systems and all relevant data used to develop said plans to PARTICIPATING AGENCIES.

F. To prepare a "Before and After Study" for PROJECT as described in the Measure M2 Eligibility Guidelines adopted by the AUTHORITY. The "Before and After Study" for the project is considered the equivalent of the required Project Final Report (Measure M2 Ordinance No. 3, Section B.III.9) for PROJECT. The AUTHORITY shall provide the "Before and After Study" to the PARTICIPATING AGENCIES in draft and final formats for review and comment. AGENCY comments shall be noted in the final study. If specified in APPLICATION, AUTHORITY shall provide a "Before and After Study" video of a representative portion of PROJECT at up to two public meetings.

ARTICLE 5. RESPONSIBILITIES OF THE PARTICIPATING AGENCIES:

PARTICIPATING AGENCIES agree to the following responsibilities for implementation and funding of PROJECT:

A. Provide a technical representative to meet and participate as a member of the PROJECT's Traffic Forum.

B. To authorize the AUTHORITY to manage, procure, and implement all aspects of PROJECT.

C. To participate and support PROJECT implementation within the timeframe outlined in APPLICATION and consistent with the CTFP Guidelines adopted by AUTHORITY.

D. To provide AUTHORITY all current intersection, local field master, and/or ATMS timing plans and related data upon request.

E. To provide the local cash match and/or documentation for the in-kind services match for PROJECT in accordance with Attachment A. Failure to provide included local cash match and or evidence of in-kind services match may result in the loss of future participation for competitive funding opportunities.

F. PARTICIPATING AGENCIES that have included a dollar match as identified in Attachment A shall provide payment for the dollar match to AUTHORITY within 30 calendar days of receipt of an invoice.

G. PARTICIPATING AGENCIES that have included an in-kind services match as identified in Attachment A shall provide documentation of conformance as part of the semi-annual review process.

H. To waive all fees associated with any local agency permits that may be required of the OCTA Consultant, sub – consultants, and/or service or equipment providers in the performance of the PROJECT.

I. PARTICIPATING AGENCIES shall provide updates on PROJECT to AUTHORITY as part of semi-annual review process until completion of the three year PROJECT grant period. Documents to be provided include, but are not limited to, payroll records, contracts, and purchase orders.

J. PARTICIPATING AGENCIES shall, if specified in APPLICATION, continue Ongoing Monitoring and Maintenance after the three year grant period is complete and continue until the end of the PROJECT per additional Maintenance of Effort in APPLICATION.

ARTICLE 6. DELEGATED AUTHORITY

The actions required to be taken by PARTICIPATING AGENCIES in the implementation of this Agreement are delegated to their respective City Manager, or designee, and the actions required to be taken by AUTHORITY in the implementation of this Agreement are delegated to AUTHORITY's Chief Executive Officer or designee.

ARTICLE 7. AUDIT AND INSPECTION

PARTICIPATING AGENCIES shall maintain a complete set of records in accordance with generally accepted accounting principles. Upon reasonable notice, PARTICIPATING AGENCIES shall permit the authorized representatives of AUTHORITY to inspect and audit all work, materials, payroll, books, accounts, and other data and records of PARTICIPATING AGENCIES for a period of four (4) years after final payment, or until any on-going audit is completed. For purposes of audit, the date of completion of this Agreement shall be the date of AUTHORITY's payment of OCTA

Consultant's final billing (so noted on the invoice) under this Agreement. AUTHORITY shall have the right to reproduce any such books, records, and accounts. The above provision with respect to audits shall extend to and/or be included in contracts with PARTICIPATING AGENCIES' contractor.

ARTICLE 8. INDEMNIFICATION

A. To the fullest extent permitted by law, PARTICIPATING AGENCIES shall defend (at PARTICIPATING AGENCIES' sole cost and expense with legal counsel reasonably acceptable to AUTHORITY), indemnify, protect, and hold harmless AUTHORITY, its officers, directors, employees, and agents (collectively the "Indemnified Parties"), from and against any and all liabilities, actions, suits, claims, demands, losses, costs, judgments, arbitration awards, settlements, damages, demands, orders, penalties, and expenses including legal costs and attorney fees (collectively "Claims"), including but not limited to Claims arising from injuries to or death of persons (PARTICIPATING AGENCIES' employees included), for damage to property, including property owned by AUTHORITY, or from any violation of any federal, state, or local law or ordinance, alleged to be caused by the negligent acts, omissions or willful misconduct of PARTICIPATING AGENCIES, its officers, directors, employees or agents in connection with or arising out of the performance of this Agreement.

B. To the fullest extent permitted by law, AUTHORITY shall defend (at AUTHORITY's sole cost and expense with legal counsel reasonably acceptable to PARTICIPATING AGENCIES), indemnify, protect, and hold harmless PARTICIPATING AGENCIES, its officers, directors, employees, and agents (collectively the "Indemnified Parties"), from and against any and all liabilities, actions, suits, claims, demands, losses, costs, judgments, arbitration awards, settlements, damages, demands, orders, penalties, and expenses including legal costs and attorney fees (collectively "Claims"), including but not limited to Claims arising from injuries to or death of persons (AUTHORITY's employees included), for damage to property, including property owned by PARTICIPATING AGENCIES, or from any violation of any federal, state, or local law or ordinance, alleged to be caused by the negligent acts, omissions or willful misconduct of AUTHORITY, its officers, directors, employees or agents in connection with or arising out of the performance of this Agreement.

C. The indemnification and defense obligations of this Agreement shall survive its expiration or termination.

ARTICLE 9. ADDITIONAL PROVISIONS

A. Term of Agreement: This Agreement shall be effective on ________20__, and shall be in full force and effect through for 48 months through ________________20 __.

B. Extension of Term: This Agreement may be extended or amended in writing at any time by the mutual consent of all parties and Authority. No amendment shall have any force or effect unless executed in writing by all parties and Authority.

C. Termination: In the event any Party defaults in the performance of their respective obligations under this Agreement or breaches any of the provisions of this Agreement, a non-defaulting Party(s) shall have the option to terminate this Agreement upon thirty (30) days' prior written notice to the Party in default. and PARTICIPATING AGENCIES shall comply with all applicable federal, state, and local laws, statues, ordinances and regulations of any governmental authority having jurisdiction over the PROJECT.

D. Termination for Convenience: Either Party may terminate this Agreement for its convenience by providing thirty (30) days' prior written notice of its intent to terminate for convenience to the other Party.

E. AUTHORITY and PARTICIPATING AGENCIES shall comply with all applicable federal, state, and local laws, statues, ordinances and regulations of any governmental authority having jurisdiction over the PROJECT.

F. Legal Authority: AUTHORITY and PARTICIPATING AGENCIES hereto consent that they are authorized to execute this Agreement on behalf of said Parties and that, by so executing this Agreement, the Parties hereto are formally bound to the provisions of this Agreement.

G. Severability: If any term, provision, covenant or condition of this Agreement is held to be invalid, void or otherwise unenforceable, to any extent, by any court of competent jurisdiction, the remainder of this Agreement shall not be affected thereby, and each term, provision, covenant or condition of this Agreement shall be valid and enforceable.

H. Counterparts of Agreement: This Agreement may be executed and delivered in any number of counterparts, each of which, when executed and delivered shall be deemed an original and all of which together shall constitute the same agreement. Facsimile signatures will be permitted.

I. Force Majeure: Either Party shall be excused from performing its obligations under this Agreement during the time and to the extent that it is prevented from performing by an unforeseeable cause beyond its control, including but not limited to; any incidence of fire, flood; acts of God; commandeering of material, products, plants or facilities by the federal, state or local government; national fuel shortage; or a material act or omission by the other Party; when satisfactory evidence of such cause is presented to the other Party, and provided further that such nonperformance is unforeseeable, beyond the control and is not due to the fault or negligence of the Party not performing.

J. Assignment: Neither this Agreement, nor any of the Parties' rights, obligations, duties, or authority hereunder may be assigned in whole or in part by either Party without the prior written consent of the other Party in its sole and absolute discretion. Any such attempt of assignment shall be deemed void and of no force and effect. Consent to one assignment shall not be deemed consent to any subsequent assignment, nor the waiver of any right to consent to such subsequent assignment.

K. Governing Law: The laws of the State of California and applicable local and federal laws, regulations and guidelines shall govern this Agreement.

L. Litigation fees: Should litigation arise out of this Agreement for the performance thereof, the court shall award costs and expenses, including attorney's fees, to the prevailing party.

M. Notices: Any notices, requests, or demands made between the Parties pursuant to this Agreement are to be directed as follows:

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To MISSION VIEJO:	To AUTHORITY:
City of Mission Viejo	Orange County Transportation Authority
200 Civic Center Mission Viejo, CA 92691	550 South Main Street P. O. Box 14184 Orange, CA 92863-1584
Attention: Philip Nitollama Traffic Engineer 949-470-3068 Email: pnitollama@cityofmissionviejo.org	Attention: Venita Anderson Senior Contract Administrator Tel: (714) 560-5427 E-mail: vanderson@octa.net

To ALISO VIEJO:	To LAGUNA HILLS:
City of Aliso Viejo	City of Laguna Hills
12 Journey Suite 100 Aliso Viejo, CA 92656-5335	24035 El Toro Road Laguna Hills, CA 92653
Attention: Shaun Pelletier Assistant City Engineer (949) 425-2533 Email: spelletier@cityofalisoviejo.com	Attention: Ken Rosenfield City Engineer/Director of Public Works (949) 707-2655 Email: krosenfield@ci.laguna-hills.ca.us

To LAGUNA NIGUEL:
City of Laguna Niguel
30111 Crown Valley Parkway Laguna Niguel, CA 92677
Attention: Dave Rogers City Engineer (949) 362-4377 drogers@cityoflagunaniguel.org

This Agreement shall be made effective upon execution by all Parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement No. C-4-1883 to be executed on the date first written above.

CITY OF MISSION VIEJO	**ORANGE COUNTY TRANSPORTATION AUTHORITY**
By: ______________________	By: ______________________
Trish Kelley Mayor	Meena Katakia Manager, Capital Projects
ATTEST:	**APPROVED AS TO FORM:**
By: ______________________	By: ______________________
Karen Hamman City Clerk	Kennard R. Smart, Jr. General Counsel

APPROVED AS TO FORM

By: ______________________
Bill Curley
City Attorney

Dated : ______________________

This Agreement shall be made effective upon execution by all Parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement No. C-4-1883 to be executed on the date first written above.

CITY OF ALISO VIEJO

By: ______________________________
Philip B. Tsunoda
Mayor

ATTEST:

By: ______________________________
Susan Ramos
City Clerk

APPROVED AS TO FORM

By: ______________________________
Scott Smith
City Attorney

Dated : ____________________________

This Agreement shall be made effective upon execution by all Parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement No. C-4-1883 to be executed on the date first written above.

CITY OF LAGUNA HILLS

By: ______________________________
Andrew Blount
Mayor

ATTEST:

By: ______________________________
Peggy J. Johns, MMC
City Clerk

APPROVED AS TO FORM

By: ______________________________
Gregory E. Simonian
City Attorney

Dated : ____________________________

This Agreement shall be made effective upon execution by all Parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement No. C-4-1883 to be executed on the date first written above.

CITY OF LAGUNA NIGUEL

By: ____________________________
Linda Lindholm
Mayor

ATTEST:

By: ____________________________
Eileen Gomez
City Clerk

APPROVED AS TO FORM

By: ____________________________
Terry E. Dixon
City Attorney

Dated : _________________________

DETAILED LOCAL MATCH COMMITMENT

SECTION 1: AGENCY TOTAL MATCH SUMMARY

AGENCY	CASH	IN-KIND	TOTAL MATCH
City of Mission Viejo	$43,886.00	$4,320.00	$48,206.00
City of Aliso Viejo	$3,789.00	$0.00	$3,789.00
City of Laguna Hills	$16,169.00	$0.00	$16,169.00
City of Laguna Niguel	$13,884.00	$0.00	$13,884.00
TOTAL	**$77,728.00**	**$4,320.00**	**$82,048.00**

SECTION 2: MATCH BREAKDOWN (CASH VS IN-KIND SERVICES)

A. Cash Match

AGENCY	FUNDING SOURCE	AMOUNT OF CASH CONTRIBUTION
City of Mission Viejo		$43,886.00
City of Aliso Viejo		$3,789.00
City of Laguna Hills		$16,169.00
City of Laguna Niguel		$13,884.00
	TOTAL	$77,728.00

B. In-Kind Services

i. Specific Improvements (List items and Cost):

Agency	Improvement	Date of Construction	Expenditure
N/A			$
			$
		TOTAL	

ii. Staffing Commitment:

AGENCY	STAFF POSITION	TYPE OF SERVICE TO PROJECT	NO. OF HOURS	FULLY BURDENED HOURLY RATE	TOTAL*
City of Mission Viejo	Traffic Engineer	Project Administration, Quality Assurance & Signal Timing	5	$145	$725
City of Mission Viejo	Transportation Analyst	Signal Timing Implementation & Operations	19.42	$94	$1,825
City of Mission Viejo	PW Inspector	Project Administration, Quality Assurance & Inspection	5	$124	$620
City of Mission Viejo	Traffic Systems Specialist (HCI)	Signal Timing Implementation & Operations	10	$115	$1,150
				Total for City of Mission Viejo:	***$ 4,320.00***
				TOTAL IN-KIND MATCH*:	**$ 4,320.00**

**Total amount is the required participation by the identified agency. The number of hours and hourly rate will be based on each agency's actual fully burdened billing rates, which must collectively equal the same value of the assigned "Total" dollars. Each agency will be responsible for keeping detailed records of hours worked and description of work. An accounting record of personnel, hours at fully burdened rate is expected to be included with the final submittal. Records will be subject to auditing.*

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: DECEMBER 9, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: DONALD J. WHITE, ASSISTANT CITY MANAGER

ISSUE: RESOLUTIONS AMENDING THE MEMORANDUM OF UNDERSTANDING (MOU) WITH THE LAGUNA HILLS CITY EMPLOYEES ASSOCIATION AND AMENDING RESOLUTION NO. 2013-09-10-1

RECOMMENDATION: THAT THE CITY COUNCIL ADOPT THE FOLLOWING:

(1) "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA AMENDING THE MEMORANDUM OF UNDERSTANDING WITH THE LAGUNA HILLS CITY EMPLOYEES ASSOCIATION TO PROVIDE FOR ONE ADDITIONAL HOLIDAY IN 2014 AND TO IMPLEMENT A FLEXIBLE SPENDING ACCOUNT FOR BARGAINING UNIT EMPLOYEES"; AND

(2) "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING RESOLUTION NO. 2013-09-10-1 TO PROVIDE FOR ONE ADDITIONAL HOLIDAY IN 2014 AND TO IMPLEMENT A FLEXIBLE SPENDING ACCOUNT FOR MANAGEMENT, CONFIDENTIAL AND PART-TIME EMPLOYEES."

SUMMARY:

Prior to November 27, 2012, all employment classifications, positions, salaries and benefits were governed by a Salary and Benefits Resolution that was typically adopted biennially in conjunction with the City's Biennial Budget cycle. However, on November 27, 2012, the City Council approved a Memorandum of Understanding (MOU) with the Laguna Hills City Employees Association; the exclusive bargaining representative for all regular full-time and extended part-time non-management and non-confidential employees. All issues related to employment, including salary and benefits, as they pertain to represented employees, are exclusively governed by the terms of the MOU. Remaining management, confidential, and part-time employees are covered by the Salary and Benefits Resolution passed on September 10, 2013, Resolution No. 2013-09-10-1. Consequently, changes in benefits pertaining to all employees, in this case modifying fixed holidays and implementing a new benefits program, require amending both the MOU with the employees association and Resolution No. 2013-09-10-1.

The City currently observes nine (9) fixed holidays during which City Hall is closed. This year, Christmas day falls on a Thursday. In the past, when this occurred, the City would close on Friday, the day after Christmas, and employees were required to use discretionary holiday time for this day off. This year, staff is requesting that the City Council grant employees an additional holiday; 8 hours for full-time employees and 4 hours for extended part-time employees. These additional holiday hours would be for 2014 only. This change would require amending both the MOU and Resolution No. 2013-09-10-1 to add the Day after Christmas as a holiday for 2014 only and authorize the additional holiday hours be credited to affected employees.

Additionally, over the past year, staff has conducted extensive research on Flexible Spending Accounts (FSA) and examined the benefits of adding the program for City employees. The FSA program is a voluntary benefit program governed by the IRS under Internal Revenue Code Section 125. Participation in this program allows employees to set aside funds through pre-tax payroll deductions to pay for qualifying medical or dependent care expenses. A brief telephone survey of surrounding cities determined that this is a fairly standard benefit offered in most cities, including all south Orange County cities. Staff requested and received three informal proposals from prominent FSA administrators, and estimates the cost to the City would be $600 per year. In order to implement this benefit, however, both the MOU and Resolution No. 2013-09-10-1 would need to be amended to add the FSA program benefit.

Staff recommends that the City Council approve amending the MOU and Resolution No. 2013-09-10-1 to modify the fixed holidays for 2014 and add an FSA program benefit for affected employees.

ATTACHMENTS:

- Resolution Amending the Memorandum of Understanding with the Laguna Hills City Employees Association
- Resolution Amending Resolution No. 2013-09-10-1

RESOLUTION NO. 2014-12-09-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING THE MEMORANDUM OF UNDERSTANDING WITH THE LAGUNA HILLS CITY EMPLOYEES ASSOCIATION TO PROVIDE FOR ONE ADDITIONAL HOLIDAY IN 2014 AND TO IMPLEMENT A FLEXIBLE SPENDING ACCOUNT FOR BARGAINING UNIT EMPLOYEES

The City Council of the City of Laguna Hills, California, hereby finds, determines, declares, and resolves as follows:

WHEREAS, the City Council approved a Memorandum of Understanding with the Laguna Hills City Employees Association establishing the official plan of compensation for the City for non-management and non-confidential, regular full-time and extended part-time employees;

WHEREAS, the MOU between the City and Association specifies the benefits available to the affected categories of employees;

WHEREAS, the City Council wishes to augment the benefits provided therein; and

WHEREAS, the Laguna Hills City Employees Association has been notified of and has agreed to the changes in benefits;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. Section XII.A. of the MOU is hereby amended to include, for 2014 only, December 26, 2014, the Day after Christmas, as a holiday under the list of fixed holidays during which City Hall will be closed..

SECTION 2. Section XII.C. of the MOU is hereby amended as follows: “Full-time employees shall receive 104 holiday hours as set forth herein and use the remaining time as discretionary holiday leave subject to supervisor approval. For 2014 only, an additional 8 holiday hours shall be added to employees’ holiday leave time.”

SECTION 3. Section XII.D. is hereby amended as follows: “Extended part-time employees shall receive a maximum of 52 hours for observed holidays as set forth in Section XII.A. above and use the remaining time as discretionary holiday leave time subject to supervisor approval. For 2014 only, an additional 4 holiday hours shall be added to employees’ holiday leave time.”

SECTION 4. Section XIV of the MOU is hereby amended to include a new provision as follows::

"K. Effective March 1, 2015, the City agrees to implement and maintain a Flexible Spending Account (FSA) program that will enable employees to defer compensation on a pre-tax basis for eligible health care expenses and dependent care expenses. This program shall be provided and administered consistent with applicable federal laws. More information relating to the program may be obtained from Administrative Services."

PASSED, APPROVED, AND ADOPTED this 9th day of December 2014.

____

, MAYOR

ATTEST:

____

PEGGY J. JOHNS, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Peggy J. Johns, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2014-12-09-__ adopted by the City Council of the City of Laguna Hills, California, at a Regular Meeting thereof held on the 9th day of December 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

PEGGY J. JOHNS, CITY CLERK

RESOLUTION NO. 2014-12-09-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AMENDING RESOLUTION NO. 2013-09-10-1 TO PROVIDE FOR ONE ADDITIONAL HOLIDAY IN 2014 AND TO IMPLEMENT A FLEXIBLE SPENDING ACCOUNT FOR MANAGEMENT, CONFIDENTIAL AND PART-TIME EMPLOYEES

The City Council of the City of Laguna Hills, California, hereby finds, determines, declares, and resolves as follows:

WHEREAS, the City Council approved Resolution No. 2013-09-10-1 establishing the official plan of compensation for the City for positions defined as management, confidential, and part-time; and

WHEREAS, Section 3 of Resolution No. 2013-09-10-1 specifies the benefits available to the affected categories of employees; and

WHEREAS, the City Council wishes to augment the benefits provided therein;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. Section 3.IV.A. of Resolution No. 2013-09-10-1 is hereby amended as follows: "The City shall provide full-time management and confidential employees 104 paid hours per fiscal year for holidays. For 2014 only, an additional 8 paid hours for holidays shall be added to employees' holiday leave time.

SECTION 2. Section 3.IV.B of Resolution No. 2013-09-10-1 is hereby amended to include, for 2014 only, December 26, 2014, the Day after Christmas, as a holiday under the list of fixed holidays during which City Hall will be closed.

SECTION 3. Section 3.VI. of Resolution No. 2013-09-10-1 is hereby amended to include a new provision as follows:

"C. Effective March 1, 2015, the City agrees to implement and maintain a Flexible Spending Account (FSA) program that will enable employees to defer compensation on a pre-tax basis for eligible health care expenses and dependent care expenses. This program shall be provided and administered consistent with applicable federal laws. More information relating to the program may be obtained from Administrative Services."

PASSED, APPROVED, AND ADOPTED this 9th day of December 2014.

____

, MAYOR

ATTEST:

____

PEGGY J. JOHNS, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Peggy J. Johns, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2014-12-09-__ adopted by the City Council of the City of Laguna Hills, California, at a Regular Meeting thereof held on the 9th day of December 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

____

PEGGY J. JOHNS, CITY CLERK

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: **DECEMBER 9, 2014**

TO: **MAYOR AND COUNCIL MEMBERS**

FROM: **DONALD J. WHITE**
ASSISTANT CITY MANAGER

ISSUE: **AUTHORIZATION TO CLOSE CITY HALL ON DECEMBER 26, 2014**

RECOMMENDATION: THAT THE CITY COUNCIL ADOPT A RESOLUTION ENTITLED: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AUTHORIZING THE CLOSURE OF THE LAGUNA HILLS' CITY HALL ON DECEMBER 26, 2014, THE DAY AFTER CHRISTMAS."

SUMMARY:

Pursuant to City Council Resolution No. 2013-09-10-1 and the Memorandum of Understanding (MOU) with the Laguna Hills City Employees Association, the City currently observes the following nine (9) fixed holidays during which City Hall is closed:

- New Year's Day
- Presidents Day
- Memorial Day
- Independence Day
- Labor Day
- Veterans Day
- Thanksgiving Day
- Day after Thanksgiving
- Christmas Day

Christmas day falls on a Thursday this calendar year and all City facilities are currently scheduled to be open on Friday, December 26th. Since the City Council in earlier action amended the MOU and Resolution No. 2013-09-10-1 to fix December 26, as a holiday for 2014, it is appropriate to adopt a Resolution officially authorizing the closure of City Hall on Friday, December 26, 2014. The Community Center will remain open to accommodate both walk-in and permit activities.

ATTACHMENTS:

- Resolution

RESOLUTION NO. 2014-12-09-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, AUTHORIZING THE CLOSURE OF THE LAGUNA HILLS' CITY HALL ON DECEMBER 26, 2014, THE DAY AFTER CHRISTMAS

The City Council of the City of Laguna Hills, California, hereby finds, determines, declares, and resolves as follows:

WHEREAS, the City Council approved a Memorandum of Understanding with the Laguna Hills City Employee Association (the "MOU") and adopted Resolution No. 2013-09-10-1, both of which fixed nine holidays in which City Hall is closed including Christmas Day; and

WHEREAS, Christmas Day falls on a Thursday during calendar year 2014 and City Hall will be closed; and

WHEREAS, the day after Christmas falls on a Friday during calendar year 2014 and City Hall is scheduled to be open; and

WHEREAS, it is expected that there will be minimal business activity on Friday, December 26th; and

WHEREAS, the City Council has amended both the MOU and Resolution No. 2013-09-10-1 to fix December 26th as a holiday for 2014 only.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

The City of Laguna Hills' City Hall will be closed on Friday, December 26, 2014, the day after Christmas.

PASSED, APPROVED, AND ADOPTED this 9th day of December 2014.

____
, MAYOR

ATTEST:

____
PEGGY J. JOHNS, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Peggy J. Johns, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2014-12-09-__ adopted by the City Council of the City of Laguna Hills, California, at a Regular Meeting thereof held on the 9th day of December 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

____
PEGGY J. JOHNS, CITY CLERK

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: DECEMBER 9, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: DONALD J. WHITE, ASSISTANT CITY MANAGER

ISSUE: AWARD OF CONTRACT FOR CITY WEBSITE REDESIGN AND DEVELOPMENT PROJECT

RECOMMENDATION: THAT THE CITY COUNCIL APPROVE THE CONSULTING SERVICES AGREEMENT WITH CIVICPLUS FOR CITY WEBSITE REDESIGN AND DEVELOPMENT AND AUTHORIZE THE CITY MANAGER TO EXECUTE THE AGREEMENT.

SUMMARY:

In May 2014, staff prepared and released a Request for Proposal for website redesign and development services. A total of 16 responses were received, ranging in cost from $13,500 to $90,373. After thoroughly reviewing the responses and conducting an extensive interview process, staff is recommending the City Council approve a Consulting Services Agreement with CivicPlus for the project.

BACKGROUND:

One of the Major Plans included in the 2013-2015 Biennial Budget is to “overhaul and update the City’s web site to improve its efficiency and effectiveness from the public’s perspective.” The last major update on the City’s website was completed in 2006. Since then, there have been significant advances in website design that can dramatically enhance the look and functionality of the website.

To that end, on May 14, 2014, staff prepared and released a Request for Proposal (RFP) for website redesign and development services associated with the City’s website. On June 11, 2014, the City received 16 responses to the RFP, ranging in cost from $13,500 to $90,373. After thoroughly reviewing the firms’ responses, staff invited four firms to interview with the City’s IT Committee. The IT Committee is a committee comprised of City staff representatives from each department that collaborate on the City’s various technological initiatives. The following firms were interviewed:

1. CivicPlus
2. Jesse James Creative
3. Civica
4. Vision Internet

Based on input from the IT Committee, two finalists were selected - CivicPlus and Vision Internet - and invited to present to the City's management team.

Due to the functionality of their software, the cost to implement the project and support provided following implementation, staff is recommending the contract be awarded to CivicPlus. CivicPlus currently provides e-government solutions for more than 1,700 cities, towns, and counties in 49 states, Canada and Australia. Additionally, the contract includes the option for a redesign of the website with no out-of-pocket costs after four years of continuous annual maintenance service. It is anticipated the redesign will take 16-22 weeks for completion.

FISCAL IMPACT:

The total project cost for the website redesign is $36,000, which includes hosting and maintenance for the first year. Annual services, including software updates, maintenance, support, and hosting, are $7,008 per year, subject to an annual 3% increase after the third year of project implementation. CivicPlus offers local governments the opportunity to combine one-time and annual recurring costs and spread the costs out over three years. Staff recommends utilizing this multi-year option, resulting in an annual payment of $16,672 for the first three years of the agreement.

ATTACHMENTS:

- Consulting Services Agreement

CONSULTING SERVICES AGREEMENT
Icon Enterprises, Inc., d/b/a CivicPlus
(*City Website Redesign and Development, Support and Maintenance*)

THIS AGREEMENT FOR CONSULTING SERVICES (the "Agreement") is made, entered into, and effective this 9th day of December 2014, by and between the CITY OF LAGUNA HILS, a municipal corporation organized and existing under the laws of the State of California ("City"), and ICON ENTERPRISES, INC., D/B/A CIVICPLUS ("Consultant").

RECITALS

A. City requires the services of a qualified consulting firm that specializes in providing government website design for the purpose of redesigning, developing, supporting and maintaining the City's website (the "Project").

B. Consultant has submitted to City a proposal, dated June 11, 2014, as revised September 18, 2014, to provide government website redesign and development for the Project pursuant to the terms of this Agreement.

C. Based on its unique experience, education, training, and reputation, Consultant is qualified to provide the necessary professional consulting services to City for the Project and desires to provide such services.

D. City desires to retain the professional services of Consultant for the Project.

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein, City agrees to retain and does hereby retain Consultant and Consultant agrees to provide services to the City as follows:

AGREEMENT

1. CONSULTANT SERVICES

1.1 Scope of Services. In compliance with all terms and conditions of this Agreement, Consultant shall provide professional government website redesign and development as well as website support, maintenance and other specified consulting services to City for the Project as set forth and described in Consultant's Proposal dated June 11, 2014, as revised September 18, 2014, ("Scope of Services/Work,"), which is attached to this Agreement as Exhibit "A" and is incorporated herein by reference (the "services" or "work"), and which proposal includes the agreed upon schedule of performance, professional rates, and the schedule of fees. Consultant represents and warrants that all services and work shall be performed in a competent, professional, and satisfactory manner in accordance with all standards prevalent in the industry in the State of California. In the event of any inconsistency between the terms contained in the Scope of Services/Work and the terms set forth in the main body of this Agreement, the terms set forth in the main body of this Agreement shall govern.

1.2 <u>Compliance with Law</u>. All services rendered under this Agreement shall be provided by Consultant in accordance with all applicable federal, state, and local laws, statutes, and ordinances and all lawful orders, rules, and regulations promulgated thereunder.

1.3 <u>Licenses and Permits</u>. Consultant shall obtain at its sole cost and expense such licenses, permits, and approvals as may be required by law for the performance of the services required by this Agreement.

1.4 <u>Familiarity with Work</u>. By executing this Agreement, Consultant warrants that it has carefully considered how the work should be performed and fully understands the facilities, difficulties, and restrictions attending performance of the work under this Agreement.

2. <u>TIME FOR COMPLETION.</u>

The time for completion of the services to be performed by Consultant is an essential condition of this Agreement. Consultant shall prosecute regularly and diligently the work of this Agreement according to the agreed upon schedule of performance set forth in <u>Exhibit "A"</u>. Consultant shall not be accountable for delays in the progress of its work caused by any condition beyond its control and without the fault or negligence of Consultant. Delays shall not entitle Consultant to any additional compensation regardless of the party responsible for the delay.

3. <u>COMPENSATION OF CONSULTANT</u>

3.1 <u>Compensation of Consultant</u>. For the services rendered pursuant to this Agreement, Consultant shall be compensated by City in accordance with the schedule of fees and professional rates set forth in <u>Exhibit "A,"</u> which total contract amount shall not exceed Sixty Four Thousand Six Hundred and Seventy Dollars ($64,670.00) during the Initial Term, as defined in Section 4.4 below.

3.2 <u>Method of Payment</u>. In any month in which Consultant wishes to receive payment, Consultant shall no later than the first working day of such month, submit to City in the form approved by City's Finance Manager, an invoice for services rendered prior to the date of the invoice. Payments shall be based on the rates as set forth in Exhibit "A" for authorized services performed. City shall pay Consultant for all expenses stated thereon, which are approved by City consistent with this Agreement, within thirty (30) days of receipt of Consultant's invoice.

3.3 <u>Changes</u>. In the event any change or changes in the Scope of Services/Work is requested by City, the parties hereto shall execute a written amendment to this Agreement, setting forth with particularity all terms of such amendment, including, but not limited to, any additional fees. An amendment may be entered into:

A. To provide for revisions or modifications to documents or other work product or work when documents or other work product or work is required by the enactment or revision of law subsequent to the preparation of any documents, other work product, or work;

B. To provide for additional services not included in this Agreement or not customarily furnished in accordance with generally accepted practice in Consultant's profession.

3.4 **Appropriations**. This Agreement is subject to and contingent upon funds being appropriated therefore by the Laguna Hills City Council for each fiscal year covered by the Agreement. If such appropriations are not made, this Agreement shall automatically terminate without penalty to City.

4. PERFORMANCE SCHEDULE

4.1 **Time of Essence**. Time is of the essence in the performance of this Agreement.

4.2 **Schedule of Performance**. All services rendered pursuant to this Agreement shall be performed pursuant to the agreed upon schedule of performance set forth in Exhibit "A". The extension of any time period must be approved in writing by the Contract Officer.

4.3 **Force Majeure**. The time for performance of services to be rendered pursuant to this Agreement may be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of Consultant, including, but not limited to, acts of God or of a public enemy, acts of the government, fires, earthquakes, floods, epidemic, quarantine restrictions, riots, strikes, freight embargoes, and unusually severe weather if Consultant shall within ten (10) days of the commencement of such condition notify the Contract Officer who shall thereupon ascertain the facts and the extent of any necessary delay, and extend the time for performing the services for the period of the enforced delay when and if in the Contract Officer's judgment such delay is justified, and the Contract Officer's determination shall be final and conclusive upon the parties to this Agreement.

4.4 **Term**. Unless earlier terminated in accordance with Section 8.5 of this Agreement, this Agreement shall commence upon the effective date of this Agreement and shall continue in full force and effect for a period of five (5) years, commencing on November 25, 2014, and ending on November 24, 2019 ("Initial Term"). Thereafter, this Agreement shall automatically renew for subsequent twelve month (12) periods (each such 12-month period being a "Renewal Term," and the Initial Term and any Renewal Terms together constituting the "Term" of this Agreement, provided however, either party may elect to terminate this Agreement by providing written notice to the other of such intent, at least sixty (60) days prior to the end of the Initial Term or the applicable Renewal Term.

5. COORDINATION OF WORK

5.1 **Representative of Consultant**. The following representative of Consultant is hereby designated as being the representative of Consultant designated and authorized to act in its behalf with respect to the services and work specified herein and make all decisions in connection therewith: *William Spicer, Regional Sales Manager*. It is expressly understood that the experience, knowledge, education, capability, and reputation of the foregoing representative is a substantial inducement for City to enter into this Agreement. Therefore, the foregoing representative shall be responsible during the term of this Agreement for directing all activities of Consultant and devoting sufficient time to personally supervise the services hereunder. The foregoing representative shall not be changed by Consultant without the prior written approval of the Contract Officer.

5.2 **<u>Contract Officer</u>**. The Contract Officer shall be the City Manager, or the City Manager's designee. It shall be the Consultant's responsibility to keep the Contract Officer, or Contract Officer's designee, fully informed of the progress of the performance of the services and Consultant shall refer any decisions that must be made by City to the Contract Officer. Unless otherwise specified herein, any approval of City required hereunder shall mean the approval of the Contract Officer.

5.3 **<u>Prohibition Against Subcontracting or Assignment</u>**. The experience, knowledge, education, capability, and reputation of Consultant, its principals and employees, were a substantial inducement for City to enter into this Agreement. Therefore, Consultant shall not contract with any other individual or entity to perform in whole or in part the services required hereunder without the express written approval of City. In addition, neither this Agreement nor any interest herein may be assigned or transferred, voluntarily or by operation of law, without the prior written approval of City.

5.4 **<u>Independent Contractor.</u>**

A. The legal relationship between the parties hereto is that of an independent contractor, and nothing herein shall be deemed to make Consultant a City employee. During the performance of this Agreement, Consultant and its officers, employees, and agents shall act in an independent capacity and shall not act as City officers or employees. The personnel performing the services and work 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 its officers, employees, or agents, except as set forth in this Agreement. Consultant, its officers, employees, or agents shall not maintain an office or any other type of fixed business location at City's offices. City shall have no voice in the selection, discharge, supervision, or control of Consultant's employees, servants, representatives, or agents, or in fixing their number, compensation, or hours of service. Consultant shall pay all wages, salaries, and other amounts due its employees in connection with this Agreement and shall be responsible for all reports and obligations respecting them, including but not limited to social security income tax withholding, unemployment compensation, workers' compensation, and other similar matters. City shall not in any way or for any purpose be deemed to be a partner of Consultant in its business or otherwise a joint venturer or a member of any joint enterprise with Consultant.

B. Consultant shall not incur or have the power to incur any debt, obligation, or liability against City, or bind City in any manner.

C. No City benefits shall be available to Consultant, its officers, employees, or agents in connection with any performance under this Agreement. Except for fees paid to Consultant as provided for in this Agreement, City shall not pay salaries, wages, or other compensation to Consultant for the performance of services and work performed by Consultant under this Agreement. City shall not be liable for compensation or indemnification to Consultant, its officers, employees, or agents, for injury or sickness arising out of performing services and work hereunder. If for any reason any court or governmental agency determines that the City has financial obligations, other than pursuant to Section 3, of any nature relating to salary, taxes, or benefits of Consultant's officers, employees, servants, representatives, subcontractors, or agents, Consultant shall indemnify City for all such financial obligations.

5.5 **Personnel**. Consultant agrees to assign the following individuals to perform the services set forth herein. Consultant shall not alter the assignment of the following personnel without the prior written approval of the Contract Officer. Acting through the City Manager, the City shall have the unrestricted right to order the removal of any personnel assigned by Consultant by providing written notice to Consultant.

Name:	Title:
Heather Wedel	Project Manager

6. INSURANCE AND INDEMNIFICATION

6.1 Insurance. Consultant shall procure and maintain, at its sole cost and expense, and submit concurrently with its execution of this Agreement, in a form and content satisfactory to City, public liability and property damage insurance against all claims for injuries against persons or damages to property resulting from Consultant's performance under this Agreement. Consultant shall also carry workers' compensation insurance in accordance with California workers' compensation laws. Such insurance shall be kept in full force and effect during the term of this Agreement, including any extension thereof, and shall not be cancelable without thirty (30) days written notice to City of any proposed cancellation. Certificates of insurance evidencing the foregoing and designating the City, its elected officials, officers, employees, agents, and volunteers as additional insureds by original endorsement shall be delivered to and approved by City prior to commencement of services. The procuring of such insurance and the delivery of policies, certificates, and endorsements evidencing the same shall not be construed as a limitation of Consultant's obligation to indemnify City, its elected officials, officers, agents, employees, and volunteers.

6.1.1 Minimum Scope of Insurance. The minimum amount of insurance required hereunder shall be as follows:

A. Comprehensive general liability and personal injury with limits of at least one million dollars ($1,000,000.00) per occurrence, two million dollars ($2,000,000.00) in the general aggregate, and one million dollars ($1,000,000.00) for products and completed operations; the commercial general liability policy shall name the City of Laguna Hills as an additional insured;

B. Automobile liability insurance with limits of at least one million dollars ($1,000,000.00) per occurrence;

C. Workers' Compensation insurance in the statutory amount as required by the State of California, and Employer's Liability Insurance with limits of at least one million dollars ($1,000,000.00) per accident for bodily injury or disease.

For any claims related to this Agreement, Consultant's insurance coverage shall be primary insurance as respects City and its respective elected officials, officers, employees, agents, and volunteers. Any insurance or self-insurance maintained by City and its respective elected officials, officers, employees, agents, and volunteers shall be in excess of Consultant's insurance and shall not contribute with it. For Workers' Compensation and Employer's Liability Insurance only, the insurer shall waive all rights of subrogation and contribution it may have against City, its elected officials, officers, employees, agents, and volunteers.

6.1.2 Sufficiency of Insurers. Insurance required herein shall be issued by a licensed company authorized to transact business in the state by the Department of Insurance for the State of California with a current rating of A-:VII or better (if an admitted carrier), or a current rating of A:X or better (if offered by a non-admitted insurer listed on the State of California List of Eligible Surplus Lines Insurers (LESLI), by the latest edition of A.M. Best's Key Rating Guide, except that the City will accept workers' compensation insurance from the State Compensation Fund.

6.1.3 Verification of Coverage. Consultant shall furnish City with both original certificates of insurance and endorsements, including additional insured endorsements, effecting all of the coverages required by this Agreement. The certificates and endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. All proof of insurance is to be received and approved by the City before work commences. City reserves the right to require Consultant's insurers to provide complete, certified copies of all required insurance policies at any time. Additional insured endorsements are not required for Workers' Compensation policies.

6.1.4 Deductibles and Self-Insured Retentions. Any deductibles or self-insured retentions must be declared to and approved by the City. At the option of the City, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its elected officials, officers, employees, agents, and volunteers; or, Consultant shall procure a bond guaranteeing payment of losses and related investigations, claim administration, and defense expenses.

6.1.5 Separation of Insureds; No Special Limitations. All insurance required by this Section shall contain standard separation of insureds provisions. In addition, such insurance shall not contain any special limitations on the scope of protection afforded to the City, its directors, officials, officers, employees, agents, and volunteers.

6.2 Indemnification. To the fullest extent permitted by law, Consultant shall defend (at Consultant's sole cost and expense with legal counsel reasonably acceptable to City), indemnify, protect, and hold harmless City, its elected officials, officers, directors, employees, agents, and volunteers (collectively the "Indemnified Parties"), from and against any and all liabilities, actions, suits, claims, demands, losses, costs, judgments, arbitration awards, settlements, damages, demands, orders, penalties, and expenses including legal costs and attorney fees (collectively "Claims"), including but not limited to Claims arising from injuries to or death of persons (Consultant's employees included), for damage to property, including property owned by City, or from any violation of any federal, state, or local law or ordinance, which Claims arise out of, pertain to, or are related to the negligent acts or omissions, recklessness, or willful misconduct of Consultant, its agents, employees, or subcontractors. Such obligation to defend, hold harmless, and indemnify City shall not apply to the extent that such Claims are caused by the sole negligence, recklessness, or willful misconduct of City. Under no circumstances shall the insurance requirements and limits set forth in this Agreement be construed to limit Consultant's indemnification obligation or other liability hereunder.

7. <u>RECORDS AND REPORTS</u>

7.1 **<u>Reports</u>**. Consultant shall periodically prepare and submit to the Contract Officer such reports concerning the performance of the services required by this Agreement as the Contract Officer shall require.

7.2 **<u>Records</u>**. Consultant shall keep such books and records as shall be necessary to properly perform the services required by this Agreement and enable the Contract Officer to evaluate the performance of such services. The Contract Officer shall have full and free access to such books and records at all reasonable times, including the right to inspect, copy, audit, and make records and transcripts from such records.

7.3 **<u>Ownership of Documents</u>**. All drawings, specifications, reports, records, documents, and customer content (i.e. website graphic designs, page content, module content, importable/exportable data, and archived information) prepared by Consultant in the performance of this Agreement shall be the property of City and shall be delivered to City upon request of the Contract Officer or upon the termination of this Agreement, and Consultant shall have no claim for further employment or additional compensation as a result of the exercise by City of its full rights or ownership of the documents and materials hereunder. Consultant may retain copies of such documents for its own use. Consultant shall have an unrestricted right to use the concepts embodied therein. Consultant shall not be held liable for any modification or re-use of such City-owned materials for purposes outside the scope of this Agreement. Upon completion of the development of the City's website, City will assume full responsibility for website content maintenance and content administration. City shall have sole responsibility for the accuracy, quality, integrity, legality, reliability, appropriateness, and intellectual property ownership or right to use of all City website content. City shall not (i) license, sublicense, sell, resell, transfer, assign, distribute or otherwise commercially exploit or make available to any third party the GCMS® software in any way; (ii) modify or make derivative works based upon the GCMS® software; (iii) create Internet "links" to the GCMS® software or "frame" or "mirror" any GCMS® administrative access on any other server or wireless or Internet-based device; or (iv) reverse engineer or access the GCMS® software in order to (a) build a competitive product or service, (b) build a product using similar ideas, features, functions or graphics of the GCMS® software, or (c) copy any ideas, features, functions or graphics of the GCMS® software. The CivicPlus name, the CivicPlus Logo, and the product and module names associated with the GCMS® software are trademarks of CivicPlus, and no right or license is granted herein to use them.

7.4 **<u>Release of Documents</u>**. All drawings, specifications, reports, records, documents, and customer content prepared by Consultant in the performance of services under this Agreement shall not be released publicly without the prior written approval of the Contract Officer.

7.5 Cost Records. Consultant shall maintain all books, documents, papers, employee time sheets, accounting records, and other evidence pertaining to costs incurred while performing under this Agreement and shall make such materials available at its offices at all reasonable times during the term of this Agreement and for three (3) years from the date of final payment for inspection by City and copies thereof shall be promptly furnished to City upon request.

8. ENFORCEMENT OF AGREEMENT

8.1 California Law. This Agreement shall be construed and interpreted both as to validity and to performance of the parties in accordance with the laws of the State of California. Legal actions concerning any dispute, claim, or matter arising out of or in relation to this Agreement shall be instituted in the Superior Court of the County of Orange, State of California, or any other appropriate court in such county, and Consultant covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.

8.2 Waiver. No delay or omission in the exercise of any right or remedy of a non-defaulting party on any default shall impair such right or remedy or be construed as a waiver. No consent or approval of City shall be deemed to waive or render unnecessary City's consent to or approval of any subsequent act of Consultant. Any waiver by either party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Agreement.

8.3 Rights and Remedies are Cumulative. Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

8.4 Legal Action. In addition to any other rights or remedies, either party may take legal action, in law or in equity, to cure, correct, or remedy any default, to recover damages for any default, to compel specific performance of this Agreement, to obtain injunctive relief, a declaratory judgment, or any other remedy consistent with the purposes of this Agreement.

8.5 Termination Prior to Expiration of Term. City reserves the right to terminate this Agreement at any time, with or without cause, upon sixty (60) days written notice to Consultant, except that where termination is due to the fault of Consultant and constitutes an immediate danger to health, safety, and general welfare, the period of notice shall be such shorter time as may be determined by the City. Upon receipt of the notice of termination, Consultant shall immediately cease all services hereunder except such as may be specifically approved by the Contract Officer. Consultant shall be entitled to compensation for all services rendered prior to receipt of the notice of termination and for any services authorized by the Contract Officer thereafter. In addition, the Consultant reserves the right to terminate this Agreement at any time, with or without cause, upon sixty (60) days written notice to City, except that where termination is due to material default by the City, the period of notice may be such shorter time as the Consultant may determine.

8.6 <u>Attorney Fees</u>. In the event any dispute between the parties with respect to this Agreement results in litigation or any non-judicial proceeding, the prevailing party shall be entitled, in addition to such other relief as may be granted, to recover from the non-prevailing party all reasonable costs and expenses, including but not limited to reasonable attorney fees, expert consultant fees, court costs and all fees, costs, and expenses incurred in any appeal or in collection of any judgment entered in such proceeding.

9. CITY OFFICERS AND EMPLOYEES; NON-DISCRIMINATION

9.1 <u>Non-Liability of City Officers and Employees</u>. No officer, director, official, or employee of City shall be personally liable to the Consultant, or any successor-in-interest, in the event of any default or breach by City or for any amount which may become due to the Consultant or its successor, or for breach of any obligation of the terms of this Agreement.

9.2 <u>Covenant Against Discrimination</u>. Consultant covenants that, by and for itself, its heirs, executors, assigns, and all persons claiming under or through them, that there shall be no discrimination or segregation in the performance of or in connection with this Agreement regarding any person or group of persons on account of race, color, creed, religion, sex, marital status, disability, sexual orientation, national origin, or ancestry.

10. MISCELLANEOUS PROVISIONS

10.1 <u>Notice</u>. Any notice, demand, request, consent, approval, or communication either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by pre-paid, first-class mail to the address set forth below. Either party may change its address by notifying the other party of the change of address in writing. Notice shall be deemed communicated seventy-two (72) hours from the time of mailing if mailed as provided in this Section.

To City:	City of Laguna Hills Attention: City Manager 24015 El Toro Road Laguna Hills, California 92653
To Consultant:	Icon Enterprises, Inc., d/b/a CivicPlus Attention: S. Ward Morgan 302 S. 4th Street, Suite 500 Manhattan, Kansas 66502

10.2 <u>Integrated Agreement</u>. This Agreement contains all of the agreements of the parties and cannot be amended or modified except by written agreement.

10.3 <u>Amendment</u>. This Agreement may be amended at any time by the mutual consent of the parties by an instrument in writing.

10.4 **Severability**. In the event that any one or more of the phrases, sentences, clauses, paragraphs, or sections contained in this Agreement shall be declared invalid or unenforceable by valid judgment or decree of a court of competent jurisdiction, such invalidity or unenforceability shall not affect any of the remaining phrases, sentences, clauses, paragraphs, or sections of this Agreement, which shall be interpreted to carry out the intent of the parties hereunder.

10.5 **Authority**. The persons executing this Agreement on behalf of the parties hereto warrant that they are duly authorized to execute this Agreement on behalf of said parties and that by so executing this Agreement the parties hereto are formally bound to the provisions of this Agreement.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates stated below.

"CITY"
City of Laguna Hills, a California municipal corporation

Date:______________________________

By: ________________________________
Bruce E. Channing
City Manager

APPROVED AS TO FORM:

By: ______________________________
Gregory E. Simonian,
City Attorney

ATTEST

By: ________________________________
Peggy J. Johns,
City Clerk

"CONSULTANT"
Icon Enterprises, Inc., a Kansas corporation, d/b/a CivicPlus

Date: ______________________________

By : ________________________________
S. Ward Morgan, President and Secretary

Date: ______________________________

By : ________________________________
Tim Grant, Director of Sales

EXHIBIT "A"

CONSULTANT'S PROPOSAL DATED JUNE 11, 2014, AS
REVISED SEPTEMBER 18, 2014
AND
DESCRIPTION OF SCOPE OF SERVICES

INCLUDING,

SCHEDULE OF FEES, PROFESSIONAL RATES, AND

SCHEDULE OF PERFORMANCE

City Website Redesign & Development

The City of Laguna Hills, CA • June 11, 2014

+ CONNECTING PEOPLE

Developed by Danny Elmore
Regional Sales Manager
317 Houston St., Suite E Manhattan, KS 66502
888-228-2233 x310 + **Direct** 785-323-1510
Fax 785-587-8951 + Elmore@CivicPlus.com

12/9/2014 ITEM NO. 3.15

Serving more than **1,600 clients** in 49 states, Canada and Australia, we partner with governments to create **award-winning websites**.

Dear Selection Committee Members:

Thank you for considering CivicPlus as a partner for Laguna Hill's website redevelopment. I've carefully reviewed your RFP, and am excited to present a solution to your challenges in creating a navigationally friendly, easy-to-update and visually appealing website, with minimal work and time commitments from your staff.

Of the proposals you review, all should offer a good website design and navigation solution; however, the best solution should also include the latest innovations in government functionality that citizens will use.

CivicPlus is the unique provider of the Government Content Management System (GCMS®) – and one of the most innovative, knowledgeable sources for engaging eGovernment websites. CivicPlus' expertise lies in our ability to deliver a comprehensive solution that considers administrative ease and collaboration as well as end-user empowerment… all housed within a sophisticated design that resonates with your community and keeps citizen engagement in mind.

Now in our second decade, CivicPlus has created eGovernment solutions for more than 1,600 towns, cities and counties serving more than 50 million people in 49 states, Canada and Australia. These communities are using CivicPlus technology to connect in more engaging ways with their residents, visitors and businesses.

In addition to a solution-centric website, CivicPlus provides unrivaled service, support and system enhancements at no additional charge – guaranteed. Our relentless pursuit of government innovations ensures that our clients' websites continue to move upward today and tomorrow.

The following proposal details how the CivicPlus solution will reduce your staff's workload, respect budget constraints and, most importantly, provide your community with a powerful online resource that promotes open and transparent access to your municipal offices and becomes an engaging communication hub for your community.

I sincerely welcome the opportunity to elaborate further on our proposal and answer additional questions you may have about partnering with CivicPlus.

Proposal Submitted by:

Danny Elmore

Regional Sales Manager

Direct Line 785-323-1510

Elmore@CivicPlus.com

Authorized Signature:

Debora McNew, Vice President of Professional Services

Icon Enterprises, Inc., d/b/a CivicPlus

317 Houston Street, Suite E

Manhattan, KS 66502

Executive Summary

The City of Laguna Hills, an organization serving more than 31,000 residents, has initiated a Request for Proposal to transform its website with an innovative design that enables visitors to find the services and information they need. The website should be user-friendly and utilize the latest technology to provide a convenient source of information to better communicate with citizens.

The CivicPlus-Proven Development Approach

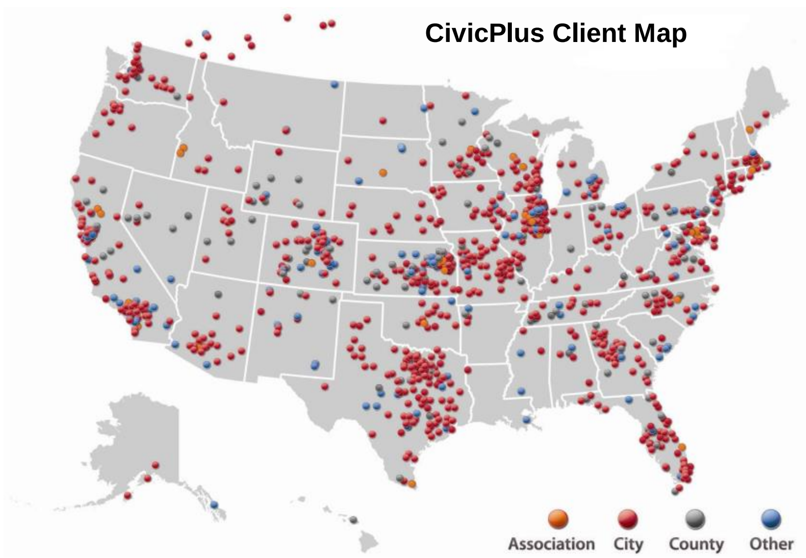
CivicPlus provides our eGovernment communication solution to more than 50 million citizens in more than 1,600 municipalities – cities and counties of every size across the United States, Canada and Australia. For more than a decade, CivicPlus has focused on government clients, giving our customers access to the latest in next-generation applications that meet and exceed their needs. Those needs include:

- A unique and customized website design with minimal work and time commitments from Laguna Hills' staff
- Intuitive navigation and page layout with unlimited submenus and subpages
- Interactive functionality through our Government Content Management System (GCMS®)
- Continuously updated, cutting-edge solutions designed by eGovernment experts for governments
- A per-project, customized pricing model with comprehensive training and unlimited support included

Hundreds of Cities & Counties Are Upgrading to CivicPlus Each Year

It's simple: CivicPlus knows municipal government.

- No one else offers the CivicPlus Government Content Management System (GCMS®).
- No one can match our interactive suite of tools that enable governments to better engage and communicate with their citizens.
- No one can match the CivicPlus development process and the depth of our implementations designed by experts who know local government, its people and its processes.
- No one can match our track record – period.



CivicPlus for Laguna Hills

Per your RFP, City Website Redesign & Development, the following proposal contents include:

- CivicPlus' capabilities, experience and commitment to our clients, as well as our approach and methodology to transforming your site
- Ongoing training and consultation
- Creativity and recommended functionality usage to engage and attract site visitors
- Price estimate

These recommendations for Laguna Hills were developed to address your defined needs. All estimates are negotiable based on client requests. We encourage you to schedule a 45-minute demonstration of the latest site developments and the administrative interface that allows non-technical users the ability to update the website as needed.

Background Information

Since our inception, CivicPlus has been capturing the passion our customers have for their communities and their residents with high-quality, next-generation websites. We consider it a privilege to partner with municipalities to provide the individuals, families and organizations in your community a website that serves as a primary, interactive communication tool.

Icon Enterprises, Inc., does business as CivicPlus and Networks Plus and employs more than 100 people. Incorporated in Kansas in 1998, we began providing technical-related services in 1994.

CivicPlus was born out of four rural cities' desire for a progressive way to maintain their websites without the burden of employing a continual webmaster. They sought a system that would allow routine updates and changes to be implemented by city staff, regardless of technical skill. After close consultation with these four initial cities, an innovative tool that automated the process of updating website content was developed.

Today, under the leadership of founder Ward Morgan, CivicPlus has more than 165 staff members and continues to implement new technologies and services to maintain the highest standards of excellence and efficiency for our more than 1,600 clients. Our commitment to setting the standard in website design, management and government communication has been instrumental in making CivicPlus a leader in web design, communication programming and hosting.

Our technical and development staff holds a variety of certifications including: Microsoft-certified system engineer, Cisco-certified engineer, Microsoft-certified software developer, Microsoft Office user specialist and project management professional from the Project Management Institute.

Company & Contact Information

Contact Information	Danny Elmore Regional Sales Manager Elmore@CivicPlus.com Toll Free 888-228-2233, Ext. 310 Cell 503-893-0209	**Primary Office**	317 Houston St. Suite E Manhattan, KS 66502 Toll Free 888-228-2233 Fax 785-587-8951
Incorporated In	State of Kansas	**Company Website**	www.CivicPlus.com
Legal Name	Icon Enterprises, Inc., d/b/a CivicPlus	**Company Founder**	Ward Morgan, President/CEO
GSA Contract	# GS-35F-0124U	**DIR Contract**	# DIR SDD 1636
CMAS Contract	# 3-13-70-2966A	**TIPS/TAPS Contract**	# 2092613

Additional Locations	Charleston, SC	Chicago, IL	Fort Collins, CO	Hermitage, TN
	Sherwood, OR	Spring Hill, KS	St. Louis, MO	Topeka, KS

At **CivicPlus**, we have a passion for building websites. We'd like to partner with you to build a website your **citizens will use**.

Dedicated Project Team

CivicPlus maintains a staff of dozens of personnel who excel in the development and support of government websites. From project management, design and development to training and support, our highly qualified staff ensures the success of your website throughout all phases of construction and beyond. Our expert project leaders (listed below) will match you and your needs to a team of highly qualified specialists who will work directly with you throughout your entire project. *If selected, your project team, including project manager, will be assigned upon contract signing.*

Danny Elmore – Regional Sales Manager

Education

Freed-Hardeman University

University of Alaska-Anchorage

Black Hill State University

Resume

Software Sales

Client Relationship Management

Marketing

Government

10+ Years of Experience

Increase industry exposure and emphasize client functionality options

Experience in private and government sector

Negotiate contracts

Manage multiple software client accounts

Resource optimization

Project and program management

Strategic planning and development

Role at CivicPlus

Determine the best solution for your website and budget

Overall account management

Ensure customer satisfaction

Oversee product development and product marketing

Katrina Lewison – Manager of Project Administration

Education

MA Organizational Psychology and Leadership

BS International Relations

Master of Public Policy Administration

Resume

Talent Acquisition Consultant

Director of Development and Talen Acquisition

Executive Officer U.S. Army

9+ Years of Experience

Client needs analysis & account management

Deadline satisfaction goals

Personal coaching and goal setting career moves

Policy implementation and tracking

Leadership and ethics trainer

Managed community development projects, including engineering/construction work

Role at CivicPlus

Direct tasks and staff members

Timeline allocation

Project consultation and quality assurance

Jessica Jones – Manager of Content Development

Education

BA English Arts

Resume

Project Management

Customer Service

Contract Development and Administration

4+ Years of Experience

Customer Service

Content Migration and Editing

Customer support

Education

Role at CivicPlus

Oversee content quality management

Test new products and services for CivicPlus

Ensure incoming projects remain on schedule and are completed in an excellent manner

Tony Ridder – Manager of Creative Services

Education	20+ Years of Experience	Role at CivicPlus
BA Fine Art **Resume** Digital Imaging Instructor Creative Director Senior Illustrator & Photographer Thorough recognition of web design and video creation	Graphic design, web design and assembly, computer and traditional illustration, photography, and interactive media Branding and logo expertise Create and direct marketing media campaigns Photography and graphic design teaching Proficient in website layout, initial design, setup of initial pages and functionality of site	Head creative development and graphic representations Direct design team and programming Responsible for each website overview and uniqueness

Quinton Randel – Manager of Training and Consulting

Education	10+ Years of Experience	Role at CivicPlus
Information Assurance and Network Security **Resume** Trainer and Consultant Operation Management Technology Sales Lending Analyst	Website usability expertise Content development Customer service Expertise in MS Word, Website Management Systems, module functionality, admin functions and creativity Account Management	Customize the training and consulting experience to your skill set Provide creative application ideas for the CivicPlus GCMS® Effective communication in plain language

Amy Vikander – Director of Client Care

Education	10+ Years of Experience	Role at CivicPlus
Graphic Design **Resume** Property Management Client Service Team Leader Client Implementation Coordinator	Customer Service Project management Team management and leadership Managing customer relationships Training	Conscientious care of the continuing relationship between CivicPlus and client Prompt aid on support issues Knowledgeable answers for “how to” questions from client’s staff

Bank Letter of Reference

StateBank 1010 WESTLOOP PLACE MANHATTAN, KS 66502 | 785-587-4000

May 6, 2013

Icon Enterprises, Inc.
D/B/A CivicPlus
317 Houston Street, Suite E
Manhattan, KS 66502

Re: CivicPlus

To Whom It May Concern:

Kansas State Bank of Manhattan is pleased to provide a Bank letter of Recommendation for our valued customers, Icon Enterprises, Inc, d/b/a CivicPlus. In addition to deposit accounts, we currently extend credit facilities to Icon Enterprises, Inc, d/b/a CivicPlus, aggregating in the mid-six figure proportions. All deposit and credit facilities have been handled in a very satisfactory manner.

The company's reported financial position is sound and supportive of current and "future" credit extensions. We enjoy a strong working relationship with Icon Enterprises, Inc. and are pleased to call them a valued customer.

If you have any questions or require additional information, (with Icon Enterprises, Inc. approval), please do not hesitate to contact us.

Sincerely,

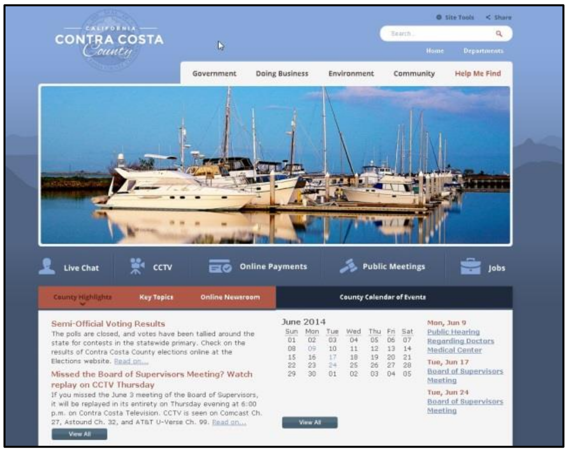
Lowell L. Kohlmeier
Executive Vice President

LLK/aej

MEMBER FDIC | EQUAL HOUSING LENDER

MANHATTAN | JUNCTION CITY | WICHITA | PHOENIX | ksstatebank.com

References



Contra Costa County, CA www.contracosta.ca.gov

(Pop. 1,041,300)

Client since December 2007, Redesign September 2012

Betsy Burkhart

Director of Communications and Media, 925-313-1183

betsy.burkhart@contracostatv.org

Fremont, CA www.fremont.gov

(Pop. 205,500)

Client since November 2008

Cheryl Golden

Communications Coordinator, 510-284-4025

cgolden@ci.fremont.ca.us

San Jose, CA www.sanjoseca.gov

(Pop. 964,700)

Client since February 2012

Astra Kredel

Citywide Web Content Manager 408-535-8117

astra.kredel@sanjoseca.gov

references continued…

Hemet, CA www.cityofhemet.org
(Pop. 71,800)
Client since July 2011
Scott Underwood
IT Operations 951-765-3750
sunderwood@cityofhemet.org

Dublin, CA www.ci.dublin.ca.us
(Pop. 44,500)
Client since March 2010
Linda Smith
PIO, 925-833-6650
linda.smith@ci.dublin.ca.us

12/9/2014 ITEM NO. 3.15

The CivicPlus Effect – Award-Winning Websites & Exceptional Results

Since 2006, CivicPlus clients have won an amazing **377** awards for their websites, and recently, the Center for Digital Government awarded CivicPlus their "Best Fit Integrator" award for being among the best private-sector information technology integrators for delivering extraordinary digital solutions to public IT projects. This distinction puts CivicPlus alongside Accenture, IBM, Motorola and Northrup Grumman as the true leaders in municipal government technology.

Our customers are proof that by partnering with CivicPlus, your new website will be amazing. Below is just a sampling of some of the most prestigious awards in the industry earned by CivicPlus customers.

Some of our Award-Winning Clients...

Castle Rock, CO	crgov.com	Ontario County, NY	co.ontario.ny.us
Amherst, MA	amherstma.gov	Richland, WA	ci.richland.wa.us
Hinton, AB	hinton.ca	Farragut, TN	townoffarragut.org
Avondale, AZ	ci.avondale.az.us	Maui County, HI	co.maui.hi.us
Waunakee, WI	vil.waunakee.wi.us	Athens-Clarke County, GA	athensclarkecounty.com
Broken Arrow, OK	brokenarrowok.gov	Dodge City CVB, KS	visitdodgecity.org
Richmond, CA	ci.richmond.ca.us	Montrose, CO	cityofmontrose.org
Missoula, MT	ci.missoula.mt.us	Port of Galveston , TX	portofgalveston.com
Tequesta, FL	tequesta.org	Cumberland County, PA	ccpa.net
Beaverton, OR	beavertonoregon.gov	Danville, VA	danville-va.gov
Caddo Parish, LA	caddo.org	Webster, TX	cityofwebster.com

Recognition

High-Impact, Custom Designs Created Specifically for Your Community

Our programmers implement our designers work – not the other way around – so options for a unique site are endless. Designs that truly represent your unique image, message and brand come through extensive access to and consultation with our design team. Our portfolio demonstrates our graphic designers' vast creative abilities and styles. Additional examples can be provided upon request or can be viewed at www.CivicPlus.com/designs.

Washington County, OH – www.washingtongov.org

Design Details: Washington County's history shines through in this simple yet sophisticated design. An intuitive layout guides the user to important information while fostering ease of use among the community.

Also Look For: Mouse-over buttons and click through scrolling menus guide you easily to popular features within this homepage.

Jeffersontown, KY – www.jeffersontownky.com

Design Details: Jeffersontown's website does a great job showing off the amenities offered in the State of Kentucky. The design color scheme is a reflection of their branding and seal.

Also Look For: The use of the ePayment module and Code Red integration.

McKinney, TX - www.mckinneytexas.org

Design Details: Straightforward navigation coupled with an uncluttered homepage and subtle color scheme make the user experience an enjoyable – and easy – one.

Also Look For: McKinney's Economic Development Corporation and Convention & Visitors Bureau subsites.

Banff, AB – www.banff.ca

Design Details: Client wanted a minimalist website design. The top banner features pop-out navigation. Simple homepage for ease of search and navigation.

Also Look For: Extensive use of Calendar and Citizen Request Tracker modules.

Flagstaff, AZ – www.flagstaff.az.gov

Design Details: Flagstaff fosters community engagement by providing a simple and clean navigation structure. The beautiful landscape imagery is a reflection of a unique natural formation that dominates the landscape.

Also Look For: The "E-Services" section enables the user to monitor their utility account and pay bills as well as view streamed city meetings right from the comfort of their homes.

Designs Continued…

Kodiak, AK – www.kodiakak.us

Design Details: Kodiak Island's uncluttered layout draws the user's attention to important community news and announcements. The site's subtle color scheme highlights the beauty of the magnificent scenery.

Also Look For: "Find It Quick" mega menu section making online services and answers to questions available with one click.

Draper, UT – www.draper.ut.us

Design Details: This simple yet elegant design goes to the heart of the culture in this community – a community focused on preserving its unique identity and heritage.

Also Look For: The extensive use of the Facilities module for parks and trails, as well as department header packages for the Draper Amphitheater and Police Department.

Litchfield Park, AZ – www.litchfield-park.org

Design Details: A great example of how a "dark" website can still be robust and appealing to the eye.

Also Look For: Hover over the "Citizen Center" and take a look at the Mega Menu linking the public to loads of community information.

Blue Earth County, MN – www.blueearthcountymn.gov

Design Details: "Effectively and efficiently delivering essential services" perfectly describes Blue Earth County's appealing web design. Bold blue colors and panoramic images burst from the page to highlight the beauty of the area.

Also Look For: The use of social media integration and library subsite.

Walton County, FL – www.co.walton.fl.us

Design Details: Beautiful community images and a unique page design invite the user to explore the county's services, check the current beach conditions, and catch up on the news – in just one click.

Also Look For: The use of the CivicPlus Frequently Asked Question module and Google Translation Tool.

Scope of Services

Only CivicPlus offers the depth and breadth of staff for next-generation eGovernment communication projects. Depending on the size of and duration of your project and whether you utilize our creative, branding and advisory consulting teams, we will engage between six to 11 experienced staff members.

Utilizing his strong technology background, your dedicated regional sales manager, Danny Elmore, initially works with you to determine the best solutions for your administrative users and website visitors.

A member of our seasoned project management team oversees the inter-departmental and client interactions, assuring that your project will be developed in a timely manner by professional website experts. Using their knowledge of effective online citizen engagement techniques – with specific case studies and examples – they will ensure the process transitions smoothly from phase to phase. After the completion of each phase, you will be encouraged to fill out a survey rating the project process as well as CivicPlus personnel. The CEO receives the surveys and is personally accountable for your satisfaction, which we guarantee, or we'll refund your money.

A Process Dedicated to Helping You Succeed

Upon completion of a custom design, setup of the website, development of modules, content development and quality control review, your trainer works to ensure your staff masters the simple Government Content Management System (GCMS®) and learns basic website usability concepts. Your new site is then launched and your support calls are handled by our Client Care Department.

Your Role

Your role during the project will be to answer questions, provide input, gain your staff's feedback to complete forms and provide necessary information so CivicPlus can develop recommendations for your design, navigation and content. Your project manager will explain the work required to achieve your goals. Pre-project, on-site strategic planning sessions can be added to the project at an additional cost.

"A company is created by its people. The CivicPlus staff is phenomenal. CivicPlus is going to understand what your town means to you and your residents and how you want your town or city to appear. They are just as passionate about promoting your area as you are."

*-**Karen McGrath**, Castle Rock, Colorado*

Responsive Design

Design is not only about reflecting your community's unique personality, but also about the citizen experience. Every day, more users visit websites using tablets and mobile devices than ever before. Those users are looking for the same content and features available on the full website – CivicPlus' responsive design capabilities open the door for a truly device-independent experience.

Through dynamic resizing of graphics and architectural elements, responsive CivicPlus sites alter their presentation to fit whatever devices citizens are using to access the content – mobile devices, tablets, laptops and desktops. There's no need for separate mobile versions of the website that may limit the amount of content that can be displayed. A responsive site covers all devices and all screen sizes. This means more than a trendsetting way to view content; it means accessibility and communicating with your citizens in the ways they expect.

In addition to responsive design, CivicPlus can meet your accessibility needs through a number of other methods, including custom mobile applications for specific smartphone or tablet operating systems and our advanced mobile detect and display technology, MuniMobile. Your project teams will consult with you regarding the possibilities of all options, ensuring your new site meets both your needs and your citizens' expectations.

GoCitizen Pro Custom Mobile App

The CivicPlus GoCitizen Pro Custom Mobile App is designed to look and work great on both iOS and Android mobile devices. Designed to keep users informed, content and alerts can be scheduled for automatic delivery. The controls are simple and easy for anyone to use. The GoCitizen Pro app is connected directly to your CivicPlus website; your content will always be in-sync with your mobile site visitors. Our professional staff makes sure the system stays up-to-date with hardware and software upgrades. This will ensure a system that is always optimized, secure and problem-free.

We work closely with our clients to match the aesthetics of their application – from the splash screen to the background imagery to the banner – with their website to create a polished and seamless theme across the different media with which your site visitors are interacting with you. ***Our mobile app is included in the scope of your project.***

Benefits of the GoCitizen Pro:

- **Cross-Platform Compatibility.** GoCitizen Pro is designed to both look and work great on both iOS and Android mobile devices. The controls are simple and easy for anyone to use.
- **Push Notifications.** The GoCitizen Pro mobile app will keep your citizens informed. Content and alerts can be scheduled for automatic delivery, freeing up local administrators for more pressing tasks.
- **Fully Integrated.** The GoCitizen Pro app is connected directly to your CivicPlus website; your content will always be in-sync with your mobile citizens. Our professional staff makes sure the system stays up-to-date with hardware and software upgrades. This will ensure a system that is always optimized, secure and problem-free.
- **Custom Design.** We've got it covered. We work closely with our clients to match the aesthetics of their application – from the splash screen to the background imagery to the banner – with their website to create a polished and seamless theme across the different media with which your citizens are interacting with you.
- **Emergency Alerts.** Alert your citizens about emergencies in the community quickly and efficiently right to their mobile devices.

MuniMobile™

CivicPlus' MuniMobile™ feature ensures that your website will have a mobile-compatible version, automatically, with no extra work required. Given the near-ubiquitous demand for full-mobile sites, ***CivicPlus offers this functionality at no additional cost.***

The design, navigation and content of your website will be automatically configured in such a way that a person viewing the site from a mobile device will still be afforded the same ease-of-use and intuitive setup as if they were navigating the website on a computer, with an option to view the full website available as well.

Ongoing Training & Support Opportunities

We want your website to be an investment that holds its value over time rather than a big expense that you have to budget for every few years. We apply this same thinking to our approach toward training and support, too. After the launch of your website you should be able to keep current staff as well as new-hires trained and supported as they update and maintain your site. CivicPlus offers ongoing training and support, as well as the incredible resource of more than 1,600 other municipalities that use the CivicPlus Government Content Management System (GCMS®). Stay up to date and always informed with unlimited access to the CivicPlus Connection.

When you join the CivicPlus community, you're connecting with our entire staff as well as a network of more than 1,600 cities, counties and other government entities that use the CivicPlus solution. CivicPlus Connection – a social network for CivicPlus users – invites our customers to engage us and each other even more!

By logging onto CivicPlus Connection, you can:

- Earn different levels of CivicPlus certification, from contributor to webmaster, at our online testing center
- Access online training manuals and videos to learn the tips, tricks and processes to become the expert at creating the best website for your users in the CivicPlus University section
- Attend webinar series for refresher trainings or for sneak peeks at the newest features and functionality in development
- Try to stump the CivicPlus trainers with a question
- Share ideas and contribute to bettering our community through opinion polls, surveys and group discussions
- Stay up to date on the latest trends in web technology, design and government processes through blogs, webinars and informational updates tailored to local government professionals
- Access our always-available online support center for our clients
- Signup to be a part of the CivicPlus beta testers to get your hands on the newest features and functionality first

The CivicPlus Connection is another exciting benefit to the CivicPlus client experience and available only for clients who have been through initial training.

Resource Center

With CivicPlus, you will discover a team of people ready to help you at any time. We are not just with you for the development, design and launch – we will be here year after year to respond to new needs and new opportunities for you to build you site into the best site it can be.

Community Engagement Consultants

CivicPlus has a team of Community Engagement Consultants to help you implement the tools needed to successfully meet the level of Community Engagement that you desire. Upon website Go Live, you will have a dedicated member of this team to help you keep up on new CivicPlus products and optimize your site. This specialized team member can provide you with further information on how to engage your citizens, utilizing the tools that CivicPlus has put into place on your new website.

Around-the-Clock Technical Support

Our support personnel are ready to answer your staff members' questions and ensure their confidence in using our site. When you choose CivicPlus, our knowledgeable staff is available from 7 a.m. to 7 p.m. (CST) to field your calls and emails, and emergency services are available after regular hours with our on-call staff 24-hours a day.

In addition to fielding support requests, CivicPlus is proactive in identifying any potential system issues. Through regularly scheduled reviews of site logs, error messages, servers, router activity and the internet in general, our personnel often identify and correct issues before they even affect our clients' websites. Our expertise in website management provides assurance to our clients that their site is in good hands.

Maintenance & Support Includes:	
Support	**Maintenance of CivicPlus Application & Modules**
7 a.m. – 7 p.m. (CST) Mon. – Fri. (excluding holidays)	Install Service Patches for OS
24/7 Emergency Support	System Enhancements
Dedicated Support Personnel	Fixes
2-hour Response During Normal Hours	Improvements
Usability Improvements	Integration
Integration of System Enhancements	Testing
Proactive Support for Updates and Fixes	Development
Online Training Manuals	Usage License
Monthly Newsletters	
Phone Consulting	
CivicPlus Connection	

Mobile Website Detection & Browsing

Mobile browsing is automatically available with a CivicPlus-developed website, meaning your residents can easily access and refresh your site and its important content from any mobile platform, such as their iPhones, Androids, Blackberrys, etc.

Software Licensing

No programs or software are necessary to install, meaning you and your staff can update the site from any internet connection or platform (Mac or PC) at any time. Laguna Hills will ***not*** pay money per seat to install software. You can have an unlimited number of users in the system. Citizens Request Tracker is limited to 5 users; additional user licenses may be purchased.

CivicPlus Features & Functionality

Developed for organizations that have a need to update their site frequently, CivicPlus provides a powerful government content management structure and website menu management system. The system allows non-technical employees the ability to easily update any portion of your website instantaneously. The CivicPlus Government Content Management System (GCMS®) utilizes Microsoft SQL Server, ASP, JavaScript and HTML for web development.

No HTML knowledge is needed to update your website. However, if desired, HTML code can be used throughout the website for advanced users.

With extensive web applications in place, continual enhancement and an easy-to-use interface, our clients are the proud owners of their websites and are excited to be part of the CivicPlus community.

Additional benefits of the CivicPlus GCMS® include webpage version controls, customizable levels of user-rights, searchable data, accessible customer support services, instantaneous functionality updates, comprehensive security and much more.

Each website begins with a unique design developed to meet your specific communication and marketing goals, while showcasing the individuality of your community. Features and capabilities are added and customized as necessary, and all content is organized in accordance with web usability standards.

Core GCMS® Modules

Agenda Center

The CivicPlus Agenda Center is an all-inclusive agenda creation module. No longer will you have to build your agendas in a word-processing program, print it out and pass it around the office for approval, export the final version to a PDF and then upload it to the website. Agenda Center allows for the creation and management of the entire agenda process, from submitting preliminary items at the departmental level, to a robust and easy-to-use workflow, to the publishing of the agenda live to the public – one smooth and seamless process.

The Agenda Center not only offers a one-stop-shop for agenda creation, but upon publish of the approved agenda, a template for the minutes of that meeting can also be generated.

Additionally the Agenda Center ties in with the Archive Center, so published agendas and minutes can be placed in an Archive Center category for immediate storage. You can also update your residents in a fast and timely manner by using the Notify Me® module to send email and text message updates of published agendas and minutes.

Archive Center

The Archive Center has been developed specifically for the storage and retrieval of agendas, minutes, newsletters and other date-driven documents. Archives can be searched by date, category or keyword, and the unique "View Most Recent" link functionality on your website pages automatically pulls the most recently uploaded item every time you add a new document within that category.

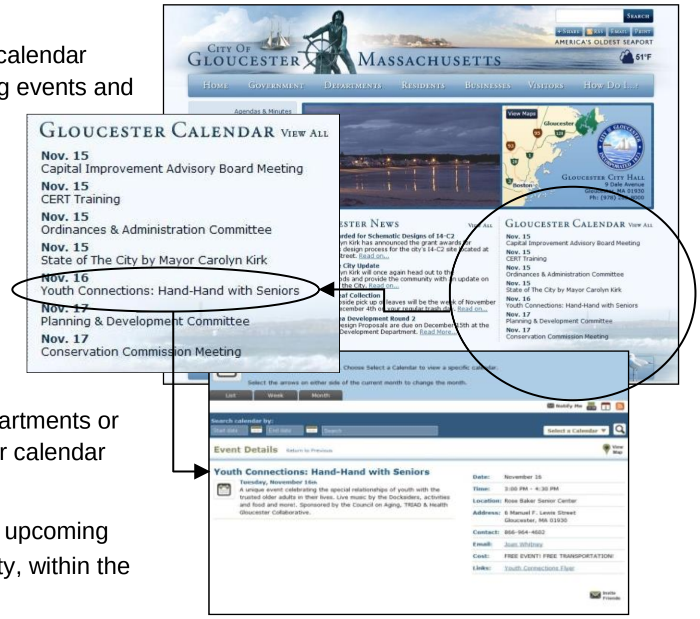
Business/Resource Directory

Think of the Business/Resource Directory as the Yellow Pages of your website, as it provides site visitors with links to and information about organizations and services within your community. Site visitors can search by business or organization name or category, and entries can be organized by business (Yellow Pages-style) or by category (topical directory-style).

The module can display useful information such as a description of the business/organization, link to an interactive map, address, phone number, email and link to the business' website. Citizens can also download the included iPhone App at no cost, allowing them to search for businesses or services on the go.

Calendar

The Calendar Module allows administrators to set up calendar items to help keep the public informed about upcoming events and meetings in your community. Events can be set on a one-time basis or as recurring events for multiple months in advance, with short descriptions and hyperlinks to display the event details. The calendar recognizes the current date as the starting date for the display of events and provides easy navigation to future events. Multiple calendars are available.



> **Department Calendar:** Any page on your site can display the most current calendar items in a special content area, great for departments or sections of the website that wish to have their calendar events appear on their page(s).
>
> **Featured Events:** You can draw attention to upcoming events using the Featured Events functionality, within the Calendar module.

The Calendar supports multiple views, including a monthly view that displays all the events in a month.

Document Center

The Document Center is a document storage center that allows for a variety of file types (e.g., PDF, spreadsheets, pictures, video files, sound clips and more) to be downloaded or viewed by the end user, allowing for easy access for your site visitors. Instead of bogging down your employees with requests for documentation, site visitors can locate the forms and documents they need easily online. Your employees can easily add new documents and direct residents to the information they requested online, without sending out extra paperwork. Moreover, all files are organized by our structured filing system of folders and subfolders, keeping all of your information easily obtainable by your citizenry 24/7.

Frequently Asked Questions

Help your citizens reduce time-consuming phone calls or trips to government offices by answering commonly asked questions through your website. Frequently Asked Questions (FAQs) – which can be organized by departments and/or category – may be added to any page of your website and can be set up to link to additional information or documentation for easy reference. FAQs have their own search feature, so your site visitors can easily find answers to the questions they ask the most.

News Flash

The News Flash Module provides an area where important and timely news and announcements are posted. Any department may utilize this module for posting information that is specific to their department, like a change in meeting location, results from an election, rainout announcements for sports fields and more. News Flash is a dynamic page element that may be placed on any page, and each News Flash item has its own start and expiration date.

Opinion Poll

The Opinion Poll Module allows you to interact with your site visitors. Once a user submits their vote, poll results are displayed. This is a popular module and is an easy way to keep people coming back to see what's new on your site.

We recommend that the poll questions be non-controversial, as results are not scientific. The results may be used to provide website decision-makers with valuable information in order to make informed decisions. Also, using the Opinion Poll Module demonstrates even further the true interest your municipality has in its residents and stakeholders.

Photo Gallery

The Photo Gallery Module is designed to allow you to store and display photographs in a central location to showcase to your citizens and the world the best that your community has to offer. Photo Gallery helps your website become the place to put your community's best face out there and to attract new citizens to your area. Users will be able to:

- Explore your municipality through albums and favorites
- Browse your featured photos and events
- Share with friends or send as postcard
- Submit images
- View images as thumbnails or full-size
- Write descriptions with each photo
- Search the Photo Gallery
- View a slideshow of photos
- Give photo credits
- Give images "thumbs up"

You can use the Photo Gallery to store and organize photo files by department, division, and/or event. Like the Document Center, you can store as many pictures in as many albums as you like.

Quick Links

The Quick Links Module allows you to place links to related and often-requested information directly on the page of your choice. The entire collection of these links is contained within the actual module, and is unlimited in the amount of categories and links that you can provide to your users. The links can be to interior pages of your website, to documents and forms, or to outside websites. You can organize the links by category or item and can set them up to auto-publish and unpublish.

Spotlight

The Spotlight function creates additional space on a webpage that allows you to highlight important text or widgets in a compact, easy-to-update module. The information posted with this module can relate to one or more pages.

Staff Directory

If the Business/Resource Directory is your website's Yellow Pages, then the Staff Directory Module is the white pages. A time-saving resource for your residents, Staff Directory provides detailed contact information for your staff and various offices all in one place, decreasing the number of calls requesting contact information. You can include as much or as little employee and department information as you deem necessary; plus, Staff Directory entries can be linked to pages throughout your site, providing quick access to a specific department or employee's information.

Employee information can include title, biography, photo and contact links via email or form submittal (email addresses are blocked from email harvesting programs). Website users can search the directory for a specific employee by last name, first name or department.

Transaction Modules

Bid Postings

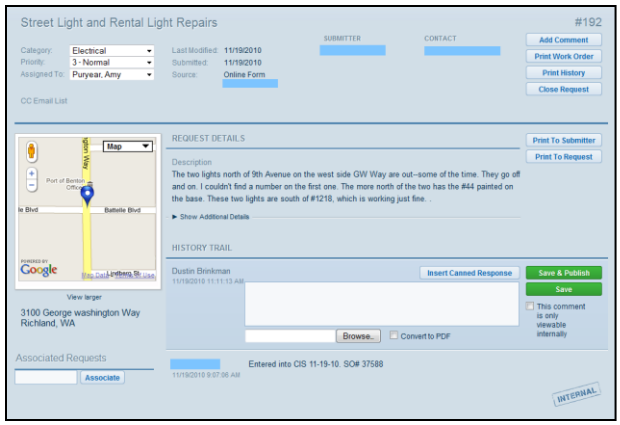
The Bid Postings Module provides a simple and easy-to-use method of posting and organizing bids, RFPs and RFQs online for vendors or local contractors that are interested in providing products and services to your community. Provide links to upload the full RFP package, links to related web pages or post other bid details like the scope of work. Bids can be searched by category, title or closing date and by open, closed, cancelled or awarded. This module is integrated with the Notify Me® Module, allowing site visitors to sign up to be notified when new bids are available or when bids are updated let interested parties know of amendments, cancellations and to whom the bid was awarded. Bids can also be set to automatically expire (become unpublished) from the site if you so choose.

Citizen Request Tracker™

The Citizen Request Tracker™ (CRT) is a powerful tool that facilitates interoffice and government-to-citizen communication and workflow concerning requests reported by residents. Site users create a profile and submit requests or complaints, view pending issues, reopen closed issues, request additional information and more. Once a profile is set up, contact information is automatically filled in when a site user submits a new request. Furthermore, problems reported over the phone can be manually entered into the system for increased efficiency. Marketing the CRT™ system as the primary tool for communication on problems and requests in your area will allow you to reduce staff time spent on addressing issues by hand and will allow your constituents to interact with your staff any time of the day.

The CRT™ System Makes It Easy To:

- Add comments and action items
- Assign the request to a staff member
- Review the history of the issue
- Send messages to the constituent
- Close the request
- Print and/or export statistics and reports
- Print work orders
- Generates efficiency statistics and reports
- Export data in CSV or tab-limited format



ePayment Center

Integrate eCommerce on your website with no third-party store to setup, and save your citizen's time and effort by affording them the opportunity to pay for services directly through your website. You have the ability to customize or make changes to any form that you create to take in online payments such as registration fees, pool passes, etc. Email notifications are sent out to both customer and client when a transaction is made. Financial reporting through our trusted PCI-compliant partner is also available with the click of a button.

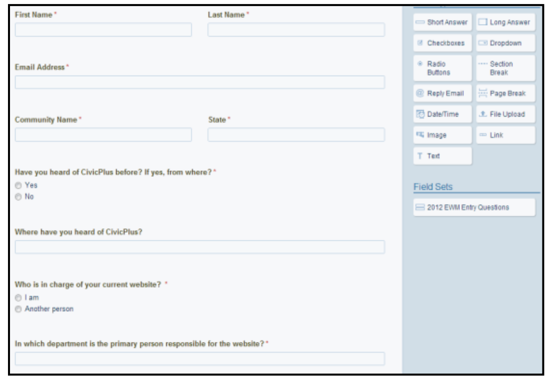
Facilities & Reservations with Activities

The Facilities & Reservations Module allows the site administrator to display local facilities and their amenities and to manage their availability to the public. A site visitor can search for facilities by type or amenities available, review the amenities for each facility, retrieve location information with mapping integration (ESRI, GIS, Google, etc.) and easily reserve the facility. Search results will offer additional options such as admission requirements, handicap accessibility and how to reserve or make payments.

A description with details of the facility (location, contact information, photographs, video, map, handicap accessibility, rental availability, etc.) display within each facility's listing, with your staff able to allow for online reservation requests and interactive calendar to view and manage online reservations.

Site visitors can also register for classes offered by Laguna Hills. You will be able to create classes, display class schedules, limit the number of persons that can sign up per class, and email those who have registered for specific classes. This module is integrated with the Form Center and e-Payment module for streamlined reservation and class registration processes.

Form Center



Having online forms makes it easy for you to receive useful information from your community and for your community to complete tasks online. These completely customizable forms can be used as a means for citizens to contact you with questions, requests and feedback or to sign up for various events and activities. You can have as many online forms as you need with this module, creating forms easily from scratch or from our library of sample online forms. Various field options include long answer, radio button, drop-down lists and multiple choice (among others), with formatting options that include font colors, background colors, text alignment and more.

You can preview forms as you create and edit them instead of sending it to someone else for changes. The Form Center lets you develop every aspect of your online form with no programming knowledge necessary through a simple drag-and-drop interface.

In addition to being able to create your own form, you can track your forms through your website! No more lost emails and sorting for statistical data through multiple emails. Any form submitted on your website can be received via email to as many people as you wish and/or be kept in a backend database with basic analytical reporting available. This data can then be exported to Microsoft Access, Excel or other database software.

Job Postings

Display available jobs within your organization on your website in an easy-to-search-and-retrieve format for your site visitors. The Job Posting Module allows you to provide as many details as you like and link to a number of files supporting the available position(s), with the ability to allow the visitor to download a job application and email their resume to the person/department of your choice. Website visitors can sort jobs by date or job type, and can sign up to be notified of new jobs through the Notify Me® Module. You can also choose to allow for online applications using the Online Job Application Module.

The Job Postings Module can also be set up to allow employers within your community to be able to post their own available job openings in a controlled environment on your website, helping to boost your community's economic standing and further make your website the hub of information within your community.

The Job Postings module can be seamlessly integrated with the CivicPlus Human Resource Management System (HRMS) a comprehensive suite of tools for applicant tracking, assessment, onboarding, and performance management, *for an additional fee*. Additional information about the CivicPlus HRMS is available upon request.

Online Job Application

Save yourself and your residents' time, save paper and give your website users instant access to apply for available positions with the Online Job Application Module.

Allow applicants to apply completely online by filling in the application, attaching supplemental paperwork and submitting to your HR department, with applications time- and date-stamped. Applicants can also create an online profile, which allows them to update their application and apply for other jobs without filling out multiple applications.

Your staff can be notified by email when a new application has been received, which then allows you to view, sort and download submitted applications. And fear not about lost applications – they're kept in a database on the website for easy retrieval.

The CivicPlus HRMS can be integrated to provide additional online job application customization and a workflow solution for managing the hiring process, *for an additional fee*. Additional information about the CivicPlus HRMS is available upon request.

Real Estate Locator

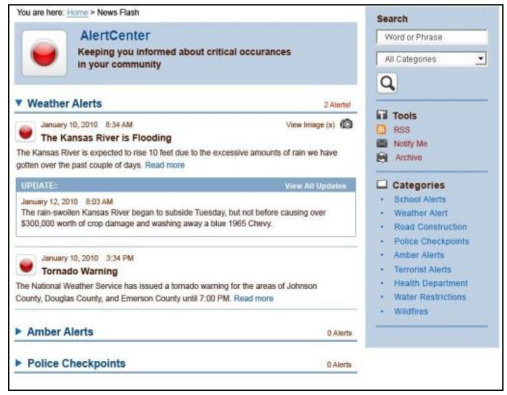
The Real Estate Locator helps attract incoming businesses and residents by providing a one-stop shop for available real estate listings in your community. Properties – commercial or residential – can be organized by and searched for by neighborhood, street or zone, and price range.

Additionally, the Real Estate Locator can be set up to allow realtors and brokers the ability to post their own available properties in a controlled environment on your website, further helping boost economic development.

Interactions & Communications Modules

Alert Center

The Alert Center provides an efficient and noticeable way to get important news out to your community, whether it be local inconveniences like street closures and road conditions or critical, up-to-the-minute emergencies like flood warnings and Amber Alerts. With one click, graphics and information can be activated on your website from a variety of layouts that best fit the alert's importance, with public notifications sent out through email, text message and social media.



When a user clicks on an alert that is displayed on the site, they will be taken to the module information that details the alert, as well as provides photos, links to other resources and a history of updates.

Blog

The Blog Module helps open up the lines of communications between administrators and citizens, increasing government transparency and citizen interaction. The Blog features the option to allow citizen comments for feedback (comments can be moderated before being published to the website).

Community Voice™

Community Voice™ is an interactive module that uses citizen sourcing to create dialog on your site while allowing you to showcase things you are implementing in your community. The module encourages citizen idea submission, engaging discussions, voting, user recognition and more. Your site administrator creates general topics that citizens can provide input on. Citizens can create a user account through My Dashboard to submit their ideas, leave comments and vote other ideas up or down within each topic.

Showcasing Community Voice on your website increases communication and citizen satisfaction within your community, showcases projects and initiatives within your community, and helps consistently drive traffic to your site.

Carbon Calculator

Help your website keep up with green initiatives by allowing your citizens to track their carbon footprint.

Healthy City

Help keep your citizens more health-conscious by giving them a way to track their daily and weekly exercise routine.

My Dashboard

With My Dashboard, residents and users can set up a profile on your website that allows them to pick and choose the information that automatically becomes fed to their dashboard upon site login. In one simple and streamlined view, your users can immediately see important news, available job openings, keyword searches, favorite pages, calendar feeds and much more.

Your users will be able to login to My Dashboard using the Facebook Connect feature, negating the need for multiple usernames and passwords.

Notify Me®

With Notify Me®, visitors can sign up to be notified via email and/or SMS text message about community activities, meetings and other updates to your website. Users can self-manage multiple subscriptions at once, and unsubscribing is easy. You can send out unlimited emails and have 500 SMS subscribers.

This module automatically integrates with our Alerts Center, News Flash, Calendar, Job Postings, Bid Postings and Blog modules. Also, administrators can create as many Notify Me® lists as they want.

Notify Me® supports HTML and plain text versions of email messages, and newsletter templates can be created for added presentation quality.

You can set up notifications as drafts and set them to send to subscribers at a specified date and time. Additionally, most current subscriber notification lists can be imported to our system, while the email lists created by your CivicPlus system can be exported for other files and/or purposes.

All of these features make Notify Me® an excellent and valuable communication tool for your website, allowing you to continuously stay in contact with your residents by sending them important information updates that they are interested in receiving.

Postcard

Highlight your community by giving visitors the opportunity to email virtual picture postcards with personalized messages.

Social Networking & Gov 2.0

CivicPlus understands the importance of Gov 2.0 and how social networking sites like Facebook and Twitter help governments connect with their residents in unique and innovative ways. From community-centric pages on Facebook to real-time Twitter feeds that can deliver emergency alerts, we are dedicated to helping our clients integrate their web content into the most dynamic social media sites and make their marks in the world of Gov 2.0. Other social networking sites (such as LinkedIn, YouTube, Pinterest, etc.) can be featured on your website as links to your organization's profile on those particular websites.

Facebook and Twitter

Many governments are finding Facebook to be an essential part of their online presence, as it provides another avenue to share news, announcements, events, pictures and videos with a wide range of regular site visitors. CivicPlus can create your Facebook page and sync your website to your Facebook profile to automatically publish news and calendar events on Facebook with a link to your website for more information.

Twitter's short, 140-character "tweets" offer a way for municipalities to distribute information quickly and effectively. CivicPlus can link your website to your Twitter account for automatic publishing of news and announcements such as road closings, meeting schedules and emergency notifications.

Administrative Features

Feature	Description	Benefit
Instantaneous Updates	Updates are posted to the live site in real-time once the administrator publishes the page.	**Timesaver** – Ensures your site is communicating the most up-to-date information.
Browser Based	No installation of programs or software needed, meaning you and your staff can update the site from any Internet connection or platform (Mac or PC) at any time.	**Convenience** – Updates can be made anywhere at any time. **Money Saver** – Does not charge a per seat rate to install software.
Mobile Updates	Immediately update your site from any location with urgent announcements using your tablet.	**Crisis Communication** – Warn audiences of crisis situations from anywhere at any time.
Action Items	Direct access to a queue of items waiting to be published or reviewed by the administrator provided immediately upon login.	**Convenience** – Helps the administrator stay organized and timely with the site.
Site Search and Site Search Log	Powerful site search automatically indexes all content making it easy for all visitors to find information. This feature also keeps a log of all words that are searched by your visitors.	**Knowledge** – The search log serves as a tool in making decisions about updates and upgrades as well as placement of key items on the homepage.
Automatic Alt Tags	Built-in features ensure your site is Section 508 compliant.	**Convenience** – Editors do not need to know Section 508 requirements as the system will automatically format to accommodate for Section 508 compliance.

Application Programming Interfaces (APIs)

We have nearly a dozen application programming interfaces (APIs) scattered throughout the system and continue to build more to make integrations with the GCMS® and disparate applications as straightforward as possible. It's this "open architecture" approach that allows your IT staff and programmers to spend time creating applications and systems that are specific to your community's needs and tie them into the site, using the site itself as a sturdy platform on which to build. Maintaining the site's base code will fall on CivicPlus' shoulders, saving you time, effort and, most importantly, money.

Bad Links Identifier

You may not be aware of any broken links on your website, but your guests are. This module creates a list of the broken links on your site when they are accessed. It also allows a site visitor the ability to enter comments concerning how they accessed the page. On the administrative side of the system an asterisk alerts you that a comment concerning a bad link has been posted.

Content Creation

Recognizing that not all site administrators possess high levels of technical expertise, the CivicPlus GCMS® makes it easy to add new content, edit old content, and keep page layout consistent through use of our WYSIWYG editor.

The page content creation functionality is separate from the overall design of the site; the content will reflect font sizes and styles associated with the various heading levels and content types. Content changes will not affect the design, though the site breadcrumbs, page structure and sitemap will dynamically update upon publish of any content changes.

This front-end edit feature makes updating website content even quicker and easier, as users have point-click-edit access to information, right from the front-end of the website. To edit content, all you have to do is follow the steps below.

Step 1: Find the page creation icon, and click on the area of the website that you wish to edit.

Step 2: Make changes to the website, then click 'Save'. Changes are immediately reflected on the site.

A great tool for users to update the website from the public view, CivicPlus' Live Edit allows you to see where your information will be posted before you make any changes. If you would like to move a page under a different department or move the entire department section of your website to a different location, just follow the steps below.

Step 1: Find the page creation icon, and click on the section of the navigation you wish to move.

Step 2: Drag-and-drop the page or section in its new location. Changes are immediately reflected on the site.

Unlimited pages can be created with the CivicPlus GCMS® and there is no limit to the depth of pages that can be created. You are responsible for the depth of navigation. With mega menus and dropdown and pop-out menu functionality, you can essentially get to any page on your website within a single click if you desire.

Content Library

The Content Library features galleries full of templates and pages all at your fingertips. It is a way for you to create and share page templates and layouts between coworkers, departments or with the entire CivicPlus community. The Fire Department is not sure what pages to include under their section? Find examples in the Content Library. Want to share a great page that you made on your website? Share it with the entire CivicPlus community.

Templates and pages are categorized by type or department and available in all site sizes. CivicPlus includes its own personal picks and best practices for each type and department. Pages and templates can be voted on and rated by your peers, with the ability to view top downloads and top contributors from the entire CP community. The highest rated and downloaded templates will have their creator placed in a CivicPlus Hall of Fame.

Content Scheduling

When creating an entry, simply select the date and time desired for the material to publish and/or unpublish. Material can be set to auto-unpublish or it can be manually retired.

Every aspect of the system has the ability to have expiration dates. These dates are logged in an Expiring Items Report and can have an automatic email sent to you 72 hours before it is set to expire. When items expire they are unpublished from public view but will remain in the system until someone manually removes them from the archive. This allows you to bring the page back at any time with updated content.

Content Versioning

The GCMS® includes version control, a history log for reviewing changes made within the system, file locking through our permission system and an archive of all published content so that previous versions can be accessed or used, if necessary.

Archived content can be viewable by the public if desired, but is typically not shown on the public-facing side of the site and just housed within the Archives. Administrators and staff with module access may access those archives; others will not see them.

Dynamic Layout

The layout for your website is determined by you and the designer. The placement of navigation and dynamic areas are important in guiding site visitors to key information quickly and easily. Our consultants make recommendations based upon website-user studies and research on best practices.

Dynamic Page Components

Events Calendar, FAQs, Opinion Poll, News Flash and other new features may be included as dynamic page components. Dynamic Page Components may be placed on any page and will help dedicated areas of the site appear as its own website. For example, the entry page for your Parks and Recreation Department can be customized with specific lists of events, FAQs and news announcements pertaining to that department.

Dynamic Breadcrumbs & Site Map

When a user visits your site, Dynamic Breadcrumbs are used to show their location within the website. Breadcrumbs are automatically generated by the CivicPlus system. This feature assists a site visitor in understanding the site structure and navigation. A dynamically generated site map automatically updates itself to your menu system. So if a menu item is renamed, added or deleted in your navigation, the site map will reflect those changes.

eCommerce Integration

While CivicPlus does offer our ePayment Center, we also work with numerous trusted third-party payment processors to handle payment and account information, allowing your citizens to easily log on and pay bills ranging from property taxes to utilities. The payment processor used for transactions is dependent upon the municipality's wants and needs, with every effort made to ensure a clean, seamless on-site presentation of the payment portal.

Of the vendors that we've worked with, many allow for one-time credit card or debit card payments, payment through the Automated Clearing House (ACH) network and even Interactive Voice Response (IVR) payment options via telephone. Many give users the option for automatic bill payment, with payment being automatically withdrawn from the specified account on a certain day each month. These payment processors feature payment and usage reporting, and all of our eCommerce partners meet the Payment Card Industry's Data Security Standard (PCI DSS). Integration of third-party vendors is subject to scope and additional fees.

History Log

Easily track changes made to your website by all of your users with the History Log. Track changes made to items in your Page Menu, Archive Center, Document Center and more. History Log information is searchable, sortable and exportable.

Integration/Interfacing

CivicPlus has performed a variety of integration services for our clients, all of which work cohesively with most third-party software applications. The CivicPlus GCMS® is different from other standard design programs, in that we have the ability to link with most software or databases you are currently utilizing. Systems such as purchasing, taxes, assessment and utilities have been developed for many of our clients.

Integration can take place on varying levels, from simply linking to a third-party-hosted site to dynamically drawing in content from other existing sites to actual custom programming to integrate services into our GCMS®. Our typical method of integration involves dynamically scraping content from an existing web application, allowing continuously updating content or form fields to access an application to be drawn directly into the CivicPlus-created site.

If a web interface currently exists for an application on a client's web server, we recommend moving it to a third-level domain so that it can remain active when the CivicPlus site is launched; CivicPlus can then draw in that content from the third-level domain directly into the primary site at a lower cost than actual integration into the GCMS®.

If true integration rather than interfacing is required, the project will need to be more fully scoped and additional charges may be incurred.

Intranet

We can set up an Intranet for your site to be used by employees or other groups that need to share non-public resources. An intranet is a secure location on your website that allows employees to login and access information specific to them, and you have the ability to set up multiple Intranet groups with varying view rights.

Most modules available to the public on your site are also available for use on the Intranet. For example, you can use the Calendar Module to notify employees of work events; FAQs to answer questions about wages; Notify Me® to send notification of flexible benefits deadlines; and News Flash module to let employees know of births, marriages and other personal events.

Levels of Rights

Most information is constantly changing and needs to be updated frequently. With CivicPlus, each department is capable of updating their own content. Even though each department can update their own information and web pages, the menu structure, top of page, banner and navigation throughout the site remains the consistent.

A central administrator is given the ability to establish groups with specific rights and capabilities to update the website. Users are then assigned to those groups based upon the role they will have in updating the website. Users of the administrative system may be defined as publishers or authors of the content, or as administrators of modules. A central publisher for each department can then approve the pages.

LDAP Authentication

LDAP authentication provides our clients with a powerful and simple way to manage users and permissions within our system by syncing your website up with your existing active directory database, negating the need for multiple user upload and sign-on. Features of this functionality include:

- Log on with existing network account credentials
- Automatic user creation
- Automatic permissions setup
- Integrate with other non-LDAP authentication systems
- Easy-to-use “remember me” sign-in
- Security features like “next required login”

Because LDAP authentication requires custom programming time, ***additional fees apply***.

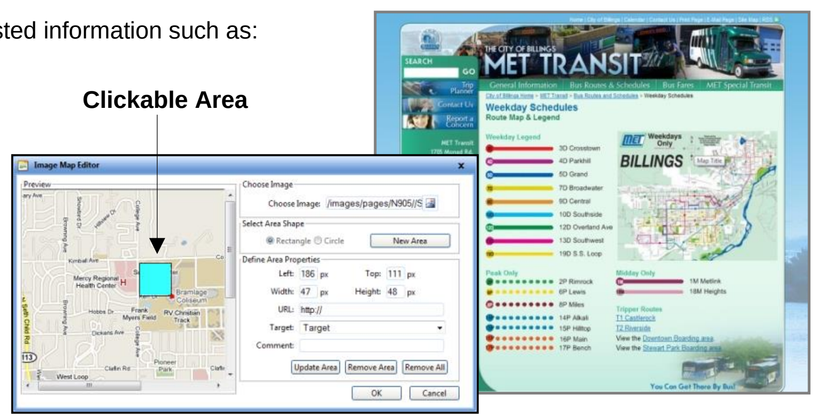
Link Redirects

This is helpful in marketing an area of your website by creating a web address that is easy to remember. Instead of sending your users to http://civicplus.com/248/Awards-and-Recognition, you can send them to http://civicplus.com/awards. A more obvious link is great for print materials and much easier to tell people how to find a particular page on the website.

Maps – Clickable, JavaScript or Flash

Help website users find commonly requested information such as:

- Bus schedules
- Parks
- Walking tours
- Bike paths
- Trash pick-up schedules
- Location of highways
- Tourist attractions
- Education information
- Major employers
- Demographics



Maps can be customized as simple, clickable maps through the use of our Image Map Editor, or more sophisticated JavaScript or Flash (additional fees required for Javascript or Flash development). Either one provides a great way to present your community to web visitors.

Media Center with Live Streaming Video

The Media Center Module provides an affordable way to upload video files and stream live video right through your website without the need to purchase costly third-party solutions.

Media Center is optimized for the storage of video files, but it takes you a step further by providing an avenue to stream meetings, demonstrations and events right through your website. All you need to get started is a camera connected to a computer with internet access.

Portal Page Development

Portal pages are often developed to bring numerous site resources together into one central entry location. Creating a graphic overview, the portal provides direction to a diverse group of site visitors while reinforcing your website's key message. Portal pages may be simple links or may be developed using animation such as JavaScript or Flash programming. Because there is additional design and programming time involved with portals, additional fees apply.

Printer Friendly

Our printer friendly functionality does more than simply call the browser's print command – it separates the critical content from the template so as to give a clean presentation of the information that needs to be printed without the menu structure and banner information.

RSS Feeds

RSS stands for Real Simple Syndication, and in short, it's a way of bringing your site to the people rather than waiting for them to come to your site to find out new information. When a user signs up for RSS feeds, they receive email notifications of the latest news updates without having to visit your website. RSS begins by downloading a free reader and then subscribing to the feed. Then, as often as the website is updated, the subscriber receives notifications of these updates at their earliest convenience.

Site Search

On the public side of the site, we supply all our clients with a robust site search with advanced search features. The CivicPlus Site Search will search through web pages on your site, PDF documents, any module entries and document files. Video and sound files are searched by name. The Site Search organizes the results by the type of information (calendar item, web page, Microsoft files, PDF documents, etc.)

With the Site Search Log, site administrators can review a history of searched-for words by frequency, date, time and exact terms input by site visitors. This is a helpful tool for your site users and also a means of keeping your staff in-the-know of what items are being regularly searched on your site.

Supported Browsers

Websites built by CivicPlus are viewable in all common browsers; however, they are optimized for administrative use with Windows 2000+ and supported in the two most recent versions of any major browser including: ***Internet Explorer, Firefox, Safari and Chrome***.

Website Statistics

In order to review how your site visitors are using the site, administrators will be trained on the use and analysis of the web statistics, which are provided through Piwik Analytics. Important information can be pulled from this data in order to make decisions about the use of the website.

Hosting & Security Features

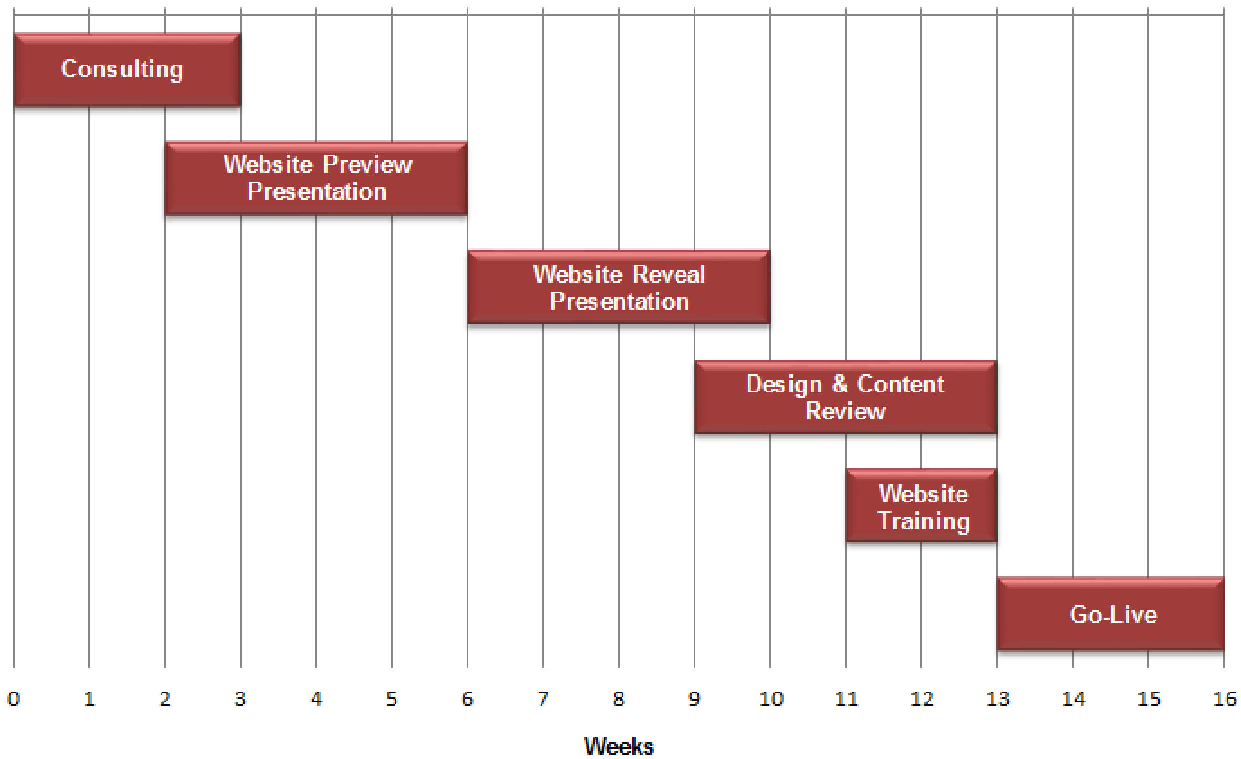
CivicPlus' Network Operations Center – based in Kansas City, MO – is set up specifically for website hosting and administration. Redundant power sources and internet access ensure consistent and stable connections, and regular hardware upgrades make certain that CivicPlus-hosted sites are maintained on up-to-date, reliable equipment.

Hosting With CivicPlus Includes:	
• Shared Web/SQL Server • DNS Consulting and Maintenance • Monitor Bandwidth-Router Traffic • Redundant ISP • Redundant Cooling	• Diesel Powered Generator • Nightly Tape Backup • Intrusion Detection and Prevention • Antivirus Protection • Hardware Upgrades

Physical Security	• Biometric access • Proximity card key system prevents unauthorized access to servers • High-resolution, closed-circuit video with time lapse recording covering secured areas • All visitors require a full-time escort within hosting area • Redundant cooling systems
Power	• All systems fed by uninterruptible power supplies (UPSs) with diesel-powered generator backup
Bandwidth	• 1GB burstable internet capability with option to expand • Multiple carriers to provide redundancy for continuous connectivity – including MCI/Verizon, Hurricane Electric and Cogent • AT&T: 45Mbps fiber optic network • Cox: 100Mbps fiber optic network • BGP internet routing; continuously monitor and manually balance internet load between carriers for optimal speed
Monitoring	• Round-the-clock (24/7/365) monitoring of all critical components, including: internet connectivity, servers, routers, switches and power systems
Backup	• Tape backup performed daily • Off-site tape archive
Antivirus	• Continuously scan system • Signature files auto-updated every 4 hours from national registry
Data Security	• Server operating systems applied as necessary • Router level port blocking and reporting • Router level packet filtering and reporting • Server level port blocking and logging • Ongoing security analysis by Cisco security specialist
Data Redundancy	• RAID Level 5 data storage array • RAID 1 + 0
Intrusion Detection	• Redundant Palo Alto Advanced Services Firewalls
Staff Certifications	• Full-time electrical engineers (EE) • Full-time Microsoft-certified systems engineers (MCSE) • Full-time Cisco-certified network associates (CCNA) • Full-time Cisco-certified network professionals (CCNP)

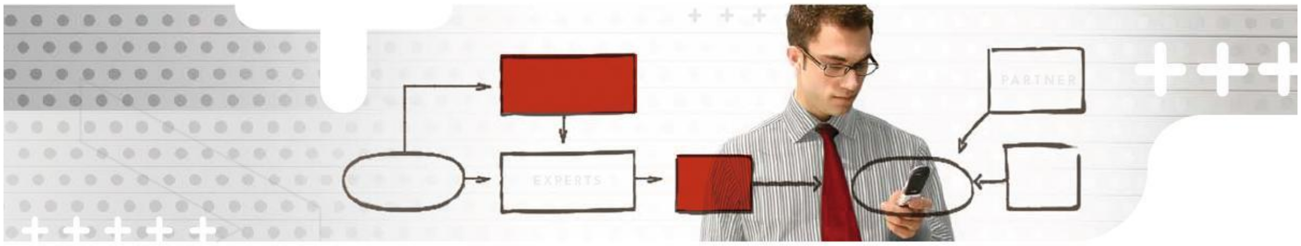
Timeline

Consulting, design, usability guidance, programming, secure hosting and dedicated training -- CivicPlus delivers all of this and more during the development of your new website.



Typical Project Timeline	Timeline
Phase 1 - Consulting (may vary with on-site meetings) Includes: Needs assessment, best practices, and takeaways assigned.	4-5 weeks
Phase 2 - Website Preview Presentation Includes: Layout presentation, mood board and main navigation review, design feedback meeting and approval and takeaways assigned.	3-5 weeks
Phase 3 – Website Reveal Presentation Includes: Presentation of a functional website based on goals, recommendations and combined vision; final approval and takeaways assigned.	3-4 weeks
Phase 4 – Customized Website Training (varies based upon amount of content) Includes: Customized to give your staff the skills they need to maintain your website.	3-4 week
Phase 5 – Go Live	3-4 weeks
Website Launch	**16 -22 Weeks (On Average)**

Because of the unpredictable timelines associated with bidding processes, we rarely supply a custom timeline in our proposal responses. Working together, we want to ensure a realistic timeline is available to meet your specific goals. Through the outline of our proven development model provided in this proposal, development timelines can be estimated based on the date of the project's initiation.



Kick-Off Meeting

During the initial kick-off meeting, you will meet your project manager, senior content developer and senior designer. You will work with your project manager to establish your project timeline, review the startup kit and discuss the takeaway items that need to be completed prior to consulting.

Whether you prefer a more relaxed schedule or a more aggressive timeline, your project manager will discuss the implications of deadlines and the expectations required to keep the project on track. Timelines may be modified upon discussion with your project manager.

Your Role

Tasks your staff will need to complete:

- **Assess Your Current Website**

  For the best consulting experience possible the following takeaways need to be completed prior to your consulting:

  The 6 Stages of Digital Community Engagement Survey – You will take a 3-5 minute online questionnaire to determine where your current website fits on the Community Engagement Scale, www.digitalcommunityengagement.com.

  Department / Division Form - This form will be filled out by each department or division. Each department / division should have an understanding of what services they provide, to whom they provide those services, how they are currently communicating information, their future online communications goals and what they like/dislike about their current web presence.

  Functionality and Design Form - This form will be filled out by your project web team. Prior to starting this form, research other websites that you like based on functionality and design elements. Provide URLs and specifics about what you like. This form also asks for details on your community's tagline, logo and branding.

  Training Information Form for Departments - This form will be filled out by your project web team to help CivicPlus understand the pain points you encounter in your job. We will call out ways to address your pain points during your training sessions.

  Web Team Form - This form will be filled out by your project web team. Prior to starting this form, please have an understanding of your project goals, focus and expectations. This allows your CivicPlus Project Team to develop a site specific to your needs and lays the foundation for developing a highly functional information architecture.

- **Clean House**

  Update the content on your current primary live website. This step is critical to guaranteeing the information available is relevant, fresh and on-point. Your staff should delete any pages from your current website that you no longer want or need and ensure the remaining information is applicable and up-to-date.

Phase 1: Consulting

A CivicPlus consultant will work with you to determine the right direction for your new website. The items you complete prior to consulting play a critical role in establishing the best approach for your site. The items to be reviewed are:

- **Needs Assessment**

  Review the 6 Stages of Digital Community Engagement Survey to determine at which stage your current website ranks and set a goal for your new website. Review the goals and expectations you submitted on the Web Team Form to make sure there is a clear understanding of what the new website needs. Together, we will establish what it will take to meet your website goals regarding design, content and engagement.

- **Functionality & Design**

  Review the information submitted via the Functionality & Design Form to make sure there is a clear understanding of what the new website has to have.

- **Department Needs**

  Meet with your departments to ensure a clear understanding of CivicPlus' Best Practices & Standards for content and gather information on the potential pain points for each department.

Your Role

Items your staff will need to provide:

- **Website Statistics**

  Gather statistics from your current website from the past 12 months.

- **Photos and Template for PDFs**

  Collect pictures to be used in the overall design of the website. Provide a MS Word document template that features your branding / logo. This will be used when converting content into a PDF.

- **List of Departments**

  Compile a list of all divisions and/or departments within your organization.

- **Applications**

  Submit a list of third-party and in-house developed applications presently being utilized on your website.

- **Site Map**

  Pull a site map or outline of your current website's navigational structure. This gives a clear overview of the existing information on the website, including the number and location of pages.

- **Content**

  Provide a list of any content on the current primary website that must remain as is (verbatim) because of legal requirements. Continue updating the current content on your primary website.

"I think that the modules that are offered give a lot of flexibility to not only the taxpayers but our employees. We can use this site as much as a tool as the taxpayers do."

*-**Michael Leiker**, Ellis County, Kansas*

Phase 2: Website Preview Presentation

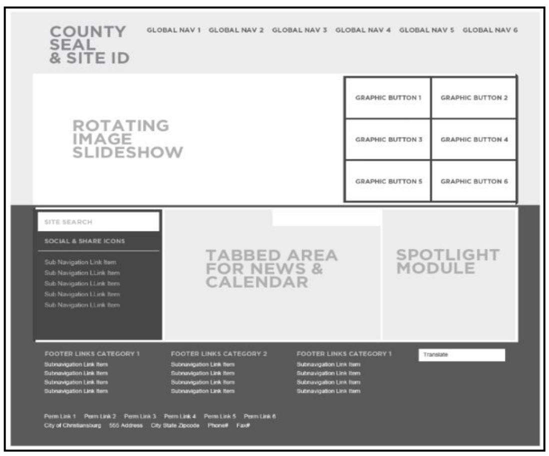
Based on your results and goals outlined during consulting, your Project Team will collaborate to present the most effective user interface for your website, ensuring a flexible design optimized to display in any format now and in the future. Deliverables include:

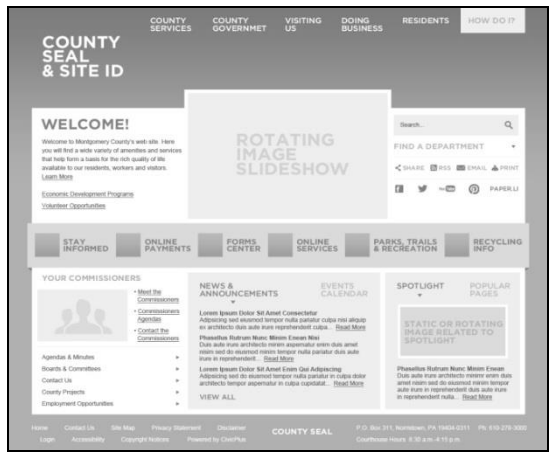
Layout

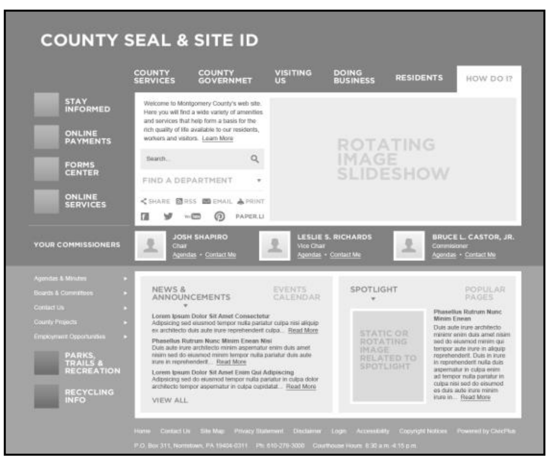
You will be presented with two ***custom*** layouts that showcase the placement of your navigation and key functionality. Very similar to the floor plan of a house, each layout will allow you to focus on where things are and if the function and proportion of the space is adequate.

Website Layout

The examples below are ***not*** template layouts. They were created based on specific clients' goals, during their consulting phase. Though layouts may contain the same elements, you must keep in mind that they can be arranged differently.







What will your website's floor plans look like?

Intuitive, Usable Main Navigation

Simple navigation and consistent page layouts ensure that your visitors can easily find the information they seek. We'll provide you with a complete recommended navigation for your new website based on your community engagement goals and our prior experience in working with government entities.

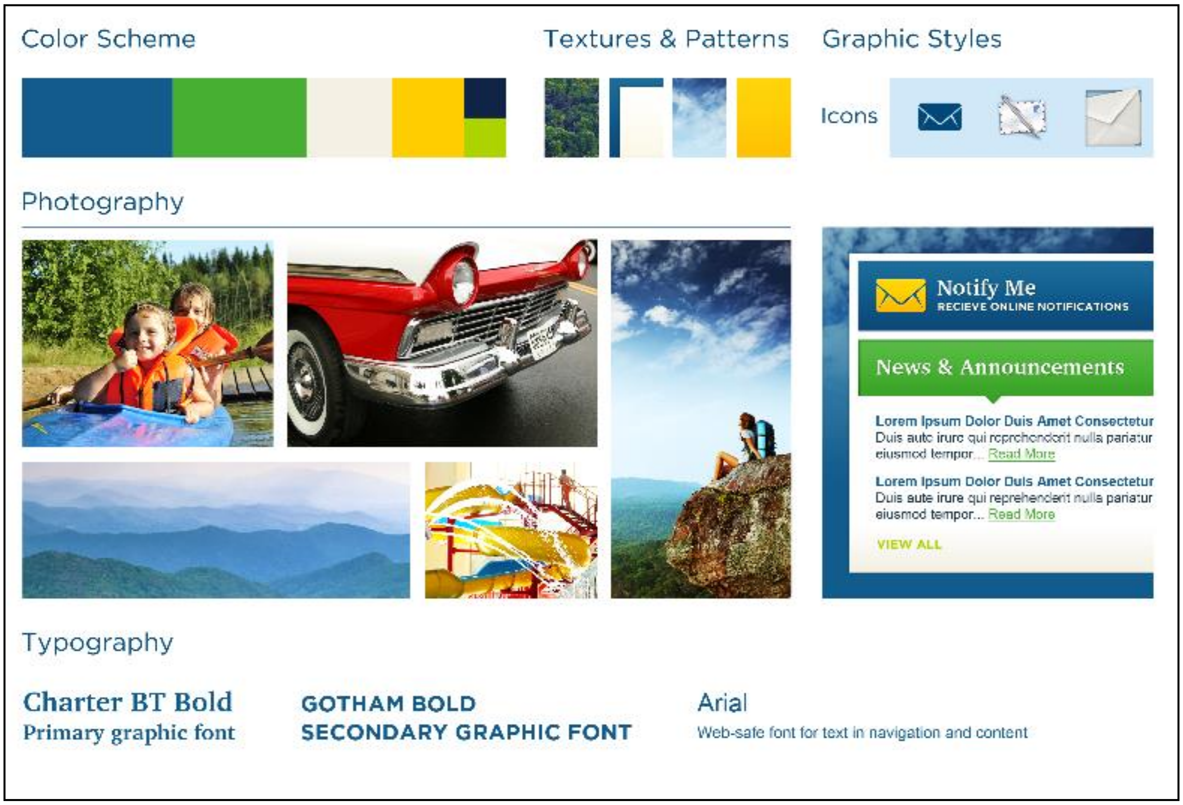
Mood Board

Your Project Team will also present a custom mood board reflecting the color and imagery that will set the tone for your design.

What is a "Mood Board"?

A mood board is a collection of colors, textures, images, graphics, text and descriptive words. These items will be applied to the floor plan you choose. Think of this as the paint that will be used on the canvas that you have chosen.

Example of a Mood Board



Your Role

- **Approval**

  Once you approve your layout and mood board, your designer will begin development of your design.

- **Marketing Packet Meeting**

  Review marketing packet materials and guidelines.

- **DNS Worksheet Due**

  You will need to ensure that CivicPlus has all the necessary DNS items identified for your website launch to be successful.

"The design phase was great. Your design team was really great. They could take our little comments and make our design reflect our city. They were so good about making our changes and coming up with great ideas."

*- **Melissa Weiss**, Creve Coeur, Missouri*

Phase 3: Website Reveal Presentation

Your Project Team will present a fully functional website based on your goals, our recommendations and our combined vision. The team will explain how its expertise has shaped your design and transformed your navigational structure. Your website is now 85 percent complete and, with minimal time investment, your website will be ready to launch!

Content Migration

During the Kick-Off Meeting and Phase 1 your staff had the role of updating the content on your current primary site. While you were making design decisions, our content development team will optimize and reorganize your content based on CivicPlus best practices. Content from sites other than the primary site can be migrated to the new primary site for an additional fee.

The CivicPlus content usability experts research and establish their standards from the following resources: Jakob Nielsen, www.Usability.gov and www.HowTo.gov. We will format and reorganize your content so it is easy for visitors to quickly scan and retrieve desired information. We will also bring over your agendas and minutes. There is no limit to the pages you can create after you have gone through training.

Design/Wireframe Review

You will have the opportunity to evaluate and collaborate with the Project Team on proposed changes. You can revise your design composition as many times as you deem necessary, up to the deadline that you and your project manager agree upon during the timeline meeting (the average client requests a total of three). After that deadline, your project's Go Live date will be adjusted.

Following design approval and functionality development, we conduct a review to ensure your expectations are met and website best practices are upheld. Custom designs are rarely produced in anticipation of a project. Copyright authorization and/or photography production are required unless you already have quality, usable photographs. Additional fees for stock photographs or other images are not included in the estimate.

Accessibility Compliance

Our designers and programmers automatically implement all the accessibility features necessary to ensure your site is compliant with accessibility standards outlined within Section 508. We will make recommendations on best practices for keeping your content accessible and available for all users by ensuring that, among other things:

- All menu items are clickable
- Submenus display throughout the site
- Alt tags are used for images
- Site maps are dynamically generated
- Documents and links can be set to open in the same window

CivicPlus recognizes accessibility standards recommendations made by a variety of groups, including the World Wide Web Consortium (W3C) and the Web Accessibility Initiative (WAI) as written in the Web Content Accessibility Guidelines (WCAG). Through adherence to Section 508, CivicPlus is able to meet almost all Priority One, Two and Three guidelines set forth in the WCAG. Those left unmet do not need to be addressed in order to allow basic access to content; some of the more stringent requirements of the WCAG may limit design and content development options.

Your Role

- **Approval**

  Evaluate presented design and revisions until you are satisfied.

- **Content Review**

  You will review your new website's content and create a list of all the items you would like to see changed. Your CivicPlus trainer will go over your list with you during training, so your staff can gain hands-on experience.

- **Training Preparation Meeting**

  We will help you identify the skills and tools your staff needs to quickly and easily update your website.

Phase 4: Customized Website Training

Our goal for training is to give your staff the skills and tools they need to quickly and easily keep your website current. Trainers will work with you to ensure your staff is correctly trained. Before your site is launched, CivicPlus provides in-person or online webinar training to equip your staff with the knowledge, tools and comfort level needed to maintain the site's integrity upon Go Live.

We want to make this an enjoyable experience, while encouraging your staff to participate in learning activities that give them a comprehensive understanding of your website. Regardless of technical ability, we will help your staff gain the confidence to effectively maintain your website.

Website Best-Practice & Usability Consultation

Based on your internal daily tasks and workflow, CivicPlus consultants share best practices with your staff for delivering automated services to your site's visitors. One-on-one or department-specific task analysis is included. Each hands-on session is designed to enhance your team's communication skills and highlight their individual specialties that emphasize your public value.

Features, Module & Page Creation Training for Administrators & Content Contributors

To better understand your site's navigation and page layout and how these affect target audiences, we will instruct your staff on creating area-rights and back-end features for site administration as well as review all the modules included with your site. Your staff will learn how to create links, format text and lay out pages for usability and scannability.

Typical CivicPlus Training Schedule

Admin Training	**Modules (cont.)**	**Modules (cont.)**	**Pages & Wrap-Up**
Introduction to Website	News Flash	Alert Center	Page Creation
Admin Dashboard	Document Ctr. / Archive Ctr.	Community Voice	Advanced Page Creation
Admin Tools	Opinion Polls	Facilities & Reservations	Assist departments and staff in page creation
Intranet	Staff Directory	Forms	Consult with departments and staff on further development and ways to enhance site
Urchin Statistics	Resource Directory	Request Tracker	Wrap-up session
Set Up Groups & Users	Notify Me®	Agenda Center	
Modules Training	Jobs, Bids & OJA	Featured Info	
Quick Links	Photo Gallery & Postcard	Real Estate Locator	
FAQs	Slideshow	Carb. Calc. & Healthy City	
Calendar	My Dashboard		

Training schedules vary depending on the number users to be trained and hours available but will cover the topics shown. Training manuals are available online and can be downloaded at no cost.

"CivicPlus is the company for municipal websites. I can't imagine working with anyone else."

*-**Krystal Britton**, Hinesville, Georgia*

Phase 5: Go Live

Your Project Team will provide you the information you need to prepare your site for Go Live. This is an exciting time; it is the last step before your new site launches!

Testing and Review

You typically have three weeks after training to become familiar with your site. This will allow you to add, create and make adjustments to content on your production site, as well as ensure overall satisfaction with your website. Content changes will display and function the same way before and after your Go Live date.

Upon completion of a collaborative final review of the website and a final spelling and links checkup by our Quality Control Team, your domain name is directed to the newly developed website.

We will confirm that your initial communication goals developed in Phase 1 have been met, and then your new website is launched to the public. You will continue to receive both technical and consultative support.

Search Engine Registration & Optimization

Before Go Live, your site will be registered with the top search engines. A brief description and a list of key words pertaining to your new website will provide search engines the necessary information to find the website when a user enters a search for your website.

Search engine optimization (SEO) is an important tool to improve search engine page rankings. CivicPlus uses several methods to improve the SEO of our websites. These include development of quality content, use of strong keywords and solid page descriptions. In the near future, changes are planned to further strengthen SEO for our clients. These changes include but are not limited to: user friendly URLs, optimized images and improvements to the site map and page descriptions. These changes will help drive your website to the top of search engine results.

Continued Communication

After your site launches, CivicPlus provides ongoing support. As your site grows, our support team will ensure that you receive the following resources:

- Press release creation
- Monthly e-newsletter
- CivicPlus online support
- Annual site reviews

"With CivicPlus, you're not just getting a website. It's social media, it's emergency alerts, it's my weekly blog, it's the mobile version of the site. Our website is tied to Facebook and Twitter, so updates are automatic. We're pushing information to where the people are. What good is all the good in your community if no one knows about it?"

*-**Thomas Russo**, Newton Township, New Jersey*

Fee Schedule

All Quotes are in US Dollars and Valid for 90 Days from September 18, 2014.

Project Development and Deployment *Initial GCMS® upgrades, maintenance, support and hosting – no additional cost* *Server Storage not to exceed 35 GB*	**$36,000**
Total Fees Year 1	**$36,000**

With CivicPlus' Annual Services, you'll enjoy redundant hosting services, daily backups, extensive disaster recovery plans, 24/7 support, software maintenance, system enhancements, recurring training, and access to the CivicPlus community. Protecting your investment is important, and our Annual Services allow you to receive maximum benefit at minimal cost. Over the course of a year, you'll receive system enhancements, maintenance and optimization. Additionally, your staff will have full access to our support staff, ensuring that they're always up to date on our latest features and functionality.

Annual Services (Continuing GCMS® Enhancements, Maintenance, Support and Hosting) *Billed 12 months from contract signing; subject to annual 3% increase year 3 and beyond*	$7,008

Optional Multi-Year Payment Plan – CivicPlus Advantage

CivicPlus Advantage offers local governments an alternative payment plan that eases the impact of a new website on your budget and **spreads the one-time project development costs over a longer period of time**.

Through a minimum three-year contract, CivicPlus Advantage dramatically lowers the one-time project development and start-up costs of launching a new website, **combining one-time and recurring fees and spreading them over the life of the contract**.

CivicPlus Advantage	1st Year	2nd Year	3rd Year	4th Year
Annual Recurring Fees	$16,672	$16,672	$16,672	$7,218.24

The CivicPlus Recurring Redesign

At CivicPlus, we realize that over time, you might decide that you want to change your design by giving it a visual refresh, so to speak. On average, we have noticed that clients tend to request a redesign about every four or five years in the life of a typical government website.

But instead of starting completely over from scratch with a new website rebuild, CivicPlus has an option that can not only help save you time and effort, but *lots* of money too!

At the end of your fourth year of continuous service with us, you are eligible to receive a website redesign with no further out-of-pocket expense. The cost of the redesign is included in your annual fees each year, giving you the knowledge that your website design will never become stale and that you'll never have to build your site from the ground up again!

The CivicPlus Redesign Option Includes:
• New CivicPlus Basic Redesign • Redevelop banner • Up to three graphic buttons to promote special services • Redevelop navigation method (may choose top drop-down or other options) • Select color scheme to match new graphics • Design setup – wireframe • Print this page option • Email this page option • Breadcrumbs • Sitemap • Redevelop graphic elements of website (Newsflash, FAQs, Calendar, etc.) • Project management • Testing • Review • Content migration – Includes retouching of all existing pages on the redesigned website to ensure proper formatting, menu structure, and application of new site styles. Note: Content will be rewritten or pages broken up (shortened or resectioned) during this process to reflect best web usability practices. • Site styles and page layouts will be touched so all pages match the new design and migrate cleanly

Project Development

Kick-Off Meeting Deliverable: Project Timeline, training jump start and worksheets	**Included**
Phase 1: **Consulting** Deliverable: Needs assessment, best practices and worksheets	**Included**
Phase 2: Website Preview Presentation Deliverable: Website layout and mood board will be presented for your approval	**Included**
Phase 3: Website Reveal Presentation Deliverable: Completed website design and navigation structure will be presented. You will be able to propose changes at this time.	**Included**
Phase 4: 3 days On-site Training for up to 12 employees. Deliverable: Train System Administrator(s) on GCMS® Administration, permissions, setting up groups and users, module administration. Basic User training on pages, module entries, applying modules to pages. Applied use and usability consulting to result in effective communication through your website.	**Included**
Phase 5: Go Live Deliverable: Content migrated from current primary site to new site based on best practice recommendations. Custom website. Registration of site with all major search engines. *Note: Content from sites other than the primary site can be migrated to the new primary site for an additional fee.*	**Included**
Additional Functionality	
Google Translation Tool	**Included**
Media Center with Live Streaming Video (10GB of server storage included)	**Included**
GoCitizen Pro Custom Mobile App (iOS & Android)	**Included**
Department Header Package 1 – includes up to 20 pages of content migration	**Included**
Total Project Development and Deployment Fee *Initial GCMS® system enhancements, maintenance, support and hosting included – no additional cost* *Server Storage not to exceed 35 GB*	**$36,000**
Total Fees Year 1	**$36,000**

Optional Project Enhancement

Options	One-Time Fee
Pre-Implementation: On-Site Kick-Off Meeting Three days on-site. *Quote includes travel expenses.* A consultation package concentrating on your website committee's design goals, audience goals and meet with departments to kick-off with a project overview. Deliverable**:** A document summarizing the meetings, with analysis and recommendations. Design information gathered.	Optional $10,000 Add up to 6 departments per additional day for $2,200
Phase 1: Content Consultation Three days on-site, up to six departments per day. *Quote includes travel expenses.* A consultation package concentrating on evaluating current website content and making recommendations for improved content development, presentation and maintenance. Deliverable**:** A comprehensive report on evaluation of current content (placement, length, style and effectiveness), recommendations for improvement or creation of new content, a follow-up report reviewing the results of implemented suggestions.	Optional $10,000
Phase 1: Process Roadmap Consultation Three days on-site. *Quote includes travel expenses* A consultation package concentrating on evaluation of processes for customer and citizen services. Designed to fit specific client needs in management of the website design and creation process on the client side. Deliverable**:** A comprehensive report of current citizen-facing practices and citizen/customer-facing processes, recommendations for improving quality and efficiency of government-to-citizen and government –to-customer relations and processes, a follow-up report reviewing the results of implemented suggestions.	Optional $10,000
Phase 1: Citizen Engagement/Website Marketing Suite Three days on-site. *Quote includes travel expenses.* This consultation will focus on creating a strategic marketing plan for the new website directed at your main public-facing stakeholders (citizens, visitors and businesses) in an effort to increase awareness of the site and increase interaction with the site's functionality. We will work with you to create a custom plan for advertising and driving traffic to your website geared toward capturing and building upon the momentum gained in the days and weeks that follow the new site's launch. Deliverable: • **Strategic Initiatives:** A strategic marketing plan aimed to increase awareness of the site and increase interaction with the site's functionality using targeted marketing tactics, a recommended plan of action for implementing new site and tools, a follow-up report reviewing the results of implemented suggestions. • **PR Services:** Press release development, distribution and measurement, letter to local library development, letter to local library development, letter to request dedicated link development, how to guide – approach local paper, how to guide – invite local media. • **Social Media Services**: Consultation and recommended posts, Facebook update examples, how to guide – respond to social media.	Optional $10,000

Phase 1: Public Engagement Evaluation Two days on-site. *Quote includes travel expenses.* A consultation package concentrating on evaluation the satisfaction of citizens/customers regarding the current website and online services. A survey will be conduct to discover general levels of satisfaction, desired site functions, features and tools, current tools features or functions that are not considered valuable or need altered. Deliverable: A follow-up report containing findings of current engagement level along with recommendations and roadmap for getting to the desired level of engagement.	Optional $7,800
Phase 1: Website Design Consultation Two days off-site – conducted remotely. A consultation package concentrating on evaluating the form and function of the current website design and potential problems therein. Deliverable: A comprehensive report on all findings regarding the current site design, recommendations and roadmap for implementing the design to meet your overall goals, a follow-up report reviewing the results of implemented suggestions.	Optional $3,600
Phase 1: Intranet Consultation Three days on-site. *Quote includes travel expenses.* A consultation package concentrating on evaluating and improving current functions of interdepartmental relations and recommendations for increasing effectiveness through the use of all available web tools. Deliverable: A comprehensive report on all findings regarding the current intranet system being used and success rate of current system functions, a detailed plan for making improvements and adapting the intranet system to your needs, a follow-up report reviewing the results of implemented suggestions.	Optional $10,000
Phase 5: Consolidation of Identified External Site – Full Content, less than 100 pages An option that allows for pages of content to be migrated from sites other than the current primary site to the new primary site. Migration of top-level navigation is included.	Optional $2,450
Phase 5: Consolidation of Identified External Site – Full Content, more than 100 pages, 50 page block An option that allows for pages of content to be migrated from sites other than the current primary site to the new primary site. Migration of top-level navigation is included.	Optional $1,400 per block
Phase 4: Three Days of Customized On-Site Implementation Training for up to 12 employee. *Quote includes travel expenses ($80 per person per day for the 13th attendee and beyond)*	Optional $8,800
Phase 4: Training/Consulting Two days on-site Review website with department administrators and provide additional time for basic learners. Review website procedures. Must be held concurrently with original on-site training session.	Optional $7,800
Post-Training: Website Presentation Two days of on-site meetings to present website to stakeholders. *Quote includes travel expenses*.	Optional $7,800
Post-Training: Three-Month Checkup Held three months after go-live, includes two days on-site of additional consultation/training. *Quote includes travel expenses.*	Optional $7,800
Post-Training: Three Day Annual Refresher One day on-site consultation, two days on-site refresher/advanced training. *Quote includes travel expenses.*	Optional $10,000
Post Go-Live: 50 Pages of Additional Content	$1,450
Virtual Webmaster: Five Hours of Content Updates per month.	Optional $5,700 Annual Minimum

Annual Recurring Training: Training on new functionality and services Deliverable: • **New User Training:** A three-hour training for new users to learn basic features of the GCMS®. • **Refresher Training/New Module Training:** A three-hour session designed to refresh existing users as well as to train them on new modules. • **New Feature Overview:** A three-hour session designed to make users aware of recently released modules and features. • **Website Review Consulting:** An hour-long, in-depth review of the client website followed by a two-hour session with client users.	Optional $2,000 Annually

Functionality Options	One-Time	Annual
Human Resource Management System (HRMS) – Applicant Tracking Key features include: Assessment lists, social media integration, career portal, resume parsing, candidate source capture, job management, job requisitions, job sourcing metrics, application management, candidate management, reporting, profile metrics, e-mail tool, cost-per-hire metrics, candidate routing, background check integration. *(Annual subscription fee is subject to an annual 5% increase year 3 and beyond)*	n/a	$13,995
HRMS – Applicant Tracking Lite Key features include: Assessment lists, social media integration, career portal, resume parsing, candidate source capture, one (1) free custom job application. *(Annual subscription fee is subject to an annual 5% increase year 3 and beyond)*	n/a	$4,495
HRMS – Onboarding Employee onboarding module streamlines the process with our intuitive user interface, solid business logic, strong auditing and great customer support. *(Annual subscription fee is subject to an annual 5% increase year 3 and beyond)*	n/a	$3,995
Language Translation (hand translation, priced per single language)	$125/page or $1,000/10 pages	n/a
LDAP Integration	$1,200	$300
New Logo Development	$5,000	n/a
New Logo Development with Branding & Graphics Development	$7,000	n/a
Subsite – includes up to 20 pages of content migration *(No annual fee in the first year; annual fees starts in second year)*	$8,000	$1,575

Project Development and Deployment Includes the Following:	
Modules	**Functionality**
• Agenda Center • Alerts Center & Emergency Alert Notification • Archive Center • Bid Postings • Blog • Business/Resource Directory • Calendar • Carbon Calculator • Citizen Request Tracker™ (5 users) • Community Connection • Community Voice™ • Document Center • ePayment Center • Facilities & Reservations with Activities • Frequently Asked Questions • Forms Center • Healthy City • Intranet • Job Postings • My Dashboard • News Flash • Notify Me® email and 500 SMS subscribers • Online Job Application with 1 Generic Application • Opinion Poll • Photo Gallery • Postcard • Quick Links • Real Estate Locator • Spotlight • Staff Directory	• Action Items Queue • Audit Trail / History Log • Automated PDF Converter • Automatic Content Archiving • Content Library (Content Templates) • Dynamic Breadcrumbs • Dynamic Sitemap • Expiring Items Library • Graphic Link Administration • Links Redirect and Broken Links Finder • Menu Management • Mouse-over Menu Structure • MuniMobile™ (Mobile Website Browsing) • Online Editor for Editing and Page Creation (WYSIWYG) • Online Web Statistics • Printer Friendly/Email Page • Rotating Content • RSS • Search Engine Registration • Site Layout Options • Site Search & Entry Log • Slideshow • Social Media Integration (Facebook, Share and Twitter) • User & Group Administration Rights • Web Page Upload Utility • Website Administrative Log

Support	**Maintenance of CivicPlus Application & Modules**	**Hosting**
7 a.m. – 7 p.m. (CST) Monday – Friday (excluding holidays) 24/7 Emergency Support Dedicated Support Personnel 2-hour Response During Normal Hours Usability Improvements Integration of System Enhancements Proactive Support for Updates & Fixes Online Training Manuals Monthly Newsletters Phone Consulting CivicPlus Connection	Install Service Patches for OS System Enhancements Fixes Improvements Integration Testing Development Usage License	Shared Web/SQL Server DNS Consulting & Maintenance Monitor Bandwidth-Router Traffic Redundant ISP Redundant Cooling Diesel Powered Generator Daily Tape Backup Intrusion Detection & Prevention Antivirus Protection Upgrade Hardware

Conclusion

As your website committee narrows the search for a partner to create the website for Laguna Hills, CivicPlus would like to be your partner of choice.

Our experienced and knowledgeable professionals are committed to creating the communication infrastructure that Laguna Hills desires.

- Your city will have access to the most experienced staff in the municipal website management market, and your project team will work with you to create a unique and engaging site that reflects your community.
- CivicPlus will remain a trusted advisor and support resource after the site launches; Laguna Hills will always have access to government communication experts.
- Your site will grow and change with you as industry trends and technology change. CivicPlus will ensure that your website is on the cutting edge – *always*.

We have the expertise to help your city work better, help citizens help themselves and build a website both you and your citizens will use.

Acceptance of Conditions

Clarifications & Exceptions

<table>
<tr><th>Reference</th><th>Your Language</th><th>CivicPlus Proposes</th></tr>
<tr><td>RFP Page 2, Proposed Timeline</td><td>Launch of New Website
November 1, 2014</td><td>To exempt and replace with:

Because of the unpredictable timelines associated with bidding processes, we rarely supply a custom timeline in our proposal responses. Working together, we want to ensure a realistic timeline is available to meet your specific goals. Through the outline of our proven development model provided in this proposal, development timelines can be estimated based on the date of the project’s initiation.</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>RFP Page 4, Vendor Responsibilities 1a</td><td>Provide design mock ups of primary website sections: Home Page, About Laguna Hills, Calendar, Departments, Contact Us, Residents, Businesses, and Visitors.</td><td rowspan="2">To exempt and replace with:

Based on your results and goals outlined during consulting, your Project Team will collaborate to present the most effective user interface for your website, ensuring a flexible design optimized to display in any format now and in the future. You will be presented with two custom layouts that showcase the placement of your navigation and key functionality. Very similar to the floor plan of a house, each layout will allow you to focus on where things are and if the function and proportion of the space is adequate. Your Project Team will also present a custom mood board reflecting the color and imagery that will set the tone for your design. Once you approve your layout and mood board, your designer will begin development of your design.</td></tr>
<tr><td>RFP Page 5, Vendor Deliverables 2a</td><td>The Vendor shall provide a minimum of three (3) designs of the proposed website.</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>RFP Page 4, Vendor Responsibilities 1b</td><td>Install and configure website CMS software on City server infrastructure.</td><td>To exempt.

CivicPlus customers host at our dedicated hosting facilities.</td></tr>
</table>

Certificate of Insurance

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 5/22/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS 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 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 Charlson-Wilson Insurance 555 Poyntz Avenue, Suite 205 P.O. Box 1989 Manhattan KS 66505-1989	CONTACT NAME: Elizabeth Smoller PHONE (A/C, No, Ext): (785) 537-1600 FAX (A/C, No): (785) 537-1657 E-MAIL ADDRESS: bsmoller@charlsonwilson.com
INSURED ICON ENTERPRISES INC D/B/A NETWORK PLUS AND CIVICPLUS 317 HOUSTON STREET MANHATTAN KS 66502	

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A: Sentinel Insurance Company, LTD	11000
INSURER B: Rated by Multiple Companies	00914
INSURER C: Hartford Insurance Group	
INSURER D:	
INSURER E:	
INSURER F:	

COVERAGES CERTIFICATE NUMBER: 2013 Master REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC			37SBAAM8566	5/17/2013	5/17/2014	EACH OCCURRENCE	$ 2,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 1,000,000
							MED EXP (Any one person)	$ 10,000
							PERSONAL & ADV INJURY	$ 2,000,000
							GENERAL AGGREGATE	$ 4,000,000
							PRODUCTS - COMP/OP AGG	$ 4,000,000
								$
A	AUTOMOBILE LIABILITY X ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS HIRED AUTOS NON-OWNED AUTOS			37UECTZ7974	5/17/2013	5/17/2014	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
							PIP-Basic	$
	UMBRELLA LIAB OCCUR EXCESS LIAB CLAIMS-MADE DED RETENTION $						EACH OCCURRENCE	$
							AGGREGATE	$
								$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A		37WECPA9652	5/17/2013	5/17/2014	X WC STATU-TORY LIMITS OTH-ER	
							E.L. EACH ACCIDENT	$ 1,000,000
							E.L. DISEASE - EA EMPLOYEE	$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	$ 1,000,000
C	Technology E&O			00 TE 0277079-13	1/1/2013	1/1/2014	Each Glitch Limit	3,000,000
							Aggregate Limit	3,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER	CANCELLATION
FOR INFORMATIONAL PURPOSES ONLY PLEASE CONTACT AGENT TO BE LISTED AS CERTIFICATE HOLDER	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE Martha Pottberg/TPB *Martha Pottberg*

ACORD 25 (2010/05)

INS025 (201005).01

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: DECEMBER 9, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: DONALD J. WHITE
ASSISTANT CITY MANAGER

ISSUE: MEASURE M2 EXPENDITURE REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

RECOMMENDATION: THAT THE CITY COUNCIL: (1) APPROVE THE MEASURE M2 EXPENDITURE REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014, FOR SUBMITTAL TO OCTA; AND (2) ADOPT A RESOLUTION ENTITLED: "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, CONCERNING THE MEASURE M2 EXPENDITURE REPORT FOR THE CITY OF LAGUNA HILLS FOR FISCAL YEAR ENDING JUNE 30, 2014."

SUMMARY:

With the passage of Renewed Measure M (M2), local agencies must demonstrate eligibility and follow safeguard requirements, in order for local jurisdictions to receive M2 fair share and competitive program funds. The Orange County Transportation Authority's (OCTA) Ordinance No. 3 (M2 Ordinance) identifies the eligibility and safeguard requirements that must be met. One requirement under the M2 Ordinance is that each local agency must adopt and provide an expenditure report (in the form provided by OCTA) to OCTA each year within six months of the end of the local jurisdiction's fiscal year to account for M2 funds. The City Council is requested to review and approve the attached Measure M2 Expenditure Report for the fiscal year ended June 30, 2014, and adopt the attached Resolution for submittal to OCTA, as required by Measure M2 Local Transportation Authority Ordinance No. 3.

BACKGROUND:

On November 7, 2006, the Orange County voters approved the renewal of the Measure M one-half cent sales tax for transportation improvements. This renewal plan is designated as Measure M2 and provides funding for 30 years to relieve traffic congestion. As part of Measure M2, taxpayer safeguards and audits are provided to ensure appropriate use of funds.

One new safeguard requirement under the M2 Ordinance is for each local agency to adopt and provide an annual expenditure report to OCTA each year in the template form provided by OCTA. This expenditure report is a detailed financial report used to track financial activity to account for M2 funds, developer/traffic impact fees, and funds expended by the jurisdiction to satisfy Maintenance of Effort (MOE) requirements. The report includes all M2 net revenue, fund balances and interest earned, and will identify expenditure by activity type and funding source.

The report is required six months after each jurisdiction's fiscal year end and must be adopted by Resolution before submittal to OCTA. The attached M2 Expenditure Report demonstrates the City is in compliance with the requirements of M2.

FISCAL IMPACT:

Historically, Measure M provides approximately $500,000 of annual M2 Fairshare revenues to the City for street maintenance purposes. Failure to submit the M2 Annual Expenditure Report could suspend or delay M2 funding.

ATTACHMENTS:

- Resolution concerning the Measure M2 Expenditure Report
- M2 Expenditure Report for the Fiscal Year Ended June 30, 2014

RESOLUTION NO. 2014-12-09-X

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, CONCERNING THE MEASURE M2 EXPENDITURE REPORT FOR THE CITY OF LAGUNA HILLS FOR FISCAL YEAR ENDING JUNE 30, 2014

The City Council of the City of Laguna Hills, California, hereby finds, determines, declares, and resolves as follows:

WHEREAS, Local Transportation Authority Ordinance No. 3 requires local jurisdictions to adopt an annual Expenditure Report to account for Net Revenues, developer/traffic impact fees, and funds expended by local jurisdiction which satisfy the Maintenance of Effort requirements; and

WHEREAS, the Expenditure Report shall include all Net Revenue fund balances, interest earned and expenditures identified by type and program or project; and

WHEREAS, the Expenditure Report must be adopted and submitted to the Orange County Transportation Authority (OCTA) each year within six months of the end of the local jurisdiction's fiscal year to be eligible to receive Net Revenues as part of Measure M2.

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, DOES HEREBY INFORM OCTA THAT:

A. The M2 Expenditure Report is in conformance with the M2 Expenditure Report Template provided in the Renewed Measure M Eligibility Guidelines and accounts for Net Revenues including interest earned, expenditures during the fiscal year and balances at the end of fiscal year.

B. The M2 Expenditure Report is hereby adopted for the City of Laguna Hills.

C. The City of Laguna Hills' Finance Director is hereby authorized to sign and submit the Measure M2 Expenditure Report to OCTA for the fiscal year ending June 30, 2014.

PASSED, APPROVED, AND ADOPTED this 9th day of December 2014.

____

, MAYOR

ATTEST:

____

PEGGY J. JOHNS, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF LAGUNA HILLS)

I, Peggy J. Johns, City Clerk of the City of Laguna Hills, California, DO HEREBY CERTIFY that the foregoing is a true and correct copy of Resolution No. 2014-12-09- adopted by the City Council of the City of Laguna Hills, California, at a Regular Meeting thereof held on the 9th day of December 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

PEGGY J. JOHNS, CITY CLERK

M2 Expenditure Report
Fiscal Year Ended June 30, 2014
Beginning and Ending Balances

Description	Line No.	Amount
Balances at Beginning of Fiscal Year		
M2 Fairshare	1	
M2 Fairshare Interest	2	
M2 CTFP	3	
M2 CTFP Interest	4	
Other M2 Funding	5	$ 42,625
Other M2 Interest	6	
Other - TDA Backfill	7	$ 6,148 [a]
Balances at Beginning of Fiscal Year (Sum Lines 1 to 7)	8	$ 48,773
Monies Made Available During Fiscal Year	9	$ 893,068
Total Monies Available (Sum Lines 8 & 9)	10	$ 941,840
Expenditures During Fiscal Year	11	$ 879,600
Balances at End of Fiscal Year		
M2 Fairshare	12	$ (0)
M2 Fairshare Interest	13	$ 0
M2 CTFP	14	$ -
M2 CTFP Interest	15	$ -
Other M2 Funding	16	$ 51,791
Other M2 Interest	17	$ -
Other TDA Backfill	18	$ 10,450

CTFP = Combined Transportation Funding Program
TDA = Transportation Development Act

[a] Adjusted beginning balance, Senior Mobility Program TDA Backfill $6,148

M2 Expenditure Report
Fiscal Year Ended June 30, 2014
Sources and Uses

Description	Line No.	Amount
Revenues:		
M2 Fairshare	1	$ 501,854
M2 Fairshare Interest	2	$ 1,061
M2 CTFP (Project O)	3	$ 84,881 [a]
M2 CTFP Interest	4	
Other M2 Funding**	5	$ 299,163
Other M2 Interest	6	$ 160
Other - TDA Backfill	7	$ 5,949
TOTAL REVENUES (Sum lines 1 to 7)	8	$ 893,068
Expenditures:		
M2 Fairshare	9	$ 501,854
M2 Fairshare Interest	10	$ 1,061
M2 CTFP (Project O)	11	$ 84,881 [a]
M2 CTFP Interest	12	
Other M2 Funding**	13	$ 289,997
Other M2 Interest	14	$ 160
Other - CARITS	15	$ 1,647
TOTAL EXPENDITURES (Sum lines 9 to 15)	16	$ 879,600
TOTAL BALANCE (Subtract line 16 from 8)	17	$ 13,468

Breakdown of "Other M2 Funding**", which includes funding received and/or funds expended by local agencies from any other M2 programs beside Project O (Regional Capacity Program) and Program Q (Local Fairshare Program):

Revenues

Project Description	Project	Amount
Regional Traffic Signal Synchronization Program	P	$ 132,693.00
High Frequency Metrolink Service	R	$ -
Transit Extensions to Metrolink	S	$ -
Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	T	$ -
Senior Mobility Program or Senior Non-Emergency Medical Program	U	$ 31,205.02
Community Based Transit/Circulators	V	$ -
Safe Transit Stops	W	$ -
Water Quality Program	X	$ 135,265.00
	Total	$ 299,163.02

Expenditures

Project Description	Project	Amount
Regional Traffic Signal Synchronization Program	P	$ 132,693.00
High Frequency Metrolink Service	R	$ -
Transit Extensions to Metrolink	S	$ -
Convert Metrolink Station(s) to Regional Gateways that connect Orange County with High-Speed Rail Systems	T	$ -
Senior Mobility Program or Senior Non-Emergency Medical Program	U	$ 22,039.37
Community Based Transit/Circulators	V	$ -
Safe Transit Stops	W	$ -
Water Quality Program	X	$ 135,265.00
	Total	$ 289,997.37

[a] $84,881 M2 CTFP expenditures incurred, awaiting reimbursement from OCTA

M2 Expenditure Report

Fiscal Year Ended June 30, 2014

Streets and Roads Detailed Use of Funds

Type of Expenditure	Line No.	*MOE	+ Developer / Impact Fees	M2 Fairshare	M2 Fairshare Interest	M2 CTFP	M2 CTFP Interest	Other M2	Other M2 Interest	Other	TOTAL
Administration (Indirect & Overhead)	**1**	**$ 330,856**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 22,039**	**$ 160**	**$ -**	**$ 353,055**
Construction & Right-of-Way											
New Street Construction	2	$ -	$ -	$ -	$ -	$ 84,881	$ -	$ -	$ -	$ 1,647	$ 86,528
Street Reconstruction	3										$ -
Signals, Safety Devices, & Street Lights	4							132,693			$ 132,693
Pedestrian Ways & Bikepaths	5										$ -
Storm Drains	6	159,946						135,265			$ 295,211
Other TDA Backfill	7										$ -
Total Construction[1]	**8**	**$ 159,946**	**$ -**	**$ -**	**$ -**	**$ 84,881**	**$ -**	**$ 267,958**	**$ -**	**$ 1,647**	**$ 514,432**
Right of Way Acquisition	9										$ -
Total Construction & Right-of-Way	**10**	**$ 159,946**	**$ -**	**$ -**	**$ -**	**$ 84,881**	**$ -**	**$ 267,958**	**$ -**	**$ 1,647**	**$ 514,432**
Maintenance											
Patching	11	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Overlay & Sealing	12	227,635		343,000							$ 570,635
Street Lights & Traffic Signals	13	544,790									$ 544,790
Storm Damage	14										$ -
Other Street Purpose Maintenance	15	591,760		158,854	1,061						$ 751,675
Total Maintenance[1]	**16**	**$ 1,364,185**	**$ -**	**$ 501,854**	**$ 1,061**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,867,100**
Other	**17**	**28,155**									**$ 28,155**
GRAND TOTALS (Sum Lines 1, 10, 16, 17)	**18**	**$ 1,883,142**	**$ -**	**$ 501,854**	**$ 1,061**	**$ 84,881**	**$ -**	**$ 289,997**	**$ 160**	**$ 1,647**	**$ 2,762,742**

* Local funds used to satisfy Maintenance of Effort (MOE) requirements
\+ Transportation related only
[1] Includes direct charges for staff time

12/9/2014 ITEM NO. 3.16

M2 Expenditure Report

Fiscal Year Ended June 30, 2014

Fairshare Project List

PROJECT NAME	AMOUNT EXPENDED
CIP 172/179 Ridge Route and El Toro Road Rehabilitation	343,000
Street Maintenance	159,915
	$ 502,915.00

M2 Expenditure Report
Fiscal Year Ended June 30, 2014

I certify that the interest earned on Net Revenues allocated pursuant to the Ordinance shall be expended only for those purposes for which the Net Revenues were allocated and all the information attached herein is true and accurate to the best of my knowledge:

____

Director of Finance

3.11 CIVIC CENTER 1ST QUARTER FINANCIAL REPORT FOR FY 2014/2015

THE CITY COUNCIL RECEIVED AND FILED THE REPORT.

ITEMS REMOVED FROM THE CONSENT CALENDAR

3.12 RECOGNITION OF OUTGOING COUNCIL MEMBER, RANDAL BRESSETTE

Council Member Bressette pulled this item from the Consent Calendar in order to abstain from voting on this Resolution.

THE CITY COUNCIL ADOPTED RESOLUTION NO. 2014-11-25-2, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAGUNA HILLS, CALIFORNIA, COMMENDING RANDAL BRESSETTE FOR HIS SERVICE TO THE CITY; AND DIRECTED THE MAYOR TO PRESENT A RESOLUTION OF COMMENDATION TO COUNCIL MEMBER BRESSETTE AT HIS RETIREMENT EVENT ON DECEMBER 8, 2014, BY M/COUNCIL MEMBER CARRUTH, S/COUNCIL MEMBER KOGERMAN.

APPROVED BY A VOTE OF 4-0-1 (COUNCIL MEMBER BRESSETTE ABSTAINED).

4. PLANNING AGENCY

Mayor Blount recessed the City Council Meeting and acting in the capacity of Chair, called the regular meeting of the Planning Agency of the City of Laguna Hills, California, to order at 7:31 PM.

4.1 ROLL CALL OF PLANNING AGENCY MEMBERS

Present: Chair Blount, Vice Chair Gilbert, Agency Member Bressette, Agency Member Carruth, and Agency Member Kogerman.

4.2 PUBLIC COMMENTS

There were no Public Comments.

4.3 APPROVAL OF MINUTES FOR OCTOBER 28, 2014

THE PLANNING AGENCY APPROVED THE MINUTES OF THE OCTOBER 28, 2014, REGULAR MEETING, BY M/VICE CHAIR GILBERT, S/AGENCY MEMBER CARRUTH.
APPROVED BY A VOTE OF 5-0.

4.4 ADMINISTRATIVE REPORTS

There were no Administrative Reports.

4.5 PLANNING AGENCY PUBLIC HEARINGS

There were no Planning Agency Public Hearings.

PLANNING AGENCY ADJOURNMENT

Mayor Blount reconvened the City Council Meeting at 7:33 PM. All Council Members were present.

5. CITY COUNCIL PUBLIC HEARINGS

There were no City Council Public Hearings.

6. ADMINISTRATIVE REPORTS

6.1 City Manager

The City Manager made no reports.

6.2 Assistant City Manager

6.2.1 SOUTH COUNTY FAMILY JUSTICE CENTER

THE CITY COUNCIL RECEIVED AND FILED THE REPORT, BY M/MAYOR BLOUNT, S/COUNCIL MEMBER BRESSETTE.
APPROVED BY A VOTE OF 5-0.

7. MATTERS AGENDIZED AND PRESENTED BY CITY COUNCIL MEMBERS AND MAYOR

7.1 COUNCIL MEMBER KOGERMAN

7.1.1 SUPPORT FOR COUNCIL MEMBER KOGERMAN FOR ELECTION TO THE ORANGE COUNTY COUNCIL OF GOVERNMENTS (OCCOG) DISTRICT 13 AND THEREBY REGION 13 REPRESENTATIVE TO THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS (SCAG)

THE CITY COUNCIL MADE A MOTION TO: (1) SUPPORT COUNCIL MEMBER KOGERMAN AS AN EFFECTIVE LEADER TO REPRESENT THE CONCERNS AND OPINIONS OF DISTRICT 13 CITIES; (2) AS INDIVIDUAL COUNCIL MEMBERS ENDEAVOR TO ATTEND THE OCCOG ELECTION MEETING; AND (3) AS INDIVIDUALS ENCOURAGE THE SUPPORT AND ATTENDANCE OF COUNCIL MEMBERS FROM THE VARIOUS DISTRICT 13 CITIES, BY M/COUNCIL MEMBER BRESSETTE, S/COUNCIL MEMBER CARRUTH.
APPROVED BY A VOTE OF 5-0.

City of Laguna Hills
City Council Meeting Agenda
Staff Report

DATE: DECEMBER 9, 2014

TO: MAYOR AND COUNCIL MEMBERS

FROM: BRUCE E. CHANNING
CITY MANAGER

ISSUE: 2014 CITY MANAGER'S YEAR END REPORT

RECOMMENDATION: THAT THE CITY COUNCIL RECEIVE AND FILE THE 2014 CITY MANAGER'S YEAR END REPORT.

SUMMARY:

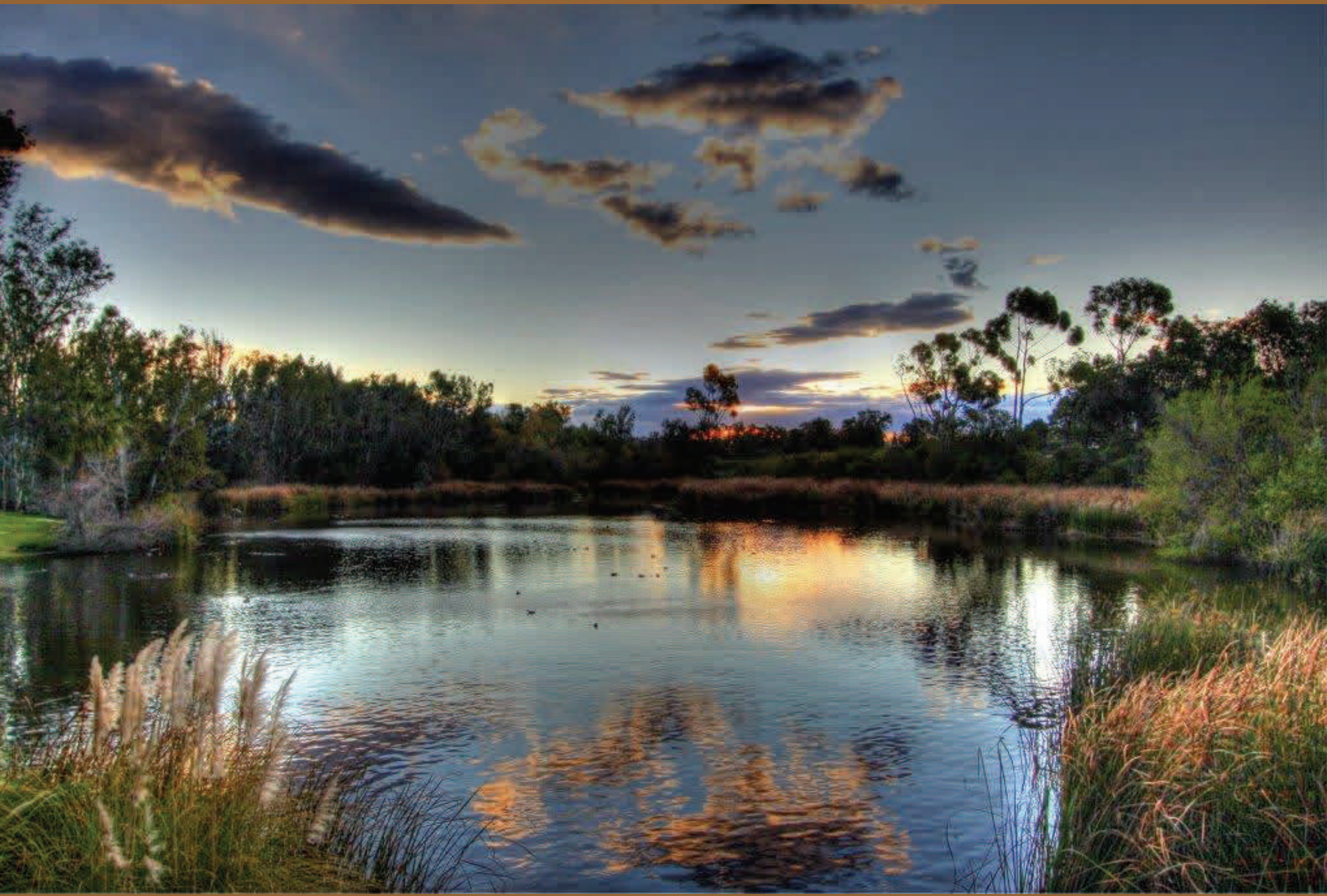
The City Manager submits a Year End Report every year at the December City Council meeting. The report summarizes noteworthy accomplishments of the past year and identifies selected projects and work activity awaiting the City in the coming year.

Included with this report, under separate cover, is the 2014 City Manager's Year End Report. The report highlights a number of accomplishments, including the completion of La Paz Open Space, extension of the solid waste & recycling franchise agreement, the redevelopment of various commercial centers throughout the City, and the strategic partnership to convert the Laguna Hills High School athletic fields to artificial synthetic turf.

During 2015, the City will embark on a number of projects including the completion of numerous park renovations, the 2015-2017 Biennial Budget Process, and facilitating the redevelopment of several shopping centers throughout the City.

ATTACHMENTS:

- 2014 City Manager's Year End Report



CITY MANAGER'S 2014 YEAR END REPORT

Bruce E. Channing, City Manager

CITY OF LAGUNA HILLS
California

12/9/2014 ITEM NO. 6.1.1

City Manager's 2014 Year End Report

December 9, 2014

Honorable Mayor and Council Members,

At the end of every year, it is my pleasure to submit to you the City Manager's Annual Report. As the City enters its 24th year since incorporation, I am once again honored to have the opportunity to highlight the major accomplishments of 2014 and to provide a glimpse into what we have to look forward to in the year ahead.

As the City continues to adjust to the realities of a new normal, we continue to be mindful of the many factors playing out in the general economy. Going forward into this next year, we believe we will continue to see signs of recovery in the local tax base, especially given the depth and breadth of economic activity occurring throughout the City.

To that effect, much of the focus these past few years has been on maintaining and strengthening the City's economic development efforts. In particular, this last year has seen the completion of the Village at Nellie Gail and the start of construction for the redevelopment of Oakbrook Village. We believe these efforts have laid the groundwork for more positive changes to come in the years ahead.

As has continued to be the case, our strong financial position remains a byproduct of hard work, sound decision-making, and an unwavering commitment to our conservative financial policies. We anticipate these values will hold true as we welcome to the City Council Mr. Sedgwick this next month.

The accomplishments recited on the following pages demonstrate our determination to respond successfully to the economic climate, maintain high service levels, and position ourselves to move forward when it is clear that it is safe to do so. For the sake of organization, we have assembled the list of achievements under seven major headings that generally align with our departmental structure. I hope you share with me the same sense of pride I have for all of our 2014 accomplishments.

Administration, Finance and City Clerk

FINANCIAL HIGHLIGHTS

It has now become apparent that a structural correction has taken place in the general economy that has resulted in what many now refer to as the “new normal.” While this continues to impact the recovery of revenues at the local level, the City has consistently maintained a healthy financial condition. Much of this can be contributed to the City’s conservative financial policies. Mindful of these impacts, however, we continue to adjust to the realities of a new normal. General fund revenues in Laguna Hills increased in Fiscal Year 2013/2014 by $621,605, or 3.3%, most of which can be attributed to increases in property tax and sales tax revenues. Property tax revenues totaled $8,826,271, representing a $103,865 increase over the prior year revenues, and sales tax revenues came in at $5,523,069, a $331,151 increase over the previous year.

Additionally, a concerted effort was made to reduce operating expenditures. Consequently, total operating expenditures declined by $181,214, or 1%, over the previous fiscal year, and came in $43,010 under budget for FY 2013/14. Additionally, general fund revenues exceed operating expenditures by $1,425,040.

Given the continued depth and breadth of new economic activity occuring throughout the City; the increased number of new businesses coming on-line and; the general improvements in the local housing market; we expect to see continued recovery in the local tax base this coming year that will positively impact the City’s general fund.

FINANCIAL AWARDS

For the twenty-second consecutive year, the City was awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting for the year ending June 30, 2013. The City also received the GFOA Distinguished Budget Award for its 2013-15 Biennial Budget document. In order to qualify for the award, the budget document must meet program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.

SENIOR CENTER FACILITY GRANT

The City successfully competed for an award of 2014/2015 Community Development Block Grant (CDBG) funding for Public Facilities and Improvement monies to be used at the Florence Sylvester Senior Center. The City was awarded $75,000 for the following improvements: (1) removal of the landscaping on the south side of the building and replacing it with hardscape to create a safe staging area for the Meals on Wheels program; (2) purchase and install audio/video equipment for educational presentations; and (3) remove all fluorescent light fixtures and replace them with energy-efficient fixtures to reduce energy consumption. Over the last six years, the City has been awarded funds totaling over $290,000 to complete a number of improvements and address deferred maintenance issues at the Florence Sylvester Senior Center.

COYOTE RESPONSE EFFORTS

In response to a number of coyote sightings and aggressive behavior in the region, staff conducted two successful trapping operations this past year, one of which was conducted in conjunction with Nellie Gail Ranch Owners Association. Additionally, staff continues its efforts to coordinate with the remaining homeowners' associations throughout the City, as needed.

CIVIC CENTER LEASING & MANAGEMENT

During calendar year 2014, staff successfully negotiated the renewal of leases with Dayle McIntosh Center, Carol Behrens, and Windstone Behavioral Health. Collectively, these 3 tenants occupy 3,716 square feet of the Civic Center. The City and its property management company, Essex Realty, continue to aggressively market vacant suites. These efforts included holding a broker's open house in February attended by approximately 45 brokers.

WATER RATE STUDY

A major plan in the 2013-15 Biennial Budget is to "research and identify strategies to lower water rates for Laguna Hills residents and businesses." Specifically, this major plan focused on the budget based rate system adopted by Moulton Niguel Water District (MNWD) three years ago. There was concern that the rate system appeared to penalize owners of large properties and subsidized owners of smaller properties. City staff met with representatives of MNWD and found MNWD to be very receptive to the City's concerns. MNWD proceeded to conduct a comprehensive rate study earlier this year and made a presentation to the City Council in October 2014 on the status of the study. City staff will continue to actively monitor the progress of the study and comment as necessary, particularly as MNWD conducts workshops and releases drafts of the rate study. It is anticipated a new rate structure will be adopted in the spring of 2015.

WEBSITE UPDATE

The City currently uses a number of public outreach tools to electronically interface and communicate with members of the public. The City website represents the most basic form of online interaction with the public. In addition to providing general information about the City, the City website provides access to news and announcements; staff contact information; public notices; a service directory providing contact information for county, state, and federal agencies; calendar of City events and meetings; notices for Request for Proposals (RFP); employment opportunities; and access to the City's municipal code. Staff released an RFP over the summer and received a total of 16 responses. After thoroughly reviewing the responses, City staff narrowed down the field and interviewed four firms. The agreement with the selected firm is scheduled to go to the City Council for approval at its December 9, 2014, City Council meeting. This $36,000 website redesign project represents several design and technology changes intended to improve navigation, offer better organization of content, and provide improved interactive communication functions incorporating current web technologies.

2014 GENERAL ELECTION

General Municipal Elections are held in the City of Laguna Hills on the first Tuesday in November every two years in even numbered years. This year, the General Municipal Election was scheduled to be held Tuesday, November 4, 2014, to elect three members of the City Council whose terms were scheduled to expire. Ultimately, three residents submitted the necessary paperwork to run for the three open seats. Consequently, the City proceeded to cancel the election at a special August 20, 2014, City Council meeting. It was the third time since the City's incorporation in 1991 that the City has cancelled a General Municipal Election. Canceling the election resulted in savings to the City of approximately $21,000.

Economic Development

HOSPITALITY OVERLAY ZONE

Given Orange County's desirability as a tourism destination and business activity hub, there is currently an increase in hotel development and projected long-term demand for hotel rooms. Laguna Hills currently has four hotels within its jurisdiction and enjoys a number of benefits associated with hotels, such as increased local spending and collection of Transient Occupancy Tax (TOT). Earlier this year, staff examined the City's potential for hotel development and determined that North Laguna Hills, in the area of Lake Forest Drive, Avenida de la Carlota, and the I-5 Freeway, is an ideal location for an overlay zone. Similar to conventional zoning, an overlay zone is layered on top of an underlying zoning district and applies specific regulations to land uses within a targeted area of the City. Overlay zoning is often referred to as "value-added" zoning because it conveys benefits to property owners that are otherwise unavailable through the underlying zoning district. As approved by the City Council at its June 24, 2014, City Council meeting, the Hospitality Overlay Zone modifies the development standards by providing for increased Floor Area Ratio density, increased the maximum height limitations, and decreased setback requirements. Currently, two of the City's four hotels (Comfort Inn and Courtyard by Marriot) are located within the identified overlay zone area. Due to the accessibility to the I-5 Freeway and the existing high-density, 2-6 story office buildings that could be repurposed in a hotel development project, staff hopes the overlay zone could ultimately spur development of new hotels or encourage existing hotels to renovate their facilities.

THE VILLAGE AT NELLIE GAIL

This 11.3 acre area located on the north side of La Paz Road between Moulton Parkway to the west and Alameda to the east was identified as an Opportunity Area in the City's General Plan. Following the rezoning of this parcel from open space to commercial retail, staff processed a tentative parcel map essentially creating a 3.055 acre lot with a 50-foot-wide open space/trail easement along La Paz Road. Three years ago, the City filed a quiet title action in court, giving the City clear title on the property.

In April 2012, the City Council approved the sale of the property to Vintage Real Estate, the owner of the adjacent shopping center for $2.75 million. At that time, the City Council also approved the addition of 29,098 square feet of general commercial space. The approved purchase and sale agreement included a creative and first-of-its-kind water quality easement over a portion of contiguous city-owned open space that allowed the project to move forward. This creative solution resulted in the City being awarded its first Orange County

Business Council "Red Carpet" Award. City staff negotiated an additional $211,416 in exchange for the use of these easements. The quiet title action was completed in June 2012 and escrow on the property closed in September 2012 in the amount of $2,963,093. The Center, now branded as "The Village at Nellie Gail," is anchored by The Fresh Market. The Fresh Market in Laguna Hills, which is the chain's first store in Southern California and the second in the State, celebrated its Grand Opening on July 30, 2014. The Center continues to lease up with a number of new retailers and restaurants, including MOD Pizza and Rita's Italian Ice. The rehabilitation of the 8.25 acre open space area along La Paz Road between Alameda Avenue and Moulton Parkway was also completed in July 2014 by the City at a cost of $1.24 million.

ICSC CONVENTIONS AND SHOWS

The City has periodically attended the International Council of Shopping Centers (ICSC) conventions and shows since 2004. Given the development opportunities at the Village at Nellie Gail, Oakbrook Village, and the Laguna Hills Mall, the City began sponsoring a booth at the 2010 ICSC Western Division Conference in San Diego. The City has subsequently sponsored a booth at the 2011, 2012, 2013, and 2014 ICSC Western Division Conference, as well as the annual national ICSC RECon Convention for all those years as well. The ICSC conventions and shows have provided staff with the opportunity to easily meet with prospective businesses; market development opportunities to developers, hoteliers, and retailers; and distribute leasing information on behalf of various retail centers throughout the City. The City plans to sponsor a booth at the 2015 ICSC Western Division Conference as well as the RECon Convention.

LAGUNA HILLS MALL – FIVE LAGUNAS

In May 2013, Merlone Geier Partners, a private real estate investment company with a long standing reputation of working closely with cities in the development and design of properties, purchased the 68-acre mall from the Simon Property Group. Built in 1973, the Laguna Hills Mall is in dire need of a major redevelopment. Furthermore, the Mall serves as the backbone of the Laguna Hills Urban Village Specific Plan and will help guide the area toward a mixed-use downtown space that provides not only shopping, but also a pedestrian experience and public gathering space. The conceptual redevelopment plan creates a modern pedestrian-friendly town center with more cafes, restaurants, an upscale movie theater, and a public plaza. Over the past year, Merlone Geier Partners purchased the lease to the Sears building and parking field to allow for expanded redevelopment opportunities for the property. Sears subsequently vacated its location over the summer. The property owner has indicated it will submit new concept plans in the early part of 2015. The redevelopment plan for the Mall is anticipated to generate an increase in property tax and sales tax revenues to the City.

PHILLIPS PROPERTY

In 2009, the City Council adopted an update to the City's General Plan which identified several key areas within the City that were likely to experience significant development activity over the next 10 to 20 years. One of the areas identified was the Alicia Gateway, which encompasses approximately 40 acres of retail and commercial land uses adjacent to the I-5 freeway. The General Plan anticipates an additional 194,000 square feet of commercial development in the area and up to 110 dwelling units. One of the properties in the Alicia Gateway is a 5-acre parcel which is the present site of the Phillips Mazda car dealership.

Staff became aware that the dealership is seeking to discontinue its operations at the property at some time in the near future. Consequently, in 2013, with the property owner's consent, staff began marketing the site at several shopping center conferences and even commissioned a site study of the property focused on hotel and retail development. There has been a significant level of interest in the site, resulting in the informal evaluation of a development concept which provides for medium density residential on the rear three acres of the site, adjacent to an existing single-family neighborhood. Based on the City Council's favorable review of the conceptual site plans, a development application has been submitted and is currently under review by staff. Staff anticipates that a development concept will be submitted in 2015 for the two acres fronting Alicia Parkway, and staff will continue to support and guide the redevelopment efforts of the property owner.

SPOTLIGHT ON LOCAL BUSINESS

In an effort to strengthen its ties to local businesses and highlight some of the various businesses located throughout the community, the City launched a "Spotlight on Local Business" program early this year. This program gives local businesses the opportunity to highlight their business at a City Council meeting. To date, a total of 12 businesses have participated in the program this calendar year.

Community Development

OAKBROOK VILLAGE

The owner of Oakbrook Village (Fritz Duda Company) received approval from the City Council at its November 13, 2012, City Council meeting to create a mixed-use development with new retail and residential units. This project intends to turn the aging shopping center into the City's first urban village by demolishing 148,530 square feet of the existing 200,000 square-foot center and replacing it with 489 homes in multistory residential buildings and up to 82,574 square feet of new retail space. This project will be broken up in two phases. Phase One will include the demolition of 82,730 square feet of retail uses and development of 289 dwelling units and 23,974 square feet of new retail space. Phase Two is anticipated to include the demolition of 65,800 square feet of retail uses and development of up to 200 dwelling units and 58,600 square feet of new retail space.

Permits for the 289-unit mixed use residential building were issued in October. Pursuant to the project's approved Development Agreement with the property owner, the project generated $2.1 million for park fees (Quimby Act fees) that are funding renovation projects in several of the City's parks, and nearly $200,000 for the City's public art program in the Urban Village area. Grading for the residential building was recently completed allowing construction to commence on the residential parking structure. Once the parking structure is completed, construction of the residential structure will begin. Construction is scheduled to be completed by spring, 2016. Shea Properties, the residential builder, is also preparing a public art program for presentation to the City Council in the near future. Shea Properties is hoping to integrate a public art component commemorating Nellie Gail into the project.

This project was recognized by the Orange County Business Council this past year for eliminating barriers to private sector jobs creation and contributing to the economic growth of the County.

PHILLIPS PROPERTY DEVELOPMENT APPLICATION

Over the course of the year, staff has held numerous meetings with the property owner and various interested developers to determine the best use of the 5-acre site. A development application has been submitted for a first phase, consisting of 54 residential townhomes, and staff has had an initial meeting with the property owner's preferred commercial development team. Staff is reviewing the application for the residential phase of the development, and will be holding a neighborhood workshop for property owners surrounding the site to provide an opportunity for neighborhood input before any public hearings are scheduled. At least one formal workshop with the City Council is anticipated as well. The project schedule anticipates a hearing before the City Council sometime in the spring over the residential portion of the site. The City Council will need to amend the City's General Plan and Zoning Code to enable the project to move forward.

AFFORDABLE HOUSING INITIATIVES

In 2014, the City of Laguna Hills was awarded $80,000 in Community Development Block Grant (CDBG) funds, which are being used to renovate homes in the 248-unit Aliso Meadows Condominium Association. Over the past ten (10) years, the City has been awarded CDBG Funds totaling almost $2.5 million, which has resulted in the complete or partial rehabilitation of more than 200 affordable housing units for very low, low, and moderate income households in the City. Staff may apply for available CDBG funds in the upcoming year to continue its rehabilitation work in the neighborhood.

BUILDING AND SAFETY DEPARTMENT ACTIVITY

With one month left in the calendar year, the Building and Safety Division is on track to issue over 1,700 permits - equivalent to 2013 levels. However, revenues are projected to increase by 30% when compared to 2013, from $1 million to $1.3 million. The division is projected to provide approximately 6,500 inspections by the end of the year – a 20% increase from 2013. In order to maintain inspection service levels, a full-time consultant inspector has been added to augment the City's in-house inspection services for at least the next six months. The increase in demand for inspections is a result of the development of the first phase of the Oakbrook Village project, energy retrofit projects, and commercial and residential upgrade activity.

CODE ENFORCEMENT ACTIVITIES

The City's Code Enforcement Officer responds to approximately 700 calls for service annually. The City's code enforcement responded to approximately 150 requests for service in commercial areas, and 450 requests in residential areas. Property maintenance concerns generated most of the residential code enforcement activity. Commercial code enforcement activity included some property maintenance requests (typically related to outdoor storage), as well as proactive enforcement of the City's sign regulations. While most code enforcement service requests were cleared through personal contact and the issuance of correction notices, several complaints required the assistance of the City Attorney's office. Two cases are currently pending with the City Attorney's office. Currently, 37 cases are being tracked for compliance.

HERO PROGRAM

State law authorized the financing of energy efficiency improvements to private commercial and residential properties through the creation of special assessment districts. These assessment districts enable the cost of eligible improvements to be financed as a voluntary assessment against the program participant's property. One such assessment district was created through the Home Energy Renovation Opportunity (HERO) program. The City Council authorized the City to join the program at its March 11, 2014, meeting, enabling residents to finance renewable energy, energy and water efficiency improvements, and electric vehicle charging infrastructure on their property.

Public Services

EL TORO ROAD/RIDGE ROUTE DRIVE REHABILITATION

The City Council awarded a construction contract to All American Asphalt in June 2013 for the El Toro Road Pavement Rehabilitation project and the Ridge Route Drive Rehabilitation project in the combined amount of $953,953. This project included pavement rehabilitation along El Toro Road from Paseo de Valencia to Bridger Road, and along Ridge Route Drive from Avenida de la Carlota to Moulton Parkway, to include ADA ramps, concrete repairs, asphalt repairs, roadway resurfacing and lane striping. Construction on the Ridge Route project began in November 2013 and the El Toro Road work began in May 2014. Construction on the combined $1 million project was completed over the summer.

SOUND WALL ALONG I-5 / ALISO CREEK

The San Diego Freeway (I-5) Project from San Joaquin Hills Toll Road (SR-73) to El Toro Road is a $481 million freeway widening project under the direction of Caltrans and in cooperation with OCTA. As part of the environmental review process and outreach, OCTA presented an overview of the project at a City Council meeting. At the time, the City Council indicated concerns regarding noise impacts to specific neighborhoods in the City. As the process progressed, the City challenged the conclusions set forth in the environmental documents regarding noise impacts in the Aliso Creek neighborhoods. Staff worked closely with Caltrans and OCTA to seek a resolution, and ultimately a Community Enhancement wall was added to the project to protect residents in the area from traffic noise impacts, at no cost to the City. The I-5 project is currently in the design phase and anticipated to begin construction in 2018.

STREET MAINTENANCE CONTRACT

Since its incorporation in 1991, the City has utilized the services of the County of Orange for routine maintenance of the City's eighty-one miles of public streets. Upon closer evaluation, it was determined the City could benefit from a procurement for these services and the services could likely be provided at a lower cost as compared to the current agreement and at equal or better service levels. Accordingly, a Request for Proposal (RFP) was issued for Street Maintenance Services. Five firms responded and submitted proposals. Upon evaluation by a staff committee, three firms were interviewed. Ultimately, the City contracted with Charles Abbott and Associates for street maintenance services, resulting in a projected budget savings of $100,000 per year.

WATER QUALITY IMPROVEMENTS

The City has continued its efforts on a multi-year project to install catch basin debris gates on all of the approximately 550 inlets in the City in order to reduce litter and other debris from entering the storm drain system and downstream drainage courses. The debris gates catch litter and leaf debris which is then swept up through the City's street sweeping service. In April 2014, the third phase of the project resulted in the installation of gates at 42 catch basin locations utilizing a Measure M-2 grant of $65,000. A fourth phase has also received similar grant funds and will begin work in early 2015. Approximately 60% of all of the City inlets are now protected by debris gates.

LA PAZ OPEN SPACE

In May 2014, construction was substantially completed on this $1.24 million project adjacent to the newly re-branded Village at Nellie Gail. The City Council awarded a construction contract to Environmental Construction, Inc. in September 2013 for the La Paz Open Space Improvements from Moulton Parkway to Alameda Avenue and construction began in November 2013. The completed improvements include landscaping the eight-acre open space area, as well as creating a dual trail system. Construction for the project was closely coordinated with the development of the adjacent Village at Nellie Gail to coincide with the center's grand opening.

CITYWIDE PAVEMENT MAINTENANCE

The City's residential street maintenance project began on August 15, 2014 and continues the work of resurfacing the oldest residential streets. In particular, this project focuses on the completion of streets in Zone A, southerly of Oso Parkway in both Moulton Ranch and Nellie Gail Ranch, and in Zone D, easterly of Paseo de Valencia and southerly of Alicia Parkway. This project includes the addition of ADA ramps, performing concrete and pavement repairs, and resurfacing a limited number of bicycle trail segments. A slurry seal project will follow this work for maintenance of the remaining streets in Zones A and D.

TREE DONATION PROGRAM

At its May 27, 2014, City Council meeting, in response to a request from a City resident, the City Council approved a tree donation program and established a formal policy allowing members of the public to make financial donations to the City for the purpose of planting trees. The Tree Donation Program effectively allows members of the community to dedicate trees in memory of a loved one or to commemorate special occasions while simultaneously adding to the City's tree inventory. The cost for planting one 15-gallon tree is $100 and covers the City's direct and indirect costs associated with the donation and tree planting.

Community Services

SENIOR TRANSPORTATION

Utilizing funds provided by OCTA's Senior Mobility Program, the City continues to provide transportation for seniors through the Dial-A-Taxi program. The program which allows all seniors who are 60 years of age or older to use the Dial-A-Taxi service, as well as those who also qualify for the OCTA ACCESS program to use the senior transportation program. In an effort to increase participation in the program, in 2013 the service area of the program was expanded to include the City of Laguna Woods. Seniors can travel to any destination within the service area which includes Laguna Hills, Mission Viejo, and Laguna Woods. Also, new satellite destinations were added to the program. These new destinations include Irvine Spectrum, Hoag Hospital, Kaiser Hospital, John Wayne Airport, Long Beach Airport, and LAX Airport. Staff continues to advertise the program by passing out informational flyers at our senior living centers and placing an article in the quarterly City Views publication. Currently there are 299 seniors enrolled in the City of Laguna

Hills' Senior Dial-A-Taxi program and an average of 133 trips per month. Of the 299 seniors enrolled in the program, there are 23 seniors who are actively using this service.

SPECIAL EVENTS

The City hosted two signature events this past year. The 2014 Memorial Day Half Marathon, 5K, and 10K, honoring the USMC Dark Horse Battalion, was held on May 26, 2014, with 3,690 runners participating. This is an increase of 290 runners when compared to last year's event. The City collected a total of $182,661 in revenues from this event. Direct expenses (not including staff costs) totaled $173,269. A number of the 3/5 Battalion Marines ran in the half marathon, which, along with the 5K and 10K, was led from the start line by our Grand Marshall, LCpl. Carlos Garcia. Prior to the race, the City Council approved a pledge formula of $3 per paid participant for the continued funding of the 3/5 Marine Support Committee. Based on this formula, $10,425 was awarded to the 3/5 Marine Support Committee by City Council Resolution on July 8, 2014. Furthermore, South County Outreach benefited from the event by collecting twenty pounds of canned food and receiving a donation of $2,900 from the sale of beer garden tickets.

The second signature event was the City's annual 4th of July celebration. It is estimated that more than 10,000 people attended the City of Laguna Hills 2014 Fourth of July event. Total expenditures for this event were $54,298 (not including staff time). Net costs totaled $49,111, which accounts for $4,087 in ride ticket sales and $1,100 in vendor booth rentals. After three years of issues with the fireworks display and various firework malfunctions, a 4-6 minute back-up fireworks show was put in place should a malfunction occur with the primary 16 minute show. There were no issues and the back-up show was fired immediately following the primary display, resulting in a 20 minute fireworks show that included nearly 1,400 shells.

EMERITUS AND RECREATION PROGRAMS

Since 2003, the City of Laguna Hills has offered the use of the gymnasium to the Saddleback College Emeritus Institute for senior physical activity classes. On an annual basis, approximately 1,500 Emeritus program individuals participate in physical activities such as yoga, pilates, Tai Chi, and aerobics. In 2013, City staff worked with the Saddleback College Emeritus Institute to include additional Emeritus cultural and education classes such as Spanish, Art Appreciation, Watercolor, and Sketching in our recreation program offerings. The addition of these programs has boosted Emeritus program participation to more than 3,200 individuals during 2014.

Additionally, the cultural arts theatre programs continued to be offered during 2014. Working with On the Edge Theater Production, staff held a Shakespeare in the Hills performance of The Taming of the Shrew in the Community Center gazebo and town green area. This performance was well received by the 376 spectators in attendance. Another performance, Little Women-The Musical, will take place in December in the Community Center banquet room.

The drop-in ping pong program continued and was expanded upon during 2014, providing an opportunity for individuals to participate in pick-up ping pong games in the Physical Activity Room three days per week. This program currently has more than 100 participants and the majority of these ping pong players are senior citizens. This program takes place from 12 pm – 2 pm, Tuesdays, Thursdays, and Saturdays.

COMMUNITY SERVICES FACEBOOK PAGE

In January 2014, the Community Service Department created a “Laguna Hills Community Center” Facebook page to promote the City’s special events and recreation activity. The City’s Facebook page currently has 412 likes and can be accessed at www.facebook.com/lagunahillscc.

Environment and Conservation

LANDFILL DIVERSION

The 2013 Annual Disposal Report using the per capita disposal figures was submitted to the State Department of Resource Recycling and Recovery (CalRecycle) on July 31, 2014. This detailed report summarizes all the many recycling programs that the City has in place such as residential curbside, commercial and multi-family, outreach and educational efforts, greenwaste recycling, electronic waste recycling, and material recovery processing centers, etc. For 2013, the City achieved a per capita disposal rate (pounds/person/day) of 3.5 which is well below the per capita disposal target of 5.8 pounds per day. Because the City is below the target figure, the City is in compliance with the State’s recycling and diversion mandates. The City’s 2013 Annual Disposal Report was accepted and approved by CalRecycle on August 20, 2014.

The total disposal tons reported to the State for 2013 was 20,056 tons. This figure represents the amount of waste that was transferred to and deposited into our local landfills not only by CR&R but by other self-haul entities. Although the City does not have current tonnage figures for all the private recycling programs, such as internal business recycling programs and self-hauler recycling initiatives, CR&R’s annual reports to the City can provide an idea of the total waste generation of the Laguna Hills community. For example, in 2013, CR&R collected a total of 33,364 tons of waste in Laguna Hills. After processing the majority of this waste at its material recovery facilities and other facilities, CR&R transported a total of 16,759 tons to local landfills. Of the total waste collected, CR&R achieved a diversion rate of 49.8% by diverting 16,605 tons of recyclable material from landfills.

WATER QUALITY

- City staff implemented the Fourth Term NPDES permits issued by both the Santa Ana Regional Water Quality Control Board and the San Diego Regional Water Quality Control Board. Staff negotiated with both Regional Boards in order to seek coverage for the entire City under one Regional Permit. It has been agreed, in principle, that all of Laguna Hills will be governed by the San Diego Regional Water Quality Control Board which, when implemented in the next Term Permit, will allow City staff and property owners to simplify annual reporting requirements, inspections, and development standards.

- The City participated in the 18th Annual Inner Coastal Watershed Cleanup Day on September 20, 2014. This was the eleventh year the City has participated in this event where volunteers worked together and cleaned a portion of the Aliso Hills Channel.

- As part of this year's 4th of July Celebration at the Laguna Hills Community Center, City staff hosted a water quality booth with brochures and other educational information relating to water quality. Some of the materials available for residents included water quality educational coloring books, posters, magnets, and brochures such as "The Ocean Begins at Your Front Door" and "Household Tips."

- The City installed debris gates on 42 catch basins throughout the City by utilizing a grant received from the Orange County Transportation Authority Measure M-2.

SOLID WASTE AND RECYCLING FRANCHISE AGREEMENT

The City approved an amendment to its current franchise agreement with CR&R for waste hauling services, extending the term of the agreement by eight years through June 30, 2024. In exchange for the extension, CR&R reduced its rates for residential and commercial customers, effective October 1, 2014. Residential rates saw a 13% reduction, while commercial service rates decreased by 2.5% to 8%, depending on the size of the container and the number of weekly pickups. Commercial recycling rates also decreased from 2.5% to 29%, depending on the size of the container and the number of weekly pickups. In addition to the reduction in rates, CR&R is establishing an On-Call Residential Household Hazardous Waste (HHW) Pick Up Service.

L H H S A T H L E T I C F I E L D S S Y N T H E T I C T U R F P R O J E C T

This project represents a strategic partnership between the City of Laguna Hills, Moulton Niguel Water District (MNWD), and the Saddleback Valley Unified School District (SVUSD) to convert the Laguna Hills High School's upper athletic fields to synthetic turf. The school district approached the City in February 2014 about partnering together to convert the athletic fields to artificial synthetic turf at an estimated cost of $1.6 million. Through MNWD's Water Efficiency Rebate Program, including Turf Removal Rebates and Synthetic Turf Installation Rebates, funds were made available to convert the entire 247,000 square foot of fields to artificial turf. The City proceeded to successfully secure over $1 million in rebates and incentives, allowing for the project at no cost to the City. Construction on the project has been completed and a groundbreaking ceremony was held on November 20, 2014. This project will result in a significant decrease in water usage, estimated at approximately 50 million gallons of water over the next 10 years, as well as provide additional savings of approximately $50,000 annually in SVUSD's operating budget. The City, in exchange, was able to secure rights for increased usage of the fields for both adult and youth sports organizations.

V O L U N T E E R C O N N E C T I O N D A Y

The City held its annual Volunteer Connection Day activities at the Laguna Hills Community Center and Sports Complex on Saturday, April 19, 2014. Previously named Earth Day Laguna Hills, the event was renamed Volunteer Connection Day to emphasize the purpose of the event – volunteers coming together to beautify the City with community projects. The event included trail clean-ups, planting projects, soil improvements, and the hosting of an e-waste collection site. Fifty-three (53) volunteers participated in this year's event and collected 300 pounds of trash and recyclables, as well as planted trees in City parks.

Police Services

PUBLIC SAFETY

There were 8,809 total calls for service in Laguna Hills in the first three quarters of 2014, which represents a decrease of 3.3% in reported incidents when compared to the same period in 2012.

The total number of Part I crimes also experienced an overall decrease of 12.1% when compared to last year. This decrease is largely attributed to a sharp decline in the number of reported violent crimes.

Part II crimes are generally considered proactive, deputy initiated activities carried out while a deputy is on patrol and not responding to a call. Part II crimes, which include driving under the influence (DUI), narcotics, and vandalism incidents, have increased by 5.8% when compared to the same time period last year.

RESPONSE TIMES IMPROVE

Response times continue to remain within the expected parameters for all four levels of priority calls. The average response time for 2014 are 4:31 for Priority 1 calls, 8:05 for Priority 2 calls, 12:21 for Priority 3 calls, and 23:31 for Priority 4 calls. It remains the goal of Laguna Hills Police Services to respond to all Priority 1 calls within five minutes from the time of dispatch to arrival, twelve minutes for Priority 2 calls, and twenty minutes for Priority 3 calls. There is no standard response time goal for Priority 4 calls but rather deputies are dispatched as they become available.

POLICE SERVICES STUDY

One of the Major Plans identified as part of the 2013-15 Biennial Budget was a review of the current Police Services contract, including recommendations regarding possible modifications or reallocation of resources. The City awarded a contract to Matrix Consulting in November 2013 to conduct a comprehensive evaluation of police services in Laguna Hills. A final report was presented to the City Council in June 2014 that identified several potential cost saving measures, which are currently under review for implementation.

NEIGHBORHOOD WATCH GROWS

The Neighborhood Watch Program continues to prosper this year with the revitalization of one inactive group and two new groups. In addition, Police Services has participated in various community events such as National Take Back Day, Volunteer Connection Day, 4th of July Expo, National Night Out, Nellie Gail Ranch Concert in the Park, and Valencia Elementary's Boo Bash Carnival. In addition, Police Services' staff have performed over 17 child car safety inspections to reduce the misuse rate of child car seats that are installed or used incorrectly. The City's Crime Prevention Specialist has been out on leave much of the year, limiting the number of child car safety inspections conducted on-site during the year.

COMMUNITY EMERGENCY PREPAREDNESS ACADEMY

Police Services once again conducted the Community Emergency Preparedness Academy (CEPA) where 27 residents completed eight weeks of disaster preparedness training. The training included information on fire safety, search and rescue, utility and water safety procedures, disaster/terrorism overview, CPR, first aid and AED certification. The final class consisted of a mock disaster drill spanning five different scenarios allowing the participants to practice the disaster training skills learned over the course of the Academy. The graduation ceremony for this year's training class was held on Thursday, March 27, 2014.

2014 Outlook

As we head into 2015, we will continue to focus on objectives that manage costs; invest in job-creating infrastructure; make economic development a priority; and improve the quality of life in Laguna Hills.

2015-2017 BIENNIAL BUDGET DEVELOPMENT PROCESS

Since its incorporation, the City has been committed to biennial budgeting and long-range planning. Preparing a budget every other year lends greater weight to the importance of the process. The City's financial policies have served the City well, and the City's adherence to those policies will be imperative for maintaining our strong financial condition. The focus during this upcoming budget cycle will once again be on managing costs, investing in job-creating infrastructure, and making economic development a priority. The five-month budget process will begin in February 2015.

LAGUNA HILLS MALL – FIVE LAGUNAS

Over the next year, Merlone Geier Partners will continue its work efforts on the redevelopment plan for the Laguna Hills Mall. The conceptual redevelopment plan creates a modern pedestrian-friendly town center with more cafes, restaurants, an upscale movie theater, and a public plaza. The property owner has indicated it will submit new concept plans in the early part of 2015. City staff will continue to facilitate meeting requests with Merlone Geier Partner's development partners over the next year, as well as consult on the general direction of the development of the site.

SPORTS COMPLEX SOFTBALL FIELD TURF RENOVATION

This past spring, the City of Laguna Hills, Saddleback Valley Unified School District (SVUSD), and Moulton Niguel Water District (MNWD) formed a strategic partnership to convert the Laguna Hills High School athletic fields to synthetic turf. At that time, City staff initiated preliminary discussions with MNWD regarding the conversion of the City's softball field to artificial synthetic turf and received preliminary funding approval of approximately $416,500 from MNWD and the Municipal Water District of Orange County. The City Council formally approved the conversion of the Sports Complex softball field to a multi-use field utilizing artificial synthetic turf. This project will result in expanded use of the fields, additional play time, and reduced operational costs, all with no impact to the City's general fund. It is anticipated this project will go out to bid in March 2015.

WEBSITE UPGRADE

The City website represents the most basic form of online interaction with the public. In addition to providing general information about the City, the City website provides access to news and announcements; staff contact information; public notices; a service directory providing contact information for county, State, and federal agencies; calendar of City events and meetings; notices for Request for Proposals (RFP); employment opportunities; and access to the City's municipal code. City staff is recommending awarding the contract to CivicPlus at the December 9, 2014, City Council meeting. This $36,000 website redesign project represents several design and technology changes intended to improve navigation, offer better organization of content, and provide improved interactive communication functions incorporating current web technologies. It is anticipated the project will last approximately 16-22 weeks and will be completed by May 2015.

CABOT PARK RENOVATION

This park refurbishment project will focus on completing the amenity enhancements for spectator enjoyment of baseball games, repainting the restroom building and hand rails, replacing damaged concrete, resurfacing the parking lot and completing other minor miscellaneous repairs. This project is scheduled to go out to bid in April 2015, with construction completed in 2015.

STOCKPORT PARK RENOVATION

The Stockport Park Renovation Project consists of a number of improvements, including the refurbishment of the playground equipment, the addition of rubberized playground surfacing, concrete repairs, the addition of slope fencing, new landscaping on the slopes and miscellaneous site repairs. While this project was originally slated to begin construction in the summer of 2014, a delay in receiving the project funding revenues pushed the construction timeline for the project into 2015. The project is anticipated to go out to bid in February 2015.

Conclusion

The pages of this report are filled with each Department's major achievements in 2014, and provide ample evidence of hard work and highly competent performance by your dedicated City staff. I for one, am very pleased by everything that has been accomplished. As I stated in my introductory comments to this report, we continue to face challenges resulting from the structural correction that has taken place in the economy over the last five years. Similarly, we continue to vigilantly monitor new legislation and related proposals, especially at the State level, that may impact local governments and limit our ability to manage our own affairs.

We are encouraged by the continued economic revitalization taking place throughout the City and believe it reflects positively on our City. It is reasonable to assume that private property owners invest in new construction or the redevelopment of their property and assets when they have confidence in the future, and in the community where their property is located. Clearly, the business and property owners that have a stake in the economic future of Laguna Hills have demonstrated a willingness to invest their money to improve their business and their property in the hope of a prosperous future.

With the direction of this City Council, I am confident that we will be able to successfully deal with the challenges ahead and maintain our strong financial condition, provided we remain committed to the prudent management practices and policies that have enabled us to be so successful over these past 23 years.

To that end, I believe that the on-going success of our organization is premised upon staying true to our mission, maintaining shared values and vision as well as being dedicated to principle-centered leadership. As I reflect on our many accomplishments in 2014, as well as our accomplishments over the prior 23 years, I am mindful that this was all possible because of the Mayor and City Council's effective leadership and support. I look forward to working with you on the challenges ahead.

Sincerely,

BRUCE E. CHANNING
City Manager